

**Kansas Energy Council
December 5, 2007 Meeting Notes**

KEC Members Attending:

Ken Frahm, Co-Chair
Lt. Gov. Mark Parkinson, Co-Chair
Rick Anderson
Luke Bell
Rex Buchanan
Sarah Dean
Joe Dick
Steve Dillard
Jay Emler
Carl Holmes
Steve Johnson
Carole Jordan (for Adrian Polansky)
Mike Kelley
Jeff Kennedy

Janis Lee
Stuart Lowry
Gene Merry
Hans Nettelblad
Jesse Romo (for Deb Miller)
Mark Schreiber
Tom Sloan
Bruce Snead
Joshua Svaty
Mark Taddiken
Michael Volker
Steve Weatherford
Curt Wright

KEC Staff: Liz Brosius, Ray Hammarlund, Dana Maher

Opening remarks, introductions

Co-Chair Ken Frahm welcomed the council and noted that since several council members would have to leave early, it would be beneficial to “whip through this rapidly.” Lt. Governor Mark Parkinson agreed and declined to make any opening remarks.

Kansas Energy Plan 2008—Ethanol and biodiesel plan drafts

After noting that the Council had two primary tasks (approving the contents of the Kansas Energy Plan and selecting priorities for the 2008 planning cycle), KEC Director Liz Brosius noted that the background information for the ethanol section hadn’t changed since the November meeting. Curt Wright made a motion to adopt the background information, which was seconded by Steve Dillard, and the motion passed by unanimous voice vote. Brosius then outlined the policy recommendation; Mark Taddiken moved to adopt; Wright seconded; and the motion was approved by unanimous voice vote. Carl Holmes noted the legislative committees would need the biofuels program review by January 20th, if any legislative action is desired.

Brosius outlined changes made to the biodiesel draft in response to input from Richard Nelson, KSU Engineering Extension and author of the biodiesel background paper. Discussion regarding the pipeline shipping of biofuels clarified that ethanol is considered to be corrosive to existing pipeline systems. A few specific changes to the draft were discussed and agreed on, and Brosius noted that staff would make all the changes in the final version. Bruce Snead moved to adopt the background information with the suggested changes, Janis Lee seconded, and the motion passed by unanimous voice vote. Brosius noted that the biodiesel and ethanol policy recommendations

were identical. Lee moved to approve the biodiesel recommendation, Snead seconded, and the recommendation passed by unanimous voice vote.

Kansas Energy Plan 2008—Energy conservation and efficiency plan drafts

Brosius asked for comments or questions on the introductory overview that staff had prepared since the November meeting. None were forthcoming, so Brosius proceeded to outline the background information and draft recommendations for the various sections in Chapter 9.

Section 9.1: Utility-sponsored programs—Brosius noted that some new sections had been added to round out the existing policies and programs and asked for questions or comments. Hans Nettelblad questioned the lack of alternative energy incentives in the existing policies and programs listing, and Brosius explained that based on the energy plan outline (or table of contents), the alternative energy topic is addressed in another chapter. Michael Volker moved to adopt the topic description and existing policies and programs, Mark Schreiber seconded, and a unanimous voice vote approved the motion. Brosius reviewed the recommendation to monitor the KCC's ongoing energy efficiency investigation to determine need for further KEC investigation of rate design and other efficiency issues. No discussion or questions were forthcoming; Schreiber moved to adopt the recommendation, with Volker seconding; and the motion passed unanimously.

Section 9.2: Residential Structures—Brosius outlined the background information for this section. Nettelblad pointed out that standards similar to LEED exist and it was agreed that he would get information on the Green Globes program to staff for inclusion. Steve Weatherford noted that the KEEP loan program does more than just reduce heating costs and suggested that the description of KEEP be changed for clarity; Brosius suggested revision was approved. Stuart Lowry asked whether negotiations for KEEP sponsorship are occurring with banks besides Sunflower, and Weatherford replied that a meeting with a new bank is currently scheduled. Snead moved to accept the topic description and existing policies and programs, Nettelblad seconded, and a unanimous voice vote approved the motion.

Brosius outline the first recommendation—*The State of Kansas should provide \$2 million in annual funding to expand weatherization assistance to low-income households provided through the Kansas Weatherization Assistance Program (WAP)*—noting that no substantive changes had been made to the draft since the November meeting.

Steve Johnson asked how much money the 15% of LIEAP funding represents, and staff agreed to follow up with WAP staff. [Note: According to Al Dorsey, KHRC, last year WAP received \$2,264,099 from DOE; \$2,501,390 from LIEAP; \$2 million from the State.] Following further discussion, staff agreed to revise the draft to clarify funding and that the recommended \$2 million would be additional funding.

