

**KEC Greenhouse Gas Policy Committee
Meeting Notes, July 18, 2008**

KEC Greenhouse Gas Policy Committee Members Attending: Bruce Snead, Committee Chair, Rex Buchanan, Ken Frahm, Mike Kelley, Galen Menard, Hans Nettleblad, Adrian Polansky, Curt Wright [Blake Elliot, BPU (for Joe Dick); Lt. Gov. Mark Parkinson, KEC Co-Chair; Luke Bell, Mark Schreiber, Michael Volker]

KEC Staff: Liz Brosius, Michael Deupree, Ray Hammarlund, Corey Mohn, Jennifer Knorr

Opening Remarks

Committee Chair Bruce Snead opened the meeting with a review of the committee objectives and asked members and guests to introduce themselves.

Additional Remarks

KEC Co-Chairs Ken Frahm and Lt. Governor Mark Parkinson thanked the committee members for taking the time to attend these extra committee meetings. Snead reminded group that the next meeting of the full Council is August 13, 2008.

Preliminary policy options

Liz Brosius, KEC Director, gave a brief overview of the staff-prepared listing of preliminary policy recommendations. She noted that the state-level options fell into two categories—those intended to reduce vehicle emissions and those intended to reduce electricity usage—and that they were all based on topics that the Council had addressed in the past two planning cycles. Snead walked the committee through the specific proposals.

Promote adoption of no-till agriculture through increased public education and outreach.—Brosius noted that this recommendation builds upon an earlier KEC recommendation and the study conducted by KSU agricultural economists during 2006 planning cycle. Parkinson asked Adrian Polansky if he thought 7 million acres was a good estimate of no-till in Kansas, and Polansky said it's hard to get really accurate estimate because levels of tillage may vary depending on the crop. Polansky said some farmers haven't gone to no till because of the cost of changing equipment. Frahm, who switched to no till several years ago, agreed that the equipment conversion may deter, but added that the increased price for diesel is likely to serve as a strong incentive. Polansky noted that no-till agriculture reduce water usage, conserved soil nutrients, and reduced runoff (and erosion). Parkinson referenced the tight state budget situation, and asked Polansky if there was a way to promote no till without having to spend a lot of money. Polansky said if there is a federal cap and trade policy, then Kansas should push to have offsets for no-till agriculture included.

Ray Hammarlund reported that the Midwestern Governor's Association (MGA) committee looking at offsets was divided between those who see great potential for soil sequestration as well as geologic storage of captured CO₂ from industrial sources and those who are skeptical. Some favor a CRP-like program to reward farmers for no-till agriculture; others prefer the market-driven approach that doesn't favor one solution or technology over another. Brosius said it was her understanding that terrestrial soil sequestration is not permanent; Polansky said

although soil holds a finite amount of carbon dioxide, he and Hammarlund agreed that it can provide a bridge to more permanent solutions.

Parkinson said he saw two distinct recommendations: (1) that any federal cap-and-trade policy should include agricultural sequestration as an offset and (2) to increase education and promotion of no-till to encourage more farmers to adopt. Regarding increased outreach and education, Polansky suggested that the Natural Resources Cabinet could provide some coordination. Brosius added that it would be good to continue to work with the Kansas Water Office and WRAPS program. Polansky said the Kansas Ag Statistics could probably quantify the current status of no till in the state for \$30,000 to \$40,000. Hammarlund pointed out that many farmers are not the landowners (65% of Iowa farming is cash-rent). Nettelblad asked whether it would make sense to mandate a percentage of no till. Frahm and Polansky agree that a mandate wouldn't fly (there would be a revolution). Curt Wright asked whether there were private groups that could help educate and advertise? Polansky mentioned No Till on the Plains. Frahm noted that you have to use more herbicides with no till and that this input, like diesel, is getting more expensive; however, he said no till produces better yields. After several years of no till, he said he's seen much larger yields in areas of lowest yield. On average, 10 bushel/acre benefit. Rex Buchanan said he'd seen an article in *Scientific American* about no till that might be worth looking at.

Snead called for a motion to adopt the two recommendations. Parkinson makes motion, seconded by Polansky. Menard asked for clarification, to be sure we are not endorsing cap and trade. Motion carried, without dissent.

Reducing speed limit on highways in Kansas—Mike Kelley said that YRC Trucking adopted 63 mph limit some time ago and wouldn't oppose a 5 mph reduction (from 70 to 65 mph). He suggested that the state also needed to increase enforcement. Wright said a 10-mph reduction would increase his fuel delivery costs, as he'd have to add another truck to make up for lost delivery times. He said he hadn't evaluated a 5-mph reduction.

At Buchanan's suggestion, committee agreed to discuss this recommendation along with the next one, calling for a statewide initiative to voluntarily reduce driving speeds on Kansas highways. Parkinson asked if anyone would have a problem with adopting a maximum speed limit of 65 mph. Frahm brought up the so-called 10 mph allowance, whereby speeding violations up to 10 miles over the limit (on interstates) do not go on permanent record.

Regarding the voluntary effort to reduce driving speeds, Kelley said they use their trucks for advertising and would be willing to donate ad space. Menard asked if there was a safety risk with a greater speed differential? Blake Elliott asked what the cost would be to change out signs?

Snead asked if there was an objection to bringing this recommendation to the full Council in August? Parkinson said establishing a maximum speed limit of 65 mph would impact only a few roads in the state. Kelley said it was clear and easy to understand. Buchanan asked if changing the speed limit was politically feasible? Parkinson noted a recent CNN.com poll and said going back to 55 mph is not possible, said he wasn't sure if there would be that much resistance to going from 70 to 65 mph. Parkinson said he didn't think we should worry whether it will pass

the Legislature if we think it is a good policy. Buchanan said he didn't know if it is a good idea or not. Brosius reminded them that the committee was deciding on things to bring to the full Council for further discussion and debate. In response to a question about how much a 5-mph reduction in speed limit would actually reduce GHG emissions, Brosius said the KEC would not attempt to quantify; she said that the KEEP effort might include such quantification of policy impacts. Snead said we may be going forward with a recommendation that this is worthy of state review. Frahm wondered how much traffic would be diverted to I-80, and Kelley said it probably wasn't much of an issue currently.

Mark Schreiber said the issue is compliance and asked whether the Kansas Highway Patrol (KHP) could tell us whether doubling fines encourages better behavior?

Bruce said perhaps we should look at the entire package: encourage better mileage and increased fines for speeding. A motion was made to take forward a recommendation endorsing a 65 mph speed limit, coupled with increased speeding fines and statewide initiative to promote optimal driving speeds. Motion passed without dissent.

Telecommuting option and/or 4-day work week for state employees—After initial discussion, committee decided to limit to the telecommuting option because of daycare issues, evidence that productivity declines after 8 hours, and possibility that people would drive as much on day off. Buchanan reported that he was recently approached by an employee about telecommuting and said no, but might have said yes if there was a larger state policy or initiative. It was agreed that agencies and supervisors would need to have discretion in how they implemented. Snead asked if there was anything in state law (rules) that prevented telecommuting? Kelley said that telecommuting worked well for their business (as opposed to the 4-day work week) and suggested that recommendation be broadened to all businesses; could be seen as an incentive to employees. Parkinson said he thought offering a telecommuting option was great, but that we needed to be careful on how we word the policy, so that we don't set up a right for all employees; we need to give broad discretion to managers. Polansky added that services and performance must maintained. Bruce asked for a general motion, which passed without dissent.

Incentives for replacement of low-mpg vehicles—Brosius described recent news item highlighting work by two Duke professors that gallons per mile information provides a better basis for comparing fuel savings between vehicles. Since improving from 10 mpg to 20 mpg results in greater savings (and greater GHG reductions) than improving from 28 to 45 mpg, the state could target the low-mileage vehicles driven by lower income Kansans for some incentives. Parkinson said although he thought the proposal had some merit, the state didn't have enough money this year and the KEC should not recommend policies with a fiscal note. Brosius noted that there was a public education component and perhaps relevant state agencies could be involved in helping Kansans understand that every 5 mpg improvement does not bring the same amount of savings. Menard said that as a major marketer of gasoline, they pay attention to who buys the gasoline and it's not primarily low-income drivers; 80% of gasoline is bought by middle to upper middle income drivers.

Committee decided not to pursue any recommendation related to this item.

State incentives for cost-effective energy efficiency improvements to residential and small commercial structures—Brosius said the KEC has looked at similar proposals related to energy conservation and greater efficiency and asked whether there was interest in promoting outside utility-sponsored programs. Nettelblad said he wanted to see proposal that would include new construction, not just retrofits—in other words, establish state minimum energy efficiency standards. Snead noted that Nettelblad had suggested the 2030 initiative as something the KEC might want to adopt. Brosius noted that the KEC adopted a recommendation in 2007 to develop model EE codes for voluntary adoption by local units of government, and that Hammarlund was working with Snead to take first step with the League of Kansas Municipalities. Nettelblad said buildings are huge energy consumers, so it's important that they be built for efficiency. Luke Bell said the state didn't have staff to inspect new construction for 75% of the state. Any statewide standard would have to include funding for inspections because the local governments don't have the resources to do this. Nettelblad pointed to the efforts in Greensburg as a model and said he thought the counties could develop the inspection capacity. Wright said the Kansas Association of Counties will say the counties lack the resources to do this. Martha Smith (audience) said the two objections from local units of government are (1) some areas simply don't have the resources to do it and (2) they feel it violates home rule; Kansas is not the only state that lacks statewide standard.

Parkinson said that most developments he sees statewide have architects focused on energy efficiency; that the increased upfront costs will be offset by savings from reduced energy usage. He asked if there was a lot of "bad" new construction going on? Snead said we should try to target areas where there is a lot of construction and not worry about counties where that only see 6 building permits annually. Bell said the IECC was most commonly adopted code, though most cities adopt parts of it (he's never seen a city adopt the whole code). Nettelblad agreed that the trend was toward more energy efficiency building, but some "bad" buildings were still going up. He said if BNIM can build to LEED standards, everyone could. Bell said the realtors want to know if they can actually sell the development. He said consumers are increasingly interested in energy efficiency, but that interest is not across the board. If we can get more communities to adopt IECC, that would make a difference.

Brosius asked the best place to find out the average age of housing stock and Bell (and others) said to check the Census Bureau statistics, broken down by state. Michael Volker said that the average age of houses in Midwest Energy's service area is 30 to 40 years.

Snead brought the discussion back to the recommendation, noting that the state has the KEEP low-interest loan program for Kansans who want to make improvements to their homes. Brosius said staff would have an update on that program at August meeting. Snead said it would be good to provide an overview of the existing utility programs. Brosius said there were roughly 41 programs approved by the KCC, many of which were approved only for a short term. There was some discussion of cost of energy audit; Volker said it could cost \$350 to \$500. Bell said because of the cost you don't see a lot of homeowners paying for audits. Brosius asked if there was a "lite" version of an audit that would provide solid information about cost-effective improvements? The online tools that Westar and other utilities offer provide that kind of low-cost diagnostic.

Frahm said it was his perception that the legislature has been more inclined to grant tax incentives than earmark marks for a new program from SGF. Parkinson said that the administration doesn't view tax credit any differently at this point; now, we are analyzing everything. Sloan agreed that the legislature would be looking at existing tax incentives and it was unlikely they would add to them. Parkinson said if State revenues come in as anticipated and if K-12 and Regents gets zero increase, then we are only \$100 million short in a \$7 billion budget.

Regarding expenditures for residential EE, Bell said that consumers don't have a lot of extra funds and aren't really interested in borrowing more money, even with the energy associated savings. There was a brief discussion of expected declines in federal funding for LIHEAP and WAP, and Snead noted that although LIHEAP is necessary, it is always better to put money into improving structures.

Committee decided not to pursue any recommendation related to this item.

Require utilities to offer time-of-use rates.—Brosius explained that this policy targets peak load and would not necessarily reduce overall consumption. Snead noted that this was one of the issues in the KCC energy efficiency dockets; Brosius said they hadn't made any determination regarding real-time or time-of-use rates. Blake Elliott, BPU, pointed out the need to change out meters and there was a discussion of the various types of meters and expenses. Brosius mentioned that Westar was developing a real-time pilot program. Frahm described his irrigation time-of-use rate through Midwest Energy, in which it goes from 7 to 21 cents an hour, if it is above to 95 degrees and noted that the customer had the option to override. Parkinson said that if we could craft policy that gives consumers more information about the cost of delivering electricity at the peak hour, that would have a lot of benefits. He suggested that staff compile more information for discussion at the August meeting as a basis for a proposal that wouldn't unduly burden utilities. Elliott pointed out the implications for the billing system and potential need for software changes.

Snead asked if the committee was ready to vote on this proposal. Parkinson said he'd like to keep the discussion going, but didn't know yet whether he would support the proposal or not. Sloan added that it would be good for any time-of-use policy to include "lifeline" rates for those with medical conditions that required usage during peak hours.

[KEC members Mark Schreiber and Michael Volker returned to meeting, and were asked metering requirements and impacts on different classes of customers with time-of-use rates.] Volker said Midwest Energy had had success with time of use rates; the objective is to shift consumption, not reduce consumption, so it's not the same as energy conservation; not sure of GHG impact. He said it doesn't take a real sophisticated meter, perhaps \$150. Schreiber said that Westar currently had different block rates for summer and winter based on total usage; they are also looking at advanced metering, which would allow them to monitor outages, etc., but it is expensive. Volker said Midwest has time of use for every class now but residential (they tried earlier, but it was discontinued due to lack of use). Schreiber said Westar had block rates for commercial and residential. Elliott said BPU had similar rates.

Parkinson said perhaps the KEC needed to think about this more, but not make a recommendation today. Brosius suggested that it might be helpful to schedule a presentation on this topic at a future meeting.

