

Kansas Energy Council
October 13, 2006, 9:00 a.m. to 12:00 p.m.
Public Hearing on Draft Policy Recommendations
Kansas State Capitol, 300 SW 10th Avenue, Topeka, Kansas
Old Supreme Court Hearing Room, Rm 313-S

KEC Chair Ken Frahm called the hearing to order at 9:07 a.m.

Frahm updated the audience on the three policy recommendation drafts that the KEC had released for public comment.

1 - Statewide Energy Conservation Program

Goal: To facilitate cost-effective energy conservation by utility customers in all sectors.

Essentials of Proposed Energy Conservation Program

- Utility-based – builds on utilities’ existing relationship with customers.
- Statewide – involves *all* electric and natural gas utilities, including coops and munis.
- Consists of two basic steps;
 - Step #1 – Utilities Offer Basic Energy Audit
 - Basic energy audit, consisting of standardized tests, followed by written “Energy Action Plan” identifying cost-effective conservation improvements and expected energy and dollar savings if implemented.
 - Cost of audit borne by customer (except for low-income), either paid directly, over time as monthly charge on utility bill, or included as part of energy conservation loan.
 - Step #2 – Utilities Assist in Implementing Energy Action Plan
 - Provide customers with list of vendors, qualified local contractors.
 - Provide customers with financing information, if needed:
 - Offer streamlined bank loan program, in which utility vouches for net savings from installation of proposed conservation measures.
 - Qualified customers repay loan by (1) making direct payments to bank or (2) making payments on monthly utility bill (PAYS-type arrangement, in which payments would not exceed 75% of estimated monthly savings over a term not to exceed 75% of expected life of improvement).
 - OR, Low-interest loan option for customers who don’t qualify for bank loan.
- Two-step energy conservation program closes the loop between the diagnosis and treatment of the problem.

Complementary Efforts

- Rate Design issues – Request KCC generic docket to consider decoupling, time-of-use pricing, and real-time pricing and metering.
- Municipal Codes – Encourage municipalities that already have codes to adopt ordinances requiring new and existing residences to meet minimum State energy efficiency standards before they can be occupied.
- Energy efficiency disclosure form – Amend existing law so that user-friendly, quantitative energy efficiency information about new houses is disclosed at *listing*, instead of at closing.

2 - Wind Energy Development

Goal : To increase opportunities to generate wind-based electricity, both Community Wind and large-scale projects.

Essentials of Proposed Policy

- Wind, in many instances, is not cost-competitive with conventional coal-fired generation.
- Insofar as wind power offsets conventional generation, it reduces power plant emissions and, thus, the health-related and environmental damages associated with these emissions (the so-called external costs).
- If external costs are factored in, wind may indeed be cost-effective.
- KEC draft policy would allow KCC to consider external costs when evaluating wind-based purchase power agreements from jurisdictional utilities for:
 - Up to 200 MW of new wind capacity, 100 MW of which is reserved for Community Wind projects,
 - As long as federal PTC is in place.
- Recognizes the potential benefit to Kansans of reduced pollutants and greenhouse gas emissions attributable to wind development and declares that it is appropriate for the KCC to approve rates for electricity from clean and renewable sources, even if those rates are higher than they would have been with full reliance on conventional generation technologies.

3 – “Clean Coal” Development

Goal : To increase opportunities to generate electricity through “clean coal” technologies—integrated gasification combined cycle (IGCC) coal power plants, in association with carbon dioxide capture and storage capabilities.

Essentials of Proposed Policy

- Coal is abundant, relatively inexpensive, and its use for electrical generation is on the rise worldwide.
- Coal-fired generation is dirty. In the U.S., coal-fired power plants emit 60% of the sulfur dioxide, 33% of the mercury, 25% of the nitrogen oxide, and more than 33% of the greenhouse gas (carbon dioxide).

- Implementation of so-called “clean coal” technologies (IGCC with carbon capture and storage) is a necessary component of any strategy to reduce greenhouse gas emissions.
- IGCC with carbon capture and storage has not been demonstrated. The FutureGen prototype is still in planning stages.
- KEC draft policy would allow KCC to consider external costs when evaluating purchase power agreements for IGCC coal power plants in association with carbon capture and storage, submitted by jurisdictional utilities.
- Recognizes the potential benefit to Kansans of reduced pollutants and greenhouse gas emissions attributable to “clean coal” and declares that it is appropriate for the KCC to approve rates for electricity generated from these technologies, even if those rates are higher than they would have been with full reliance on conventional coal-fired generation.
- Policy positions state to take advantage of these technologies if FutureGen proves their feasibility.

Frahm opened the public hearing and said each speaker will be given 10 minutes; there will be no limit on questioning.

Craig Volland, Sierra Club

The new KETA has the authority to issue bonds and we hope that will help.

We believe there are no obstacles to wide-scale development of wind in Kansas and commend KCPL for going forward with their wind plans.

Other issues cause us concern. Utility scale projects need not be out of state. All the farms in Kansas, $\frac{3}{4}$ owned from out of state. There is no cap for clean burning coal plants, and we wonder if this suggests a systematic bias against wind by the KCC. The KEC plan would also create a bureaucratic nightmare. KEC’s proposal would help to get a small amount of community wind; 100 MW is a mere 0.7% of the state’s production. Utility scale wind farms would help western Kansas – these are the very people most threatened by global warming.

There is no mention of state purchase of wind power in the plan. The plan is not good enough. It is a distraction from what really needs to be done. Kansas needs to join the other 22 states that have instituted the RPS. Texas has created a \$10 billion investment and plans to build 6000 MW of new wind on top of the 2400 MW they already have. Without an RPS, our governor’s plan will not be realized. The KEC wind plan will not get us there. We must do something now about global warming. It makes no sense to burn more coal. KS can contribute by adding wind. If we do not act will we condemn future generations to an economy based on obsolete tech. Thank you.

Discussion

There was no discussion

Phil Morse – Sierra Club

Good morning. I am here because I am a concerned Kansan. I am encouraged that the State of Kansas and KEC is focusing on the recommendations for conservation and wind energy and clean electrical generation. I think these recommendations are an important step in finding a way. I am apprehensive that the KEC policy could limit the opportunities for wind. The aggregate could exceed 100 MW. Likewise I believe KS has a free resource, wind, which offers us opportunities for 100s if not 1000s of MW of wind. I do not think that you intend to limit our shared vision for KS to 100 MW of wind. In conjunction with this issue, I am among the many who are growing increasingly concerned about the real possibilities of the dangers of global warming. Particularly, the possibility of evaporation of water from soil and aquifers. Whatever is happening with the climate, the pollution in the atmosphere is making things worse not better. Maybe we cannot do business as usual and feel good about the world we are leaving for our grandchildren. I don't believe we can feel good about the 2100 MW Sunflower addition. 14 million tons of additional CO2 as a result. To just offset this, we would have to remove 2 million gas powered cars from the roads. I don't think we have 2 million vehicles to remove from the roads. Surely there is a better way.

I believe the better way is KEC's emphasis on energy efficiency and wind. Remember the policies we make today will affect the lives of our children and grandchildren. I believe we will all sleep better if we choose to capitalize on the abundant, clean, and renewable wind resource. Gov. Sebelius is relying on your advice. Please don't limit what can be accomplished. Please advise the governor we should explore energy efficiency and wind before we proceed with old, dirty coal fired technology.

Discussion

There was no discussion.

Jim Ludwig, Westar

[read his written testimony, a hard copy of which was submitted to the Council]

Discussion

Michael Volker – MidWest Energy does not have 45,000 customers; it has 88,000. Also, the three auditors do more than just audit homes.

Ludwig – that is true.

Janis Lee – First of all, thank you for bringing us alternatives. I am interested in your discussion of Wind power development and your recommendations to recover cost through contract. That wouldn't mean that the wind power was generated in Kansas.

Ludwig – Not necessarily, but we wouldn't be opposed to the requirement of the contract being in Kansas.

Lee – Would that bring about wind projects?

Ludwig – KCPL purchased and owns the wind facility in Spearville. Typically a PPA is bought by the utility from a developer.

Lee –What are your comments on community wind?

Ludwig – The Kansas Legislature anticipated community wind. There is language to help develop renewable coops. There is a statute for 150% of avoided costs. The economics largely depends on the buyer. In our case, we make less than 5% of the elec. from natural gas and our avoided costs are much lower. It is hard to predict the success of community wind projects. If they are in areas with natural gas generation, it would be more favorable. The disadvantage is the loss of the economies of scale.

Lee – but more money goes back into the community.

Ludwig – the value proposition that should be considered is the value they get from the electricity they generate from themselves. They may not want to dwell on feeding it back into the grid.

Lee – I found your statement on the Wind & Prairie Task Force interesting. Was it wind in general or wind in the Flint Hills that there was opposition to?

Ludwig – Some were objecting because of the Flint Hills. Others took the view that wind power is not economical. I don't agree with that – it varies from utility to utility based on cost structure. Wind power is economical and commercially available if you generate from natural gas.

Lee – Are you aware of the testimony from 2005 [referenced in Volland's comments]?

Ludwig – We presented that to the House. The new installed cost is more expensive per MW than wind. But they are not equivalent.

Lee – Could we have a copy of that study

Ludwig – Yes.

Paul Snider, KCPL

I would like to say that KCPL is a proponent of wind under the right circumstances and wind is a part of our comprehensive energy plan.

Our Spearville facility became operational this year and we are supplying Kansas City with electricity through that. In addition to this 100 MW wind farm, we are evaluating other plans in which we could expand to an additional 100 MW.

We support incentives that would allow IOUs to do more commercial grade wind facilities. We have some concerns about the externalities language and will file written comments.

George Phillips, KCPL

In my entire career my focus has been on serving customer needs. My responsibilities include development of new comprehensive energy and demand responses. KCPL is very active with energy efficiency and demand response programs. Energy efficiency is a priority.

Our programs are effective. Our optimizer program had 12,000 installations of the thermostats. That program with the energy analyzer program which had 16,000 customers participating are national benchmarks. They have been implemented more rapidly than any other in the nation.

We support the enhancing of enforcement of the proposed building codes. As it related to rate design, we encourage the discussion of energy efficiency and will participate in the open docket on energy efficiency with the KCC.

The energy efficiency information of the home can help someone make decisions about the value of their purchase.

Our programs are based on extensive review of Best Practices across the country. Research of each program needs to be done. We want to carefully consider the KEC initiative and the impact on the successes we currently have.

Discussion

There was no discussion.

Jennifer States, JW Prairie Wind

[read from her written statement, a hard copy of which was submitted to the Council.]

Discussion

There was no discussion.

Paul Johnson, Kansas Catholic Conference

Thank you for this opportunity to comment on the Kansas Energy Council (KEC) statewide conservation program. My name is Paul Johnson and I am a legislative advocate for the Kansas Catholic Conference on poverty, affordable housing and energy issues. The Kansas Catholic Conference (KCC) is the public policy voice of the four Catholic Dioceses in Kansas.

The KCC has been a strong supporter of energy conservation and sustainable, renewable energy resources for several years. The debate on energy efficiency and conservation is finally moving forward in Kansas as the KEC puts forward this conservation plan and the Kansas Corporation Commission opens a docket on energy efficiency. For the first time ever in 2006, the Kansas Legislature agreed to a plan by the Governor to put state resources into the weatherization program and develop a home insulation loan program. Kansas has just over 1 million housing units according to 2000 U.S. Census with 258,000 of these homes 'cost burdened' by paying over 30% of their income for housing & utility costs. I will offer some ideas on targeting the housing units in greatest need.

The Department of Social and Rehabilitation Services' Low Income Home Energy Assistance Program (LIHEAP) assisted 42,000 households with an energy benefit this last winter. For this coming winter the LIHEAP application should be modified allowing SRS to collect the winter heating bills for these households and share this data with the weatherization programs. The households that use significantly more energy and/or the ones that are disconnected after the Cold Weather Rule ends in April should be targeted for audits and the expanded weatherization services. To this point, the LIHEAP application has not been changed.

The utilities regulated by the Kansas Corporation Commission (KCC) file reports monthly on the number of homes disconnected, reconnected and abandoned service. As an example, Westar disconnected 3,754 customers, reconnected 2,551 and abandoned 318 in May of 2006 while Kansas Gas Service disconnected 10,122, reconnected 3817 and abandoned 323. The amount owed by customers when disconnected is broken out in blocks of \$50 or \$100. The KCC now allows the utilities to flow thru 70% of uncollectables on a monthly basis. There is no strategy to identify the homes that are continually disconnected. Such a plan should be developed and special attention paid to the homes repeatedly shut-off. When service is re-connected for these homes, an energy efficiency report should be filed as well as just the safety report. Often times, these units will be rentals and the landlord should be contacted with information on available energy conservation programs.