Taddiken pointed out that people on LIEAP tend to stay on the program and asked whether many LIEAP participants are taking advantage of WAP and whether savings are being realized in the LIEAP program because of this. Weatherford replied that KHRC is trying to coordinate with SRS on this, but it is difficult because SRS tracks families and KHRC tracks buildings.

Weatherford indicated that the missing link in connecting KHRC and SRS is usage data from utility providers.

Lee asked about tenant/landlord situations, and Weatherford explained that property owners are only reimbursed for part of the expense of weatherization. Holmes noted that the legislature wrangled with a landlord/tenant bill last year before it stalled in the Senate. Tom Sloan noted that landlords need an incentive to participate and suggested that shifting utility bills to landlords would provide one. Brosius agreed that the landlord/tenant issue is very important and suggested that it be dealt with in a future meeting.

Volker expressed his desire to see language encouraging the integration of existing utility programs with programs such as WAP, stating that such coordination has been tried and is currently too difficult. Snead agreed and stated that any coordination should target the most problematic/wasteful structures with a combined effort. Schreiber further agreed, stating that Westar is trying to identify and target those structures in its service territory. Volker suggested that adding language to the recommendation urging better coordination increase the chance of legislative approval. Schreiber moved to add such language and adopt the recommendation, Snead seconded, and a unanimous voice vote approved the motion.

Brosius outlined the second recommendation—*Expand the KHRC low interest energy efficiency loan program (KEEP) to facilitate adoption of energy efficiency improvements by all Kansas homeowners*—and noted that KHRC staff was on hand to provide more details about their plans to revise the program. Gary Allsup, KHRC Executive Director, reported on KHRC staff's trip to Nebraska and a meeting with Sunflower bank to discuss program developments. Allsup noted participation in KEEP had increased some in recent months. Based on input from the Nebraska staff and Sunflower Bank, Allsup said that KHRC planned to (1) retain the blended interest rate for KEEP, rather than establishing a fixed 5% (or lower) rate as in Nebraska; (2) increase maximum total loan amount to \$20,000 (half from state dollars), and (3) remove income eligibility restrictions (despite some concerns regarding KHRC's traditional focus on affordable housing rather than energy savings).

Nettleblad asked about capping the adjustable rates to prevent unfairly high rates. Allsup indicated that although this is possible, he would be concerned about banks fighting reductions in the ceiling rate and that he would prefer the market-based rates.

Joe Dick asked whether risk assessment on the part of the bank would not in fact eliminate the target demographic of poor households. Allsup responded that even though banks would likely assign a high interest rate to many poor borrowers, the blended rate would halve that amount. Weatherford acknowledged that this is a major problem for KEEP. Parkinson asked for clarification, stating that his understanding was that KEEP had so far been unsuccessful as a strictly low-income program. Weatherford affirmed that enrollment has been low and clarified that KEEP has raised the ceiling on income to 120 percent of median income. Weatherford also noted his support for the policy goal of energy savings for this loan program. Parkinson asked whether it would be feasible to partition KEEP's funding and spend some on low income while providing the rest to people of any income. Lee said she was in favor of raising the income ceiling rather than removing the stipulation. Holmes suggested that \$89,000 in loans after 18

months is an indicator that KEEP is broken. Volker added that since KEEP does not bridge the landlord/tenant gap, it is necessarily crippled as a low-income program and added that if KEEP is to become an energy efficiency program, guidelines encouraging maximum savings for loans must be introduced. Allsup stated that anything on the current approved use list has a reasonable payback, though Volker challenged the inclusion of windows on the approved list.

Holmes and Schreiber both stated that the \$2 million should be disbursed as quickly as possible since KEEP is a revolving loan program; income eligibility rules can be perfected later but the money should be put to work immediately. Taddiken noted that low-income families are wary of loans and would prefer grants and suggested a pilot program offering percentages of the total funding to different income groups. Johnson suggested transferring any unused funds from KEEP into WAP; Holmes suggested any surplus be spent on addressing the landlord/tenant issue.

Frahm suggested the Council vote on the recommendation, and Brosius clarified that changes to the draft that had resulted from the discussion had resulted in the deletion of items 2 and 3 from the program guidelines redesign list. Lee suggested adding “a portion” to the income eligibility statement (“Remove income limits to make a portion of the program available to all Kansans”). This alteration was rolled into the motion by Schreiber and was seconded by Snead. The recommendation was approved unanimously.

Regarding the third recommendation—*The KCC’s Energy Programs Division should develop a program to promote adoption of model energy efficiency codes by local units of government*—Brosius noted that this recommendation built on the 2007 recommendation for a model residential energy code and also incorporated the commercial and industrial sectors.

