

**KEC MGA Committee Meeting Notes
January 15, 2008**

KEC MGA Committee Members Attending: Bruce Snead, Committee Chair; David M. Dayvault; Sarah Dean; Ken Frahm; Mike Kelley; Galen Menard; Hans Nettelblad; Adrian Polansky; Curt Wright

KEC Staff: Liz Brosius, Ray Hammarlund, Dana Maher, Corey Mohn

Opening remarks

Committee Chair Bruce Snead opened the meeting by calling for self introductions of the committee, presenters, and audience. He said that the general task at hand is to lay out objectives and delineate a work plan.

Additional remarks

KEC Co-Chair Lt. Governor Mark Parkinson noted that the KEC has recently been criticized in the media for its size and perceived lack of effectiveness. He explained that although he disagrees with criticism of the KEC's size, the KEC needs to zero in on what it can and can't do, and that proposing and passing legislation is not a good measure of KEC's purpose. He noted that in a recent meeting with Co-Chair Ken Frahm, Liz Brosius, and Ray Hammarlund, there was consensus that the KEC serves several purposes: (1) it is a forum for discussion of energy topics and issues, (2) it provides analysis, background information, and discussion of relevant energy topics and issues, and (3) it makes energy policy recommendations. He commented that many states do not have such a forum. Parkinson also pointed out that these functions may not be entirely in line with the current Executive Order and that changes to that order might be necessary. He expressed hope that focusing on the three listed purposes will yield results, but acknowledged that he might support dissolving KEC if these purposes can't be achieved in the coming year.

KEC Co-Chairman Ken Frahm seconded Parkinson's assessment, adding that the question is whether the KEC can tackle tough issues. He said that he thinks it would be possible to issue split decisions. Regarding the Executive Order, Frahm said he supported dropping the language regarding a comprehensive energy plan.

In response to a question from audience member Paul Snider, KCP&L, the Lt. Governor said that he and the Governor have a well-developed energy plan for the state.

Sarah Dean noted that this discussion was also relevant to the Mission Committee and asked about the possibility of utilizing outside expertise to develop a comprehensive plan, using the Kansas Health Policy Authority as an example. Parkinson pointed out that the real test of any plan is whether its recommendations get adopted.

Dean asked about energy plans crafted by other states. Brosius noted that many state "comprehensive plans" are compiled during a concentrated (often, one-year) planning

event and that these plans and their recommendations become dated and often sit on the shelf. Because of the complexity and breadth of energy topics and issues, the KEC adopted its current approach, in which it focuses on a few topics each year. Snead added that although KEC staff resources have greatly increased, preparing a comprehensive energy plan would require even more staffing and consulting.

The State's decision to enter into MGA accords

The Lt. Governor gave a powerpoint presentation, entitled *Climate Change Impacts on Kansas*, outlining the basics of climate change science from the latest IPCC report, and highlighting some of the potential impacts on Kansas: projections of future temperature and rainfall patterns for Kansas that may result from global warming. [This presentation is available on the KEC web site (<http://www.kec.kansas.gov/mga/index.htm>), under the January 15, 2008, meeting heading.]

Parkinson said he thought the threshold question is why Kansas and other Midwestern states should care about the issue of climate change. He said the science is clear and referenced a handout he and his staff had prepared on the conclusions of various scientific organizations. [This handout is available on the KEC web site (<http://www.kec.kansas.gov/mga/index.htm>), under the January 15, 2008, meeting heading.]

Parkinson said the good news for Kansas is that it has great potential to further develop its wind and biomass resources as carbon mitigation options. Hans Nettelblad asked about the potential for storing wind generation to use as baseload is, and Parkinson replied that it wasn't very good at this time.

Regarding the MGA accords and agreements, Parkinson outlined the platform's four sections on energy efficiency, biomass and biofuels, renewable electricity, and advanced coal carbon capture and storage. He noted that all 12 MGA Governors signed on to this platform.

He also said he didn't expect that there was any way to meet the state's electrical needs without further development of coal-based or nuclear generation, at least in the near term. Dean asked why storage of wind generated electricity was not included as a baseload generation option, noting EPRI's work on this; Parkinson said that for now the technology isn't there yet.

Parkinson outlined the MGA Greenhouse Gas Accord, noting that only 6 of the 12 MGA members have signed this agreement to develop a cap-and-trade system for reducing greenhouse gas emissions. Parkinson explained that the main reason Kansas and the other states entered this accord is to develop regional framework in anticipation of a federal cap and trade policy. Frahm commented that in essence the MGA accord appears to be something of a bluff.

Ray Hammarlund reported that the MGA steering committee, on which he serves, met recently in D.C. He emphasized that the policy options listed in the platform are optional

and each state will decide which to implement. He said he thought the energy efficiency goals would get the most emphasis. Hammarlund said the MGA currently has \$750,000, with foundation donors expected to provide more.

Regarding the GHG Accord, Hammarlund outlined the accord's four steps to achieving a regional cap and trade system. Step one calls for a two-year timeframe to reach consensus on reduction targets, step two is the actual development of a cap and trade mechanism, step three is networking the states by joining the Climate Registry, and step four is developing and implementing other mechanisms needed to achieve reductions targets established in step one. Hammarlund noted that step two will require the most work and step four will be handled separately from the rest of the MGA due to concerns of the other members who did not sign on to the GGA. ICF International will develop a complex mathematical model to predict outcomes of implementing various programs intended to meet the objectives of the accord. Brosius asked about if any of the funding comes from the member states; Hammarlund replied that he didn't know where the initial \$750,000 came from, except that none came from Kansas.

Committee members then discussed the merits and near future possibilities of a cap and trade system. In response to a question from Nettelblad, Brosius reminded the committee of the conclusions of the staff report on GHG policy options—that a carbon tax is more economically efficient but less politically palatable than a cap and trade system. Hammarlund added that the consensus among state staffers at the MGA steering committee meeting was that some sort of GHG regulation will be enacted after the 2008 presidential election, regardless of who is elected.

Galen Menard remarked that green credits currently administered by the Environmental Protection Agency (EPA) and associated with the Renewable Fuel Standard are a burdensome administrative nightmare and voiced his preference for a flat tax. He explained that because too many credits were issued, the credits are not worth anything, and sellers have no incentive to brave the bureaucracy to put credits on the market. Brosius noted that federal mandates like the RFS are quite different systems than a cap and trade system but agreed that over-allocation of credits is a problem that needs to be considered in a cap and trade. Reference was made to the recent problems with phase 1 of the EU's system.

Snead commented that he sees this as a teachable moment with respect to the GHG issue.

Discuss and determine work plan, future meeting schedule, and direction to staff

At Snead's suggestion, the committee began by discussing the energy efficiency section of the MGA Platform. Snead asked if Kansas has a measurable goal for energy efficiency, and Brosius said that the Governor had articulated one in her 2007 State of the State address: 5% reduction in 2010 and 10% in 2020.

Following a discussion of the committee objectives, which included each member stating why he or she had volunteered to serve on the committee, Snead summarized the objectives as (1) to understand the goals and objectives of the platform and accord, and (2) to evaluate and prioritize the various options included in each of the four sections of the platform and possibly to suggest other policy options needed for the state to achieve those goals and objectives. It was agreed that it was not a committee objective to endorse or critique the Governor's decision to sign on to either MGA document.

Staff was directed to review the platform's policy options and compile a summary of where Kansas is with respect to each.

The committee agreed that it would prefer to hold its next meeting on the morning of February 21, the day of the next KEC meeting. Staff will try to arrange a presentation at that meeting by either a cap and trade expert or one of the KU/KSU members of IPCC. Brosius pointed out that the split schedule seems feasible given the relatively light agenda planned for that meeting, but said that the final decision should be reserved until after the Electricity Committee meets on Thursday January 17.

Meeting adjourned.