Kansas' Private Activity Bonds provide funding for the Mortgage Revenue Bonds that are used for first-time homebuyer loans in several Kansas counties. In 2005, 756 loans were made in the Series 2005A issuance. Would it be possible and practical to build a requirement for an energy audit into these loans? Might it also be possible once the audit is done to increase the loan to implement the most cost effective energy conservation improvements? I have read where the state of Washington built an energy star rating into their first-time homebuyer program so that the lower utility bills allowed borrowers to buy a larger home.

The next step may be to hold energy conservation informational meetings with realtors to explain the advantages of energy audits and the conservation programs available. A portion of the Private Activity Bonds could be reserved for these cost effective residential energy improvements with the utilities securing the bonds and implementing the energy savings thru the Pay-As-You-Save program where the energy improvements are billed to the meter.

If I may, I would like to offer some thoughts on long-range energy planning in Kansas. The KEC is the one body that hopefully is looking at the entire state and what makes economic sense for the entire state. As far as I can tell, Kansas is now flying blind in understanding our best, most cost efficient energy options. As a state, we have not compiled an in-depth energy end use database so we can compare the costs of new power plants versus conservation investments. As we heard at the Kansas Corporation Commission workshop on energy efficiency in August, most detailed studies in the U.S. show that energy can be saved at a cost of 2-3 cents per kwh versus 6-8 cents for new coal production.

When you study electrical energy use in Kansas, it is obvious we have a summer peaking problem that is driven primarily by air conditioning. What is the economic trade off for Kansas to replace old air conditioners or cycle the air conditioners as KCP&L is doing versus the higher rates that will come with new power plant expansion? How would these utility savings multiply in our local communities? Notice that the term 'global warming' has not been mentioned in this discussion.

If Kansas' utilities push ahead with the coal plant expansion now planned, serious conservation investments and more clean, renewable energy sources will be neglected for decades. The Governor wants to hear from the Kansas Energy Council on these fundamental energy decisions. I can only hope that the KEC can accept such a challenge, study our best options for the state and render a decision that rises above the narrow economic interests of a few utilities.

Discussion

Mark Schreiber – What activities does weatherization include – how much does it cost per home?

Johnson – about 1400 dollars. They start with the most cost-effective changes: insulation, window improvements, and furnace replacements. In a rental there is a cost-share arrangement. Really good audits use blower-doors and give you the best understanding of infiltration issues.

Larry Berg, MidWest Energy

Good morning Chairman Frahm and members of the council. My name is Larry Berg, and I am the Vice President of Corporate Relations for Midwest Energy, Inc. in Hays, Kansas. Midwest Energy is a customer-owned utility serving approximately 88 thousand electric and/or gas customers in 41 central and western Kansas counties. We thank the Kansas Energy Council for encouraging public comment and listening to the many different viewpoints on energy issues. At Midwest Energy, we appreciate the opportunity to include our viewpoint as well. We also thank the KEC for its recognition of Midwest Energy and its efforts in providing sound advice to our customer-owners regarding efficient use of energy.

This council is charged with the development of a comprehensive state energy plan that will be proposed to the Governor, Legislature and the Kansas Corporation Commission. One of the draft recommendations is a statewide energy conservation program.

Regarding energy efficiency programs, Midwest Energy understands that each utility faces different circumstances. We believe it makes sense for our customers and good business sense to make an explicit commitment to a variety of energy efficiency and energy conservation programs. We believe other utilities should make similar commitments. But we cannot pass judgment on whether Midwest Energy's programs are suitable for all Kansas utilities, particularly those that are smaller or more rural than Midwest Energy.

At the same time, Midwest Energy shares the KEC's commitment to increased energy efficiency. Customers sometimes fail to make sound economic decisions, whether it is because of a lack of information or some other source of "market failure". A prime example of market failure exists in the relationship between landlords and tenants. Landlords are often not responsible for utility bill payment and therefore lack an incentive to invest in energy efficiency. Tenants – often lower income individuals – may not have the means or the permanency in a particular location to make substantial

investments. And so, the market fails as sound investments in efficiency are not made. This is what Midwest Energy observed recently in the City of Hays. For a period of time, the City made available funds for energy bill assistance to low-income residents. The City's funds were derived from higher than anticipated franchise fees due to historically high gas prices. The City of Hays required that recipients receive an energy audit from Midwest Energy prior to receiving any funds. Although audits with efficiency recommendations were conducted, in most instances improvements were not made.

The KEC is wisely recommending implementation of a Pay-As-You-Save (PAYS) type program to help minimize market failure of this nature. Midwest Energy sees potential value for both our customers and the state through the implementation of a PAYS program. The program could result in improved market performance and in particular for the improved well-being of low-income individuals that participate in such a program.

PAYS programs are not without complications. Without proper planning and execution, costs associated with administration, evaluation, verification, and financing could cripple the program. Midwest Energy sees value in instituting a pilot PAYS program and plans to do so in 2007. Midwest Energy believes it is uniquely positioned to institute such a pilot for a number of reasons:

1. Midwest Energy has a substantial history providing energy efficiency services to residential customers;
2. Midwest Energy has developed strong relationships with contractors in the home-building and HVAC trades within its service territory; and,
3. Midwest Energy has its own energy advisors including certified energy raters already in place.

For these reasons, Midwest Energy expects to propose a PAYS type pilot program to its Board and request KCC approval of such a program in early 2007.

That being said, Midwest Energy would like to emphasize the importance of working with its regulators in the development of such a program. Midwest Energy has found in the past that working proactively with KCC Staff in the development of tariffs makes the effectiveness much greater in application. Midwest Energy will be working closely with KCC Staff in developing a PAYS pilot program.

There is another point that needs to be made regarding utility participation in PAYS or any other energy efficiency program. In any business it is hard to get excited about encouraging your customers to buy less of what you sell. Since utilities recover the bulk of their fixed costs based on each kWh or therm they sell, there is no reason for a utility to encourage less consumption. The result is a never-ending series of rate filings, the costs of which must be recovered from customers. Some form of revenue decoupling – removing the recovery of the fixed utility costs from the volume of sales – must be in place or utilities will never enthusiastically embrace energy efficiency programs.

Midwest Energy believes that revenue decoupling will occur and should be in place before a successful PAYS pilot would be broadened. Already Midwest Energy sees positive reception from regulators: the KCC Staff endorsed Midwest Energy's proposal

to decouple revenues in its recently settled gas rate application. In order to prevent dispute from any party in that case, Midwest Energy settled without implementation of a revenue decoupling mechanism. However, both Midwest Energy and KCC Staff endorsed the idea of a generic docket on revenue decoupling – especially since the issues associated with decoupling are germane to all utilities in Kansas. In addition to KCC Staff, revenue decoupling has been supported not only by utilities but also by a growing number of states and by such environmental groups as the Natural Resources Defense Council, the American Council for an Energy Efficient Economy, and the Alliance to Save Energy. To its credit, the KCC has requested feedback on decoupling in the newly active 247-GIV Energy Efficiency Program docket.

Midwest Energy again thanks the Kansas Energy Council for the opportunity to express these thoughts regarding its proposed programs and wishes it success in its final recommendations. Thank you.

Discussion

Brian Moline – Could you elaborate on what you mean by decoupling?

Berg – Rates are based on volumetric sales. Since 2000 when gas rates escalated, customers have cut back on their usage. Most of our fixed costs are included in volumetric sales. Less usage by the customer means less revenue for the utility. We propose decoupling, which would add cost of the fixed costs to a customer charge or an increase in cost per therm or kwh.

Moline – From the rate design perspective, aren't we saying that as the volume of the commodity sold decreases, everything else being equal, the revenue has to be made up through increased rates or a change in the rate design where the fixed costs would be increased?

Janis Lee – For argument's sake, on all the bills I pay, there is a fixed meter charge whether I use anything or use a whole lot. Isn't that part of the profit?

Berg – That is part of the revenue to recover fixed costs. Our customer charge is 13 dollars a month, I don't know exactly but it costs about 30-40 dollars per month to serve that customer.

Janis Lee – If you are going to continue to make the same profit, even if I use less, my cost isn't going to go down. I'm just going to be paying more for your profit. Why should I care? It seems to me if we will decouple you gain because I use more even if I may be cutting back on my light bulb, I have more equipment that uses your electricity. If you have to continue making the profits you are making, I see no value in EE personally because it'll cost me the same. Convince me that there is value to decouple.

Michael Volker – Approximately 80-85% of the bill is the cost of the NG commodity. We pass that cost directly through. The remaining are fixed utility costs – pipes, people, etc. Things that don't vary with how much you use. Because we recover fixed costs on a volumetric basis, if we do EE and you use less, we aren't recovering that fixed cost anymore. Decoupling changes that. The fixed costs are no longer associated with how much you use. IF you use less, you will still use less on the volumetric side. The utility does not face the same disincentive.

Janis Lee – You are asking to increase my meter charge to cover fixed costs.

Volker – The typical cost for MWE customer is 20-25 dollars. It could come in higher meter charge or other forms.

Moline – If energy efficiency takes hold some customers bills will drop, other will go up, but in the long run everyone's will go down because it will delay the construction of a new plant.

Volker – Maybe.

Colin Hansen, Kansas Municipal Utilities

I would like to applaud the KEC and their initiatives. I am pleased to see the recommendations of the council. Unfortunately the tone and text of my comments will be negative in nature and focus on recommendation on the Conservation program.

Our members have looked at the program and we cannot envision a workable program for small utilities. We have 120 municipal utilities in Kansas. Most are very small – KCBPU is the largest.

If you look at the median size of a muni – they serve 879 customers. The gas munis are even smaller. They serve 226 on average. That is the main reason we are concerned about this proposal. We don't see how we can be required to market these programs in small communities when we would be required to do so much for so little an area.

Jurisdiction is also an issue for us. Local control is a very strong issue with us. We are under the jurisdiction of localities typically. We set our rates based on regulations of these localities and determine the services we provide based on these local decisions. This proposal would extend KCC's jurisdiction over munis and could cause an administrative headache for KCC and munis.

In many cases the state of Iowa has been a state to emulate. I began my career in Iowa as an energy efficiency operator. There was a voluntary program in Iowa and municipal utilities were encouraged to meet a set level of spending. Every 2 years they reported to the PUC on what they spent, how much they saved, and the amount of demand saved. We found that to be very successful in Iowa, and, in fact, in the cases I was involved in, cities spent more than the voluntary goals and offered interesting options for EE and demand management.

Discussion

Janis Lee – I remember interesting discussions with a number of city council members in smaller towns that had municipal utilities. They were concerned about retail wheeling because they finance the repair of streets from electric rates. Their reasoning was that not everyone paid property tax and all pay utilities. Is that still happening?

Hansen – It has become more difficult with the high cost of energy, but in some of our small communities they have looked at the electric utility as a cash cow to finance a number of things. It definitely still happens. We have been talking to them about formalizing the process and setting a fee that will be transferred to the general fund.

Lee – The people on these council are elected by the people in the communities. If there is openness it is fine. This was just some of their reluctance.

Hansen – I have seen too many situations where utilities are not reinvesting in their own utility.

Brian Moline – Some generate their own energy and others purchase power. As the equipment ages, do you believe they will move to purchase power or will they rebuild generation capability?

Hansen – Because of the cost of natural gas, we will see both.

Michael Stubbs

Chairman Frahm and members of the Kansas Energy Council, good morning. I speak to you this morning as a Kansas citizen and resident of Wabaunsee County in the Flint Hills.

When I first heard about wind-energy I thought that at last our State's policy makers were on the right track, attempting to reduce our dependency on foreign oil and fossil fuels. When I learned that our county was targeted for large-scale industrialization by the construction of wind factories I began studying the economics and science behind what I came to see as the wind-energy craze. I attended almost all of the Governor's Wind and Prairie Task Force meetings and heard the wind industry's side of the story and I heard from all the stakeholders who stand to profit from wind development. I subscribed to an international news service and learned about other communities similar to my own facing with the same dilemma in other parts of the world.

The first thing I learned was that less than three percent of the electricity generated in the United States comes from burning oil. We export more oil than that amount. Transportation is the largest consumer of oil. When the principal owner of the Elk River wind facility said that he "would rather see wind turbines in the Flint Hills than our boys coming home in body bags" I knew that facts were not driving the push for wind energy in Kansas. Miss States, only moments ago, quoted President Bush asserting that wind-energy will free us from foreign oil dependence.

And now I stand before you with the question "What's going on here? What is behind your assumption that wind-power is good for the citizens and ratepayers of Kansas?"

In 2001 Wabaunsee County residents participated in a survey to determine the criteria for an updated Comprehensive Plan. The participation was higher than the usual election voter turnout. We said resoundingly that we wanted to, "Maintain the rural character of the county with respect to its landscape, open spaces, scenery, peace tranquility, and solitude."

We wanted to "Develop realistic plans to protect natural resources such as the agricultural land, landscape, scenic views, and Flint Hills through regulatory policies."

And we wanted to "Develop tourism programs involving historic properties, nature of rural character, and scenic landscape."

Our zoning administrator had other ideas. In direct conflict with his job description spelled out by law, he thought he knew what was best for the county. He actively courted wind developers and lobbied for their acceptance. In the end the people had their say and after long and thoughtful deliberation our County Commissioners banned industrial wind turbine facilities from the County.

I tell this story because the Kansas Corporation Commission and the Kansas Energy Council are repeating this story on a statewide level.

According to Public Statute 66-1,171. Under the powers of the State Corporation Commission, Declaration of public policy. It is hereby declared to be the public policy of this state to:

- (a) Encourage the orderly development of retail electric service;
- (b) avoid wasteful duplication of facilities for the distribution of electricity;
- (c) avoid unnecessary encumbrance of the landscape of the state;
- (d) prevent waste of materials and natural resources;
- (e) facilitate the public convenience and necessity; and
- (f) minimize disputes between retail electric suppliers which may result in inconvenience, diminished efficiency and higher costs in serving the consumer.

I ask for honesty. Chairman Frahm, in his opening remarks mentioned that “wind is not yet competitive” with traditional generation sources. “Not yet” implies an assumption that it will eventually be competitive. I fear that the KEC and the KCC have already adopted a pro-wind position and that this draft report and call for public comments is only a formality so that you can say that the public was consulted.

The KEC’s pursuit of wind power is in direct contradiction of the policy dictated to it by the legislature as I just quoted. The KCC and the KEC are acting like “big brother” who knows what’s best and they have decided that the pursuit of wind-power is the state’s policy.

The question is: is this pursuit in the best interest of Kansans, ratepayers and our state’s natural treasures? Is it in the best interest of the health and welfare of the majority of citizens?

Kansans want affordable and reliable energy. Common sense and necessity should determine our energy policy. Kansans are not comfortable with the “father knows best” attitude reflected in the artificial investment motivated wind market. Economic decisions should be market driven. In a free market the fundamental fatal flaws of wind-power would be recognized in the blink of an eye. Due to the intermittency of wind, at best, it is only viable 37% of the time. The fact that two thirds of the value of any given wind-plant is in its tax sheltering capabilities ought to tell us something (American Bar Association study). Because of the artificial climate created by the “father knows best” mentality the market is not deciding this policy.

Fear of “Global warming” and the near hysteria this fear has produced seems to be

driving the Kansas Energy Office's policy. I would like to bring to your attention the Draft's section on Wind Energy, A. Topic/Issue Description and the sentence, "The possible reduction in external, pollution-related costs attributable to wind-based generation may tip the economic analysis in favor of wind. Very simply, when all generation costs are taken into consideration, including external costs that are difficult to measure and quantify, wind may be economic". Using air pollution health statistics - a subject that is fraught with speculation and untested assumptions - to justify wind energy development is an attempt to rationalize and "sell" the pro-wind development stance.

This argument is an old and highly controversial way of justifying high cost sources of electric generation.

The "external" cost concept seems similar to one that was popular in the late 1980s and early 1990s but which was largely abandoned. During that period, I understand that some State Public Utility Councils, The US Department of Energy (DOE), EPA, various non-profit organizations (such as Resources for the Future in Washington, DC) and others attempted to find a way to identify and determine objectively the importance and value of "external" costs. My understanding is that most of these organizations have "backed away" from this argument.

In conclusion I would like to point out that this draft plan makes no reference or provision for protecting our state's natural and scenic assets. The legislature has directed you "to avoid unnecessary encumbrance of the landscape of the state."

Everyone now seems to agree that it's a good idea to protect Cheyenne Bottoms, Quivera and the Heart of the Flint Hills yet nowhere is this stated as policy. There is no federal policy, no state policy. And as you know many counties in Kansas and especially in the Flint Hills remain un-zoned. These counties are at the mercy of three men under great pressure from outside forces and sometimes self-interest. In the case of the Flint Hills three people can decide the fate of a landscape that is regarded as one of the nations premier natural and scenic areas, a region that is on the cusp of an economic resurgence through nature based and Ag tourism.

I can say one good thing about the pursuit of wind energy: it has united those who feel passionate about protecting the last expanse of tallgrass prairie as never before. We recognize that the future of our communities and their health and economic well-being is at stake. I urge you to re-evaluate your pro-wind bias and examine these issues with the best interests of the people and our state's natural assets as your guide.

For a moment turn away from the industry's lobbyists and the voices of self-interest and listen to what retired physicists, energy producers, economists and other professionals have to say about the viability of wind-energy. Look at what is happening in Europe when subsidies are reduced and eliminated. In ten years time wind turbines will be seen as symbols of a massive Enronesque boondoggle.

Thank you for this opportunity to express myself.

Discussion

Brian Moline – I assume you share concerns about the environment. Since you seem to be opposed to the experimental use of developing wind, do you have an alternative to meet the increasing demand for electricity if we cannot use wind?

Stubbs – France has had nuclear power for 30 years and gets most of their energy from nuclear power. With the new technologies, I believe we should expand Wolf Creek. Texas burns natural gas; we don't. I think in 10 years time, the wind thing will reflect like the Enron scandal – we all got hoodwinked to buy wind because of “Global Warming.” The tax avoidance schemes and green politicians have come together and wind is on the stage. In 10 years time, all the turbines will be seen as an Enron-esque scam.

Moline – How do we solve the high-level nuclear waste problem?

Stubbs – My neighbor is a nuclear engineer. He has been contracted by China to build new plants. He says that is where we will all end up. Everyone who gets up here to speak has a self-interest. The retired energy people, Tim Carr, etc, wrote an editorial and nothing has changed since then. This is a dead-end. I care about global warming but this is a dead end. Let's let it be driven by the market and science.

Lee – I assume that it would be fine if we located a nuclear power plant in Wabaunsee County.

Stubbs – No, it is about protecting the flint hills.

Lee – I assume you are opposed to the nearly 1000 oil wells in the flint hills, do you also want those out?

Stubbs – They are a fact of life. Elk River covers 5000 acres

Lee – How many acres are involved in oil wells?

Stubbs – It cannot be the same size as wind.

Lee – With the price of oil, I'm sure there are more than 1000 oil wells now. What brings the coal from Wyoming? We don't use Petrol in energy plants, what drives the coal from Wyoming.

Stubbs – that is an external cost argument.

Bruce Waugh

My name is Bruce Waugh. I'm a fourth generation landowner from Wabaunsee County. I'm here today to address Chapter 5 of the Energy Plan Draft – Wind Energy.

I am concerned by what was included in the draft and what was omitted. The Plan appears to be driven by a challenge of the Governor to have 1000 megawatts of renewable energy capacity installed in Kansas by 2015. The Plan seeks to meet that challenge by defying good science, common sense, and the Governor.

First I will address what the Plan omits. More well known than the Governor's challenge of 1000 megawatts of renewable energy capacity by 2015 is the Governor's stated policy of preserving the Flint Hills and specifically declaring that the Heart of the Flint Hills ARE OFF LIMITS TO INDUSTRIAL WIND DEVELOPMENT. The Governor obviously understands the importance of a balance—promoting renewable energy but not destroying an ecologically important area in the name of saving the environment. In

February 2004, Governor Sebelius said that she planned to take a lead role in preserving the Flint Hills, noting that Kansas is the home to the largest expanse of the Tallgrass Prairie in the world. The Governor described the Flint Hills as, “as vital and critical resource and natural beauty as the Amazon Rainforest.”

In November 2004, the Governor designated the establishment of the “Heart of the Flint Hills” to ensure the continued protection of the Tallgrass Prairie in Kansas. Her statements specifically refer to developing a strategy for developing Kansas’ wind energy potential, “while preserving the agricultural heritage and conserving critical ecosystems in the Heart of the Flint Hills.”

That was the real challenge of the Governor—to develop wind energy potential but stay out of the Flint Hills at the same time.

Why are the Flint Hills worthy of preserving? The tallgrass prairie once extended from Texas to Manitoba, Kansas to Indiana --142 million acres of grasses as tall as a horse. Today less than 5% remains, with the vast majority located in the Flint Hills - a fourteen county area in east-central Kansas and the only place in North America to experience intact, landscape-scale tracts of this once dominant ecosystem. Cattle still graze the same grasses that have grown there for thousands of years.

Scientists compare the environmental importance of the tallgrass prairie to that of the rainforest. Its roots act as a carbon sink, cleansing the air of pollution. Its plants and limestone soils purify rainwater. Per acre, it provides more environmental benefits than any other ecosystem in North America. At the same time, scientists have warned for years that it is also our most endangered ecosystem prompting groups that support renewable energy elsewhere, such as the Kansas Wildlife Federation, The Nature Conservancy, Audubon of Kansas, and even the Sierra Club to oppose wind turbines in the Flint Hills.

Turbine developments pose a number of concerns unique to the Flint Hills, in part because of the relatively steep hills and fragile nature of its plants and soils. For instance, the area is home to the state’s cleanest streams. The hills soak in rain like a sponge, filter it, then slowly release it back to the creeks. The massive equipment used to construct and maintain turbine complexes would damage this filtering system, causing increased erosion and flooding, thus injuring both the hills and the natural architecture and quality of the creeks.

Another unique concern is that the market value of ranchland would decline if turbine complexes were built in the Flint Hills. The visual effect of 400’ turbines on the skyline cannot be ignored. In a region where more than 50% of the market value of property is tied directly to the viewshed and open spaces, anything that disrupts land values will negatively impact the agricultural economy.

Preserving the viewscape and agricultural character from industrialization has economic value for local communities. Those who have visited the Flint Hills acknowledge their

unique and subtle beauty. Would anyone suggest placing turbines on the edge of the Grand Canyon? The open spaces, grasses and wildflowers, and ranching heritage are a source of pride for all Kansans and give the Flint Hills a tremendous potential for nature-based tourism.

The Energy Plan draft contains absolutely nothing that even acknowledges the Governor's challenge to preserve the Flint Hills. It would be like responding to the challenge to build a vehicle that gets great gas mileage and is safe for the occupants by designing a motorcycle. The Kansas Energy Council is well represented by those interested in promoting 1000 megawatts of wind by 2015. It is not well represented by those who would promote the Governor's challenge to preserve the Tallgrass Prairie.

Perhaps even more egregious than ignoring one-half of the Governor's challenge is what the draft actually proposes. The KEC draft attempts to build a case for cost-effectiveness of wind based on purported environmental and health benefits to the state which are "unknown and immeasurable."

What does the draft propose? The draft suggests that the "possible reduction in external, pollution related costs attributable to wind-based generation may tip the economic analysis in favor of wind." Words such as "possible" and "may" should be red flags that the conclusion is even more remarkable: "Very simply, when all generation costs are taken into consideration, including external costs that are difficult to measure and quantify, wind may be economic."

That sentence could have read, "Very simply, when all generation costs are taken into consideration, excluding external costs that are difficult to measure and quantify, wind may not be economic." Both sentences would have been equally as true, and equally as meaningless. With no further explanation or support, the draft states: "Legislation broadening the KCC's authority to explicitly make some consideration of all generation cost, including those which may not be 'known and measurable' may expand the opportunity for wind projects of any size—and the resultant purchase power agreements—to be economic and, thus, possibly receive KCC approval."

The Kansas Energy Council actually suggests that the Kansas legislature grant the KCC the authority to consider "possible external costs and benefits in addition to the known and measurable cost" when evaluating wind-based purchase power agreements. It is difficult to imagine giving someone the legislative authority to consider things that are unknown and immeasurable in making decisions that affect the state. Who at the KCC has the training and knowledge and experience to consider and evaluate the unknown and immeasurable? How can the public challenge a decision based upon an evaluation using unknown and immeasurable costs? Where can we find an expert in unknown and immeasurable costs?

We submitted an open records request to get the documents that supposedly support this proposal. There are none. The Cost Benefit Analysis that purportedly supported the idea that wind is economic if you consider unknown and immeasurable cost does not exist.

This “external cost argument” has been tried elsewhere in the past and has been soundly rejected. The truth is that the data does not exist to justify making an economic argument for wind. However, more importantly, even if wind were cost-effective compared to other conventional forms of generation, it still has no place in the Flint Hills. Likewise, if a nuclear power plant is the most cost-effective form of generating electricity, it does not belong in the Flint Hills.

The Kansas Energy Council should review the declared public policy contained in Chapter 66, Article 1, “Powers of State Corporation Commission” which states that the public policy of the state of Kansas with regard to the Corporation Commission is to, among other things, “avoid unnecessary encumbrance of the landscape of the state.” The KCC should not be given the authority to consider and rely upon unknown and immeasurable costs to justify ignoring the policies that are in place and contributing to the industrialization and demise of the Flint Hills of Kansas.

Those who destroyed the first 95% of the Tallgrass Prairie undoubtedly did not understand the consequences, but future generations may not be sympathetic to those who would knowingly finish the job. Thank you. Bruce Waugh

Discussion

Jeff Kennedy – Drawing the distinction between yours and Stubbs’ position, what suggestion would you make for siting?