Additional policies based on Energy Efficiency Potential Study—Snead asked if anyone had additional suggestions based on the Summit Blue findings on energy efficiency potential. He said he saw the study as a way for the state to set aggressive EE goals. If we don't set goals from this, we are missing an opportunity. It would be logical to determine long-term goals for sectors of our economy. Parkinson asked if he had a specific suggestion? Snead said he hadn't had time to set a benchmark. Volker said it was important to look at what was achievable in setting goals. Snead said it is widely believed that efficiency is the least-cost way to reduce GHG emissions. Parkinson said they'd all seen statistics showing Kansas lagging on incentives for energy efficiency. Are you suggesting that we have staff develop a goal for the August meeting? Snead said that is probably the easiest way to proceed, to allow feedback from the council as well. Brosius said she thought it was difficult to accurately quantify and measure progress toward goals and that, strictly speaking, the Executive Order doesn't call on the KEC to set goals. Snead said he disagreed; Brosius said it would be hard to know whether any overall decline in consumption was tied to any specific measure; Volker said there would be a systematic way of tracking where the savings are coming from (Summit Blue only suggested things we can track.) Parkinson asked if Snead and Volker could come up with a suggested goal; they concurred, with Volker saying he would want to include KEC members who served on last year's energy efficiency committee. Brosius said she would work with Snead and Volker to set up a conference call.

Endorse enactment of federal policy—Snead noted that the MGA was working on a regional cap-and-trade policy. Brosius said that this recommendation was similar to previous ones the KEC had discussed, that the Council has heard a lot about the economics of the different policy approaches, including the staff report prepared last summer. She pointed out a handout in the folders summarizing the policy options, primarily from an economic standpoint and asked the committee to review and let her know if they had concerns. Snead asked if this is the proposal ruled out a regional approach? Brosius said perhaps the question should be framed in terms of scope—what is the appropriate governmental level for regulating GHG emissions?

Bell said that any policy should be at the federal level and speculated that policy would be enacted following the elections this fall. Rick Brunetti, KDHE, noted that EPA issued a statement saying it would leave rule-making on GHG emissions to the next administration. Parkinson said he wasn't sure Congress would be able to pass GHG legislation, once they get into the details. But we should be prepared so that we are in a position to know what makes sense. There are things Kansas can do that are not controversial, but federal GHG regulation is not one of them. A recommendation of yes or no will divide the Council and not impact the federal outcome.

Snead asked if the committee agreed that federal level policy is better? Do we want to endorse a national policy? Wright said *if* it is dealt with, it should be done at the national level. Parkinson moved that if a cap and trade or carbon tax is passed, it should be done at the federal level. Motion passes.

Snead asked if there were any other policy recommendations, and Nettelblad said he would like to propose the state require all new construction meet LEED Platinum standard. There was further discussion of the existing KEC policy recommendation that all publicly financed new construction meet a minimum EE standard. Bell pointed out that the legislature had discussed a standard 20% over IECC 2006. Frahm asked if LEED Platinum wasn't overly ambitious? Parkinson noted that some policies end up discouraging worthy improvements and upgrades because they require too high a standard, noting that environmental upgrades to coal plants are complicated because they trigger a new source review. Schreiber and Lowry concurred. Nettelblad said there was more of an opportunity to impact positively on retrofit. Wright suggested that perhaps it made sense to have different criteria for renovation and new construction. Nettelblad said he would send Brosius some information that she can distribute to the committee. Following further discussion, there was a motion to build on last year's recommendation by establishing a standard (to be determined) for state-funded new construction (not to include locally funded public buildings). Motion carried (per Snead).

Buchanan asked whether the KEC process precluded the KEC from developing a recommendation this year regarding CO₂ sequestration and enhanced oil recovery, as was being discussed by the MGA. Brosius said it probably did, since the Council tried to limit its recommendations to policy topics that it had studied in some depth. Buchanan said he thought the topic needed to be discussed, and Brosius asked if this would be a topic for the meeting of Regent's researchers to discuss priorities and funding needs? Buchanan said probably not. Brosius suggested it be included on preliminary list of priority topics for next year.

Other business, announcements

Brosius highlighted two upcoming events, meetings: (1) September 2-3, Robert Repetto would make presentation to KEC on federal GHG policy and also meet with folks at KU; and (2) meeting to discuss research priorities at KU, KSU, WSU, related to controlling GHG emissions, August 19, 2:00, Kansas Geological Survey. Buchanan said Westar, KGS, and KCC were co-sponsoring an informational meeting on CO₂ storage that would probably be held on Nov. 13 (the day after a KEC meeting) in Topeka. It was noted that September 25th was the auction date for RGGI carbon allowances.

Meeting adjourned at 2:00 p.m.