Holmes asked whether the advisory committee had been formed yet, and Brosius replied that it had not. Holmes then suggested that the Kansas League of Municipalities be represented on the advisory board, and Snead voiced his agreement. Schreiber asked promoting the model code, and Brosius said that KCC Energy Programs Division staff would be responsible for this. Nettelblad asked the model code would include enforcement provisions, to which Brosius replied that such language would countermand the intent of the voluntary model code. Luke Bell said that local governments should choose and enforce building codes. Holmes wanted to clarify that the model code would be provided for all Kansas municipalities and not just cities of the first class; he suggested changing the wording in paragraph 2 to “all local units of government.” A motion to accept changes and adopt the recommendation was then made by Holmes, seconded by Gene Merry, and passed by unanimous voice vote.

Section 9.3: Commercial and Industrial Structures—Brosius outlined the background information and, receiving no questions or comments, proceeded to the single policy recommendation for this section (*The KCC’s Energy Programs Division should develop a program to promote adoption of model energy efficiency codes by local units of government*), noting that it was identical to one just discussed and approved in Section 9.2. Bell moved to adopt the entirety of section 9.3, Holmes seconded, and the motion passed by unanimous voice vote.

Section 9.4: Public Structures—Brosius outlined the background information for this section. No questions or comments were forthcoming, so Snead moved to adopt and move on, Josh Svaty seconded, and the motion passed unanimously.

Brosius suggested that Holmes lead the discussion of the policy recommendation (*The Kansas Legislature should adopt legislation requiring all new publicly funded buildings to meet minimum energy efficiency standards, as recommended by the Special Committee on Energy, Natural Resources, and the Environment*), since the KEC recommendation was intended to mirror the recommendation coming out of the interim legislative committee that he chaired.

Holmes explained that, in addition to the information presented in the recommendation, the committee recommendation included an “escape valve” that exempts buildings that cannot recover the cost during the lifetime of the improvement. Holmes also noted that, in contrast to the language in KEC draft recommendation (“all new publicly funded buildings), city and county buildings are currently not included in the interim committee’s recommendation. Svaty argued for keeping the broader language, Snead agreed, and Holmes said then KEC members should be prepared to testify in support of the proposal. Brosius clarified that the current language of the recommendation covered all public buildings in Kansas, so a vote to adopt as-is would include city and county buildings. Jesse Romo suggested adding an additional item to the cons regarding the probably higher cost of initial construction. Nettleblad and Schreiber made other suggestions regarding the long-term savings associated with reduced energy usage, and Brosius noted that the pros and cons would be revised accordingly. Johnson asked whether the program addresses leased buildings, and Brosius said it did not. Bell moved to adopt the recommendation with the suggested changes, Svaty seconded, and the motion passed by unanimous voice vote.

Chapter 12: Energy Education, Section 12.1: K-12 Education—Brosius reviewed the background information and policy recommendation (*The State should provide \$30,000 in annual funding to KACEE to support energy conservation education in Kansas public schools*), noting that very little had changed since the November meeting. Sloan moved to adopt the entirety of Chapter 12, Lee seconded, and the motion passed unanimously.

Kansas Energy Chart Book

Brosius explained that KEC Research Assistant Dana Maher had been working on updating some of last year’s charts and developing new charts for this year’s version of the chart book. Dillard asked why no oil and gas production and consumption charts were included, and Brosius explained that the charts are developed as companions to the sections of the Kansas Energy Plan that have been developed since 2006. Like the energy plan, the chart book is a work in progress. Sarah Dean asked about resuming the annual Kansas Energy Reports that were scrapped two years earlier, and Brosius suggested that be brought up as part of the discussion over KEC goals in 2008. Brosius encouraged KEC members to send staff their critiques of and suggestion for the chart book. Holmes noted that Iatan II is actually a Missouri plant and needs to be removed from the coal fired power plant map. Holmes also stated that the U.S. coal consumption chart needs to be reproduced for KS, sparking a discussion over the difficulty of doing so since KS utilities do not collaborate on a statewide data repository or joint reporting. Brosius asked whether the Kansas energy efficiency study underway by Summit Blue might not discover this information, and Volker replied that the study will not cover all KS utilities. Council members agreed that

historical and projected KS coal consumption numbers are important to have, and Susan Duffy, KCC Executive Director, joined the Council discussion to offer the assistance of the KCC economists.

2008 KEC Priorities

Brosius noted that the list of possible KEC priorities for 2008 included the suggestions submitted by Council members since the November meeting. Frahm suggested they work through the list from the top. Following discussion of the 15 items, which resulted in a number of modifications and combinations of separate topics into one, Frahm outlined the resultant list of potential priorities from which the Council would vote for three:

1. Clarify KEC goals, vision, and mission (review Exec. Order; clarify purpose and products).
2. Investigate electrical generation and transmission options, including nuclear, natural gas, and coal (with CO₂ storage), and wind energy (with storage and with natural gas), as well as options for distributed generation. This evaluation should also include demand projections through 2030 and peak load forecasts from the state's utilities.
3. Examine one or more topics from KCC EE dockets (08-GIMX-442-GIV and 08-GIMX-441-GIV): e.g., decoupling, real-time pricing, evaluation methodology for costs and benefits.
4. Evaluate feasibility of implementing statewide energy efficiency building codes.
7. Examine air quality and water quality/quantity issues associated with energy.
10. Examine accords and agreements made by the MGA and consider KEC endorsement of some or all. Study, examine, discuss all documents in the Midwestern Greenhouse Gas Accord, 2007, including: (1) MidWestern GH Gas Reduction Accord (Introduction); (2) Energy Security and Climate Stewardship Platform for the MidWestern Region & Canada 2007; (3) Transitioning to a Lower Carbon energy Economy; (4) Agreements by Platform Theme: Goals, Objectives and Policy Options (Energy Efficiency, p. 1-6; Biobased Products and Transportation, p.10-13; Renewable Electricity, p.14-17; Advanced Coal and Carbon Capture and Storage, p. 18-25: supplement with information from Tim Carr's presentation), and (5) Cooperative Regional Initiatives (where Kansas is a regional cooperator with other states).
11. Study current barriers to and incentives for distributed generation.
12. Review community wind legislation similar to the recently adopted Nebraska law.
13. Evaluate expansion of the Facilities Conservation Improvement Program (FCIP) at the KCC Energy Programs Division by two engineers to assist private industrial or commercial customers with identifying energy efficiency projects similar to the efforts now made for governmental buildings and school districts. \$30 million of Kansas' \$250 million Private Activity Bonds (PAB's) could be made available for private energy efficiency projects that have been approved by the FCIP-authorized Energy Service Corporations (ESCO's).
15. Conduct a study on how to revise taxation so that it encourages efficiency instead of production/conversion/consumption.

Prior to the vote, Svaty suggested that the Council should shift from examining issues to answering questions and proposed all of the items could be recast as "Should Kansas?" rather than using a "The present state of..." approach. Snead concurred with Svaty.

Frahm reminded the KEC members to vote for only 3 topics, and suggested that a show of hands would probably be the easiest approach. The Council voted as follows: #1 (14 votes), #2 (24 votes), #3 (0 votes), #4 (0 votes), #7 (3 votes), #10 (15 votes), #11 (5 votes), #12 (0 votes), #13 (0 votes), and #15 (5 votes). [Note that the tally of votes includes votes submitted via email from KEC members prior to the meeting.]

Frahm summarized the results and announced that the KEC priorities for 2008 will be a consideration of (1) KEC goals, (2) electrical generation and transmission options, and (3) the recent MGA accords and agreements related to greenhouse gas emissions.

Standing / Ad Hoc Committees

Brosius said a few words about the proposed standing and ad hoc committees and asked that Council members let her know which of the three committees (Goals, Electricity et al., and MGA accords) they would like to serve on. She also noted that Council members could serve on all three committees if they wished. Brosius said she would send an email to prompt members for their committee preferences.

2008 Planning Schedule

Brosius outlined the KEC schedule for 2008 and corrected a discrepancy between the meeting dates listed on the Agenda and the notebook document “KEC Planning Schedule for 2008”: the KEC will meet in 2008 on February 21, June 10, August 13, November 12, and December 10.

Other Business

Brosius noted that although no substantive changes will be made to the plan drafts, she expects some minor edits as the drafts are finalized. She anticipated completion by December 21.

Brosius invited Paul Schneider, KCPL, to address the Council regarding KCPL’s upcoming Energy Efficiency Forums. Snider asked the Council whether they would like to continue their sponsorship of the forums, the next of which will be held at three separate times and locations (December 13, December 17, and December 19) and will involve KCPL’s presentation of their legislative initiatives. Brosius clarified the potential concern that KEC sponsorship might be construed as endorsement of KCPL’s draft legislation. Dean said she favored sponsorship as long as it wasn’t viewed as preferential treatment KCPL over other utilities. Frahm said that the KEC would be open to approaches by other utilities. Frahm asked whether there were objections to continued KEC sponsorship of the forums and there were none.

Nettelblad inquired whether greenhouse gases (GHG’s) will be discussed in next year’s KEC process, to which several members responded that GHG emissions will be covered in the section addressing the MGA, as well as in the consideration of electric generation options.

Brosius informed the Council members that a member of the audience had provided brochures on Solar-Wind Electric Utilities on the public documents table.

Meeting adjourned at 12:40 pm.