Waugh – The U.S. has an industry that is relying on tax subsidies. I would not use an ecologically significant area of KS or anywhere else to conduct and continue the experiment to create a cost effective energy source. We don’t want to hurt these areas to perfect an industry. There are areas where wind development would not have adverse ecological impact. We all know that Western Kansas has as good wind as the Flint Hills. I would take off the table those things that would cause irreparable harm whether or not the experiment works. This is a new concept for Kansas. The folks in England have been fighting over this for decades. Areas have been destroyed. We should go to school on those that have made different.

Josh Svaty – You’re speaking for the ranchers. Are you a rancher?

Waugh – No.

Curt Wright – Is there a specific suggestion that suggests we are contradicting the governor?

Waugh – The lack of acknowledgement is a loud statement. The entire draft policy only goes toward promoting the industry without the other half. I am not here as an attorney, I am a landowner.

Sarah Dean – Are you aware of a white paper that was commissioned by the Dept. of Commerce and the KEC to address some of the things discussed here written by Joe King? Within that paper there was identification of some of the areas you are talking about. That may be a useful paper to you as I think it has been to us. My point in stating this is that the KEC is and continues to address and be very concerned about some of your points here about sensitive environment areas.

Waugh – Is the white paper the June 30, 2006 paper? About 24 hours ago we got the documents and I have not looked at all of them. I will submit my comments in writing later.

Carl Holmes – You spoke about the wind farms in western Kansas. Would you be opposed in siting of transmission lines through the Flint Hills?

Bruce – No, if it is done in a responsible way. I can't give an absolute approval because someone will do it irresponsibly. The concept I have no problem with.

Holmes – What is irresponsible?

Bruce – Too much damage. If the only way to get the energy from western Kansas to eastern Kansas is through the Flint Hills I am not opposed to that concept.

Dan Nagengast, Kansas Rural Center

In August a year ago, many people in this room took a trip that was jointly sponsored by the KEC to SW Minnesota. Many of us came back with our eyes open and saw wind energy as a boon to rural development.

The turbines were integrated into farms and pastures and were much appreciated from the people who had them. We are co-hosting a workshop in Concordia at Cloud County Comm. College on Community Wind.

I have observed the committee working for a year now. I want to thank you for the time you have spent on all of this. I am going to speak only on wind energy.

I believe you are headed in the right direction with the 200 MW proposal. I feel there are problems with coal and other forms of energy production. *Scientific American* did an article on global warming and the world is rapidly coming to a consensus about GW.

My criticism of the proposal is the size. I find it very timid. There were even words spoken within the council meeting that this is a drop in the bucket. Kansas by the best evaluation we have is considered the 3rd best in the country for wind. Compare those 200 MW to what we have available, we are not very far.

I think it is not just the KEC that would have to do that. We need to start seriously thinking about an RPS and about PTC policies. That is why county commissioners were getting such great revenue from community wind. Payment in lieu of taxes is traditionally lower here in Kansas than elsewhere.

Someone already mentioned that Texas is looking at 6000 MW in the next 5 years, compared with our 200 MW that is something we need to think about.

The Bioscience initiatives by the legislature are funding a program that is far less valuable to Kansas than wind. I can see 20 years from now a lot of wind development all around Kansas, and because of the policy choices we are making today, there could be little here.

I am a proponent of wind in areas that aren't in need of protection like the Flint Hills. I think that is where the consensus is coming and the tool Sarah Dean spoke about flags those issues. The last meeting of the KEC it was suggested that this proposal should flag the Flint Hills and it was rejected – I would urge you to reconsider that.

Discussion

There was no discussion.

Kim Winn, League of Kansas Municipalities

We have 2 primary concerns – the first is the unfunded mandate. Our second concern is KCC jurisdiction. Kansas is the leader in local ownership of small utilities and we believe it would be inappropriate to grant KCC authority over those utilities.

As an alternative we would encourage the KEC to look at a voluntary approach. Should you decide to head that direction, LKM will commit staff and knowledge to help encourage munis to develop energy conservation measures. We simply cannot support the KCC jurisdiction but certainly support the goal.

Discussion

There was no discussion.

David Springe, CURB

I had not intended to make comments at a public forum but the developments made me think otherwise. When the KEC issued its directive and the KCC opened its docket, CURB convened a special board meeting to discuss the policy directives in energy conservation.

I heard some interesting answers at this meeting. Those of you that have seen me speak might notice that CURB is taking a slightly different policy stance. I will be filing written comments.

In quick summary – my board does believe that at this point energy conservation is an important resource and we are not doing enough. We need to do more. They are willing to devote more resource to this. We have historically limited cost-effectiveness to the RIM-test for what we, CURB, support. At this point, the board believes we should have a slightly less restrictive test. We are also less concerned about the distributive costs. That is still a valid concern, but we do not want that to stop us from going forward.

Also, the board looked at how these programs should be put forth. There could be a government agency set up, the utilities could do it themselves. My board was not supportive of a govt. agency or the utilities do it themselves. They believe that we should look into a non-profit utility concept – controlled at the utility level but regulated by the KCC. It is middle ground that has not been put on the table before this agency and is one that we should at least consider to truly achieve some statewide benefits.

If we are going to do these programs we have to have some resources. My board said that they would not oppose a system benefit charge. There are strings that go with that –

these funds should not be raided by legislatures and should be managed appropriately for customers electrical benefit. We think consumers will accept a small charge to support energy efficiency.

My board approved this third party entity idea. Even though the CURB board does not represent muni and coop customers, the board wanted to create something that coops and munis could voluntarily participate in. My board was interested in creating a mechanism that allowed this.

A slightly different stance from the past from CURB but times are changing and attitudes are shifting. The comments of KEC policies overall – if you do what we have suggested – consumer rates will go up. I do think it is important that the KEC not try to hide that fact. Most consumers are not necessarily to paying higher rates if they understand why they are paying higher rates. It is important that we are honest about how much things will cost. We need to be careful that we aren't hiding that these policies will directly impact our customers.

Discussion

Jay Emler – Does CURB have a position on Wind Energy?

Springe – We have not taken a strict position. We have always been concerned with the economics of wind, but recognize to some degree that there are times when wind is and times when wind is not economic. The KCC has the right to set just and reasonable rates. There is an area of the KCC and CURB where things don't have to be the 'cheapest' and we can consider other things. We have in specific instances fought taking issue with some costs.

Emler – While the 'cost' of wind may not be completely ascertained, does CURB have a position on these externality costs? Does CURB have a position on a mandatory RPS which can drive costs?

Springe – Externalities exist – that is our position. As an economist they exist in both ways. Everyone focuses on the externalities of pollution. One of the challenges we face is to quantify that and make it a factor in decision-making. But let's also talk about the fact that if we do some of these things, we are going to increase consumer rates. That is the rate to every one of your residential consumers. There are economic externalities on both sides. Externalities exist. I don't have a specific policy of how we should account for those – I don't have an environmental mandate. CURB is not in favor of an RPS because we don't appreciate that type of mandate. Remember that these utilities are regulated. We may feel compelled to give them incentives, but we can also tell them to do things. I would shy away from mandates, but we can look at simply telling them what they should do.

Moline – To the extent that the KCC was required or decided to take the externalities into account in their cost benefit analysis, that same evidence would go to support the advocacy of Wolf Creek.

Springe – Nuclear may be an option in the near future, but we don't know. There are goods and bads with every resource. I don't think it is here in the near term.

Janis Lee – Does an RPS necessarily have to cost more? If there is no allowance for making it cost more?

Springe – Traditionally an RPS requires X amount of generation comes from renewables. Renewables are more expensive than other generation.

Lee – The 2005 data shows that with the PTC, wind is less expensive than new coal power plant.

Springe – Westar remarked that with their mix, wind was not economic. I wouldn't make that same argument for Aquila and Empire.

Lee- New coal vs. wind?

Springe – my understanding is that even new coal plants if you presume a set level of demand, what you will have to add in terms of wind given capacity, I don't know if it would be economic or not. An RPS will likely be more expensive, but does not have to be.

Chris Wilson, Kansas Building Industry Association

[had to leave, but submitted written testimony, hard copies of which were distributed to Council members]

Carey Maynard-Moody

I am a wife, mother and grandmother. Tomorrow morning will be my swan song for vending in the farmers market. It is because of the temperature of the soil. Even though I purchased a new irrigation system this summer, it was difficult to keep my plants moist.

I have been like many thinking that Global Warming was something I could deny and stick my head in the sand and go forward and enjoy Douglas county and not take it into consideration. I am going to encourage everyone to go forward. You do consider the temp. of the planet and Kansas soil and I think that is driving your draft.

It is discouraging to have to go back to work, but I think that you are far more concerned about what is going on with our planet's destabilization than I did when I first read your draft.

I encourage you to come up with a final draft that our grandchildren can be proud of. Capping carbon may be a smart thing to do. Wind is not the answer, it is a part of the mix. Let's get creative.

Discussion

There was no discussion.

**Sarah Hill-Nelson, Bowersock Mills Power, Bonneville Environmental Foundation
Portland Oregon**

I speak as a producer of renewable power, but also a marketer of Green Tags, or RECs in the region.

Addressing the Draft Recommendations for Wind Energy Development

Point #1: Externalities and Long Term Costs of Energy Production

The KEC summary pointed out that “wind generation has been constrained, in large part, by lower costs associated with conventional generation (e.g., coal-fired power plants).” The summary further pointed out that “wind is likely to cost ratepayers more than conventional generation.”

I commend the KEC for noting that wind generation does reduce power plant emissions and could reduce the possible damages and cost resulting from those emissions, and for granting the KCC the authority to “consider possible external costs and benefits, in addition to the known and measurable costs, when evaluating wind-based purchase power agreements submitted for approval by the jurisdictional utilities.”

I would like to elaborate on that point, and recommend that the KCC extend the consideration of external costs to the construction of all new power generation in the state.

I understand there are significant difficulties in estimating the external costs related to coal-fired energy production. One member of the KEC has suggested that it deserves further study. I agree. I don’t suggest that wind can replace coal. I understand coal’s role as a provider of base load energy. I do suggest, however, that additional wind production can meet many of Kansans energy needs in the future. In the case of the Holcomb plant, Kansans will only use 8% of that energy. Kansas utilities should focus on meeting the needs of Kansans – not people in New Mexico and Colorado who aren’t willing to build coal-fired generation in their own states. Kansans should understand their actual need and assess it within the context of the true costs of burning coal before the state commits to building new coal-fired energy that will be in place for the next 60-70 years.

Analogy – Investing in wind is much like investing in a 30 year fixed-rate mortgage. Although it is a bit more costly in the moment, you are guaranteed the same rate for 30 years. Ratepayers can be assured that their rates will not rise significantly due to unaccounted for influences.

Investing in standard coal-fired energy production - much like the proposed plant at Holcomb – is more like investing in a 3 year Adjustable Rate Mortgage. Most financial advisors at this point would not recommend a 3 Year ARM. They would consider it an unnecessary risk with an investor’s money.

Why is investing in coal like investing in a 3Year ARM?

- Right now, coal looks cheaper

But let’s consider the external costs that make this a risky investment for Kansas ratepayers as well as utility shareholders.

- Fuel costs will continue to fluctuate – most likely rising
- Carbon Tax – as Rep. Holmes pointed out in a presentation - expected 2012-2015
- Potential liability from lawsuits – parallels to cigarette industry

The 30-Year Fixed Rate of Wind Power is looking very good.

Another way to define it would be to ask the KCC to consider the costs into the future, and not just the costs for today.

Point #2: The renewable power market is an important factor that must be considered. Market forces and consumer preferences should play a role in decisions made regarding energy production in the state.

There is a rapidly developing market for Green Tags or RECs. The value of RECs must be considered in assessing the costs for renewable energy production. Take cues from the market – consumers want choices and they should have them. If consumers are willing to pay more for wind or other renewable power, let them do it. In Austin, Texas, consumers had the choice to lock in a rate if they used wind power. Those consumers are now feeling very good about their rates since they are far lower than current gas-fired energy rates. Perhaps Kansas consumers should be given the same choice. They can choose coal which is cheaper now – and pay the higher rates when they eventually come down the pike, or they can pay a slightly higher rate for wind and lock it in for 10 years or more. Wind can serve as a hedge for consumers in this way.

Kansans do have a desire to use renewable power. I am pleased to announce that the City of Lawrence is committed to meeting 3% of the city government's energy usage with renewable power through October of 2007. Lawrence will launch a campaign to try to become an EPA Green Power Community, in which the City will encourage businesses and individuals to use regional renewable power.

Speaking as a representative of the Bonneville Environmental Foundation, there is a demand for wind RECs. It is difficult and competitive to get them out of Kansas. There are simply very few available. The demand is increasing and the costs are firming.

The Bonneville Environmental Foundation is working to develop a regional renewable power product – but the Foundation is having a hard time buying Kansas wind. This will be very difficult to do until the state of Kansas begins to do more to support renewable power that protects the health and welfare of current and future Kansans.

Discussion

There was no discussion.

Frahm thanked everyone for their comments and reminded them that public comments are open through Oct. 31st. The KEC will work on these with an eye toward further discussion and approval or disapproval of revised plans at the Nov. 15th KEC meeting.