

**Kansas Energy Council
September 19, 2008, Hays, Public Hearing – Notes**

KEC members in attendance: Co-Chairs Ken Frahm and Lt. Governor Mark Parkinson, Rex Buchanan, Carl Holmes, Janis Lee, Galen Menard, Mark Schreiber, Dave Springe, Michael Volker

KEC staff in attendance: Michael Deupree, Ray Hammarlund, Corey Mohn, Jennifer Knorr

Comments presented by:

1. Wayne Penrod, Sunflower Electric Power Corporation
2. Ralph Wise, City of Russell, City Manager
3. John Easter, Director of Midwest State Government Affairs for the American Chemistry Council

Opening remarks

KEC Co-Chair Ken Frahm opened the hearing at 9:06 a.m. He noted that the public hearings are an important part of the KEC process and reminded audience that people can also provide public testimony at the Wichita hearing on September 30 or send email or mail to the KEC Director.

KEC Co-Chair Lt. Governor Mark Parkinson followed up on Frahm's comments, stating that the Council decided to move the hearings out of Topeka this year, with the hearing in Hays being the first of two hearings during the KEC public comment process.

Frahm commented that the KEC members are appointed by the Governor but they develop recommendations for both the administration and the legislature. Frahm asked the KEC members present to introduce themselves.

Overview of KEC draft recommendations

Frahm read through the 15 draft recommendations approved by the Council at its August 13th meeting.

Determination of number of people to present comments

Frahm asked the members of the audience who were planning to present testimony to the council to present themselves. It was determined that Wayne Penrod, Ralph Wise, and John Easter would be presenting comments.

Comments

1. Wayne Penrod, environmental manager of Sunflower Electric Power Corporation, began by thanking the council members for traveling out to western Kansas, and mentioned that often citizens of western Kansas do not have the same opportunities to participate in state-level discussions as citizens from other areas of the state. Penrod stated that his testimony was on behalf of Sunflower which, like other

utilities, has to juggle many complex issues while providing reliable power at affordable rates to its customers.

Penrod said Sunflower fears it will be unable to satisfy the base-load needs of its customers due to the current policies within the state. Penrod went on to say that the Holcomb expansion proposal would have satisfied Sunflower's customers base-load needs with the least possible effect on the environment. Penrod suggested the council members review Sunflower's Holcomb expansion proposal provided as a handout.

Penrod proceeded to commend the council on the many efforts made by the council to promote expanded base-load generation within the state. In particular, Sunflower is impressed by the council's proposals on biomass electrical generation, advanced generation technologies, and cap-and-trade.

Penrod said that Sunflower believes there is much potential in biomass and is encouraged to see additional interest being taken in this subject. He said that advanced generation technology is necessary, including the availability of additional carbon capture and sequestration technologies. Penrod also noted that nuclear power does not create CO₂ emissions and provides reliable electrical production.

Penrod said that Sunflower is watching with interest the Regional Greenhouse Gas Initiative (RGGI), a cap-and-trade program currently in place within the states of the Northeast. New ethanol generation and other new industry will create additional loads; Sunflower does not see a way in which these new loads can be met through simple conservation. He said new base-load generation must be built and noted that meeting this need for new generation in a cap-and-trade environment is an interesting challenge for utilities.

Mark Schreiber asked for clarification on Sunflower's position regarding a cap-and-trade policy—if Sunflower promotes policy at the national level, just not at the regional level? Penrod responded that Sunflower supports cap-and-trade policies at the national level, but does not support regional cap-and-trade programs.

Janis Lee asked if Penrod could give some of the details regarding RGGI's carbon allocation process. Penrod responded that all states under RGGI collectively determined the carbon allocation, which he believes is 85% of total carbon output. Each state however, has discretion on how these allowances are distributed to individual emitters.

Frahm asked if Penrod believes that the state of Kansas should develop a new nuclear plant. Penrod said CO₂ reduction is an important policy goal and that Kansas should be open to the potential role nuclear power can play in the future. He said he's heard that all the utilities within the state put together would not have the

capital resources to build a new nuclear reactor; therefore, any new nuclear plant within the state would require the involvement of the state in some capacity.

Rex Buchanan asked if the increased load Sunflower forecasts is from existing or new ethanol production. Penrod responded that he thought that there were four ethanol plants within Sunflower's service area last year, with another seven planning to go online in the near future. Penrod said the energy costs associated with new ethanol production are staggering.

Frahm noted that concerns had been raised earlier about the fact that none of the KEC proposals focused on wind or other renewables; he pointed out that the Governor established a separate entity, the Wind Working Group, to focus on promoting wind energy. He also noted that the KEC decided in December 2007 to focus on base-load power needs within the state, which does not include most renewables.

2. Ralph Wise, City Manager for the City of Russell, explained that the City of Russell is one of 120 cities within Kansas with a municipal electric utility. Russell's municipal electric utility is locally owned and provides power to 3,400 members over 50 square miles of the city and surrounding area. Wise said Russell has received an Energy Star award from the U.S. Environmental Protection Agency for its integrated energy system in which steam from electric plants is reused by the local ethanol plant.

Wise noted that Russell has a median household income of less than \$30,000, and the municipal electric utility works to provide the most affordable rates for their customers and cooperates with the Kansas Municipal Energy Agency, Midwest Energy, and Sunflower Electric. Their contracts with Sunflower cover their customers for the next 10 years, though Russell is concerned about availability more than 10 years out.

Wise asked the KEC members to remember the citizens of Russell and the costs they might bear of future proposals. Electrical rates in Russell are 11.5 cents/ KWh, higher than both the national and state average. Wise said many residents are already getting behind on their , and this will only get worse with winter approaching. Carl Holmes said he was hearing many similar stories throughout Kansas, and that many seniors living on fixed incomes are being forced to leave Kansas because of rising costs.

Dave Springe asked whether Mr. Wise would support a state policy to help low-income families weatherize their homes. Wise said he would be in favor of anything that helps the people. Janis Lee commented that one of the problems with-low income weatherization is that many people rent, and thus would not be able to receive benefits.

3. John Easter, Director of Midwest State Government Affairs for the American Chemistry Council, explained that nearly 35% of U.S. energy is used by commercial buildings. To help lower this, the American Chemistry Council recommends a standard of American Society of Heating, Refrigerating and Air-Conditioning Engineers (ASHRAE) 2004 plus 30%. Easter mentioned that the Federal government as well as the state governments of Mississippi, Georgia, and others have adopted such standards. Easter asked the council to not limit policies that encourage increased energy efficiency within buildings to a single rating system such as LEED.

In response to a question from Schreiber, Easter clarified that the federal policy applied to new construction of federal buildings. Parkinson asked if Easter had any idea of the costs to build to this standard and what the long-term energy savings would be. Easter said the costs of implementation vary greatly by building, but that costs are recouped by long-term energy savings.

Frahm asked if the American Chemistry Council supports multiple energy efficiency standards. Easter responded that the standard they support is ASHRAE plus 30%, but they do not have a preference with regards to rating systems used to verify they have reached this standard. Each rating system focuses on different goals: for instance, LEED focuses on green materials and such. Easter noted that LEED, Green Globe, Energy Star, and other rating systems do not compete with ASHRAE; he recommended the choice of a particular rating system be left to individual architects and builders.

Closing remarks

Frahm asked for further remarks. Clare Gustin, Sunflower Electric Power Corporation, said that the City of Russell is one of the municipalities that would have received power from Sunflower's proposed Holcomb expansion. Part of Russell's power currently comes from a coal contract (Jeffery Energy Center), which expires in 2019. After 2019, many communities such as Russell will have problems providing the energy needs of their customers.

Frahm thanked everyone for coming and adjourned meeting at 11:00.