

Kansas Energy Council
October 10, 2007, 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, Room 313-S

Agenda

- 9:00 Opening remarks – KEC Co-Chairs Ken Frahm and Lt. Governor Mark Parkinson
- 9:10 Overview of KEC draft recommendations – Ken Frahm
- 9:15 Determination of number of people to present comments – Ken Frahm
- 9:20 Comments, beginning with those listed below:
1. Nancy Jackson, Land Institute Climate & Energy Program
 2. Margaret Thomas, Prairie Village Environmental Committee
 3. Joe Spease, Pristine Power (Krystal Energy)
 4. Craig Volland, Sierra Club
 5. John Strickler, KACEE
 6. Jim Ludwig, Westar Energy
 7. Phil Morse, Kansas Sierra Club
 8. Al Dorsey, Kansas Housing Resources Corporation (KHRC)
 9. Paul Johnson, Kansas Catholic Conference
 10. Paul Snider, KCP&L
 11. Dan Nagengast, Kansas Rural Center
- 11:45 Closing remarks – Ken Frahm
- 12:00 Adjourn

Public comment period ends October 19, 2007.
KEC will meet again on November 16, 2007.
More information available online: <http://www.kec.kansas.gov/>

Public Comment
by the Climate and Energy Project (CEP)
of The Land Institute
delivered by
Nancy Jackson, Executive Director
10 October 2007

regarding

Kansas Energy Council's Draft Policy Recommendations

Thank you for the opportunity to provide comments on Draft Energy Policy Recommendations for 2008, and for the Council's work toward a comprehensive, long-term energy plan. Your work is critical and welcome.

The Climate and Energy Project (CEP), a project of the Land Institute, supports lively, informed conversations about the energy future. We seek to raise awareness about the risks of climate change, the potential of renewable energy, and the need for increased energy efficiency.

CEP's mission is to foster certain core values in these energy discussions:

- *Stewardship*. Safeguarding the earth's resources for future generations.
- *Resilience*. Developing flexible energy and food systems that have the strength and diversity necessary to survive disruptions in climate or national security.
- *Balance*. Acknowledging that all energy technologies have benefits and burdens, and that citizenship demands weighing this balance carefully.
- *Innovation*. Supporting creative implementation of renewable energy and energy efficiency technologies that are both environmentally and socially sustainable.

Given our mission, it will surprise few that, though the Council has chosen not to pursue action on Chapter 2: Greenhouse Gas Emissions, I'd like to start there.

Our two topics of conversation today - Energy Conservation and Efficiency, and Biofuels - have gained interest and support in part because their pursuit has the potential to reduce greenhouse gas (GHG) emissions. Not incidentally, both also provide substantial economic promise.

Today, I would encourage the Council and Kansans in general to consider the tremendous economic advantage of aggressively pursuing both mitigation of and adaptation to global warming. This issue is frequently couched in negative terms: GHG emissions must be *reduced*, mitigation and adaptation will *cost* money.

Yet the money we spend on an issue that must be addressed sooner or later - and will be considerably less expensive to handle sooner - could be a boon to the Kansas economy with substantial returns on investment.

Consider first that Kansas possesses a tremendous wind resource, often rated third in the nation, and enjoys many more sunny days than Germany, the world's leader in solar-generated electricity.

Renewable energy is more secure than fossil fuel in many ways: the feedstock is local, plentiful and free and energy can be produced near point of use. Distributed wind machines and photovoltaic arrays are also dramatically less vulnerable to acts of terrorism than centralized power plants.

Better still, the distributed operations and maintenance jobs to support renewable energy tend to be high-earning and they are not exportable. *These jobs cannot move overseas.* And their multiplier effect is substantial, both in terms of goods and services sold but also from the perspective of workforce development, from community colleges and vo-techs to university engineering programs.

Consider second that Kansas agriculture stands to benefit from a low-carbon economy. Indeed, the monetization of carbon may provide an important key to rural economic development.

- In terms of natural geography and agricultural resources, Kansas has great potential to participate in the emerging technologies of carbon sequestration - both (1) underground storage in exhausted aquifers, mines, and former oil fields, and (2) carbon fixed in the soil through no-till agriculture, reducing summer fallow, rotational grazing, converting marginal croplands to grasslands and wetlands, etc.
- A carbon tax or cap-and-trade system would turn that GHG into a commodity. The higher the price of this commodity, the higher the profit - or credits earned - by those Kansans who sequester it. Kansans can then trade these credits (whose values are set at a clear, predictable price) on the market.

CEP would also like to add the following points to the content of **Chapter 2, Greenhouse Gas Emissions**.

1. *Coal plants.* Many legal experts believe utilities who build traditional coal plants now, with the specter of carbon monetization hovering, will be held responsible for the massive liability their sizeable emissions would create. For shareholders and ratepayers, it seems prudent to pursue efficiency and renewable energy to absorb demand while capture-and-sequester technology is developed. As evidence of global warming mounts and scientific consensus builds, we have a moral obligation to our children and theirs to proceed with utmost caution.
2. *Methane.* Carbon is only one of many GHGs. Methane is 21 times more potent than CO₂ in warming the earth's atmosphere. In Kansas, digestion in cattle and decomposition of organic waste in landfills are significant sources. Kansas has an opportunity to capture methane - at feedlots, landfills, and waste treatment facilities - and use it to generate electricity. Methane capture works by separating the gas from solid waste, using the gas to create electricity that can power the facility. The remaining solids also make excellent fertilizer. *We encourage the KEC to consider the potential of methane capture technologies, and recommend providing incentives (such as tax credits and/or net metering) to assist producers in implementing such systems.*

3. *Nitrous Oxide*. This powerful GHG makes up 63% of all GHG emissions from U.S. agriculture. These emissions come from the breakdown of nitrogen fertilizers, as well as from natural processes of manure decomposition and legume releases. Nitrogen run-off affects water quality. *For recommendations on reducing nitrous oxide emissions, see Soil Conservation, below.*
4. *Soil Conservation*. Soil that is disturbed - by tillage, erosion, run-off, deforestation, etc. - loses its ability to fix carbon through plant roots.

We encourage the KEC to acknowledge the critical importance of soil conservation to GHG reduction. Some conservation programs exist, primarily at the federal level, and they are often underfunded. Users complain that the programs are too disparate and complicated, each with its own income requirements and paperwork. Part of the Kansas approach to energy should include the Governor working with the federal delegation to encourage their support for fully funded, streamlined conservation programs.

5. *Renewable Portfolio Standard (RPS)*. An RPS is a powerful tool for promoting the development of renewable energy, potentially limiting GHGs. The KEC has not included an example of an RPS on its otherwise comprehensive list of Existing Policies and Programs. This is a substantial omission, since according to DOE's Office of Energy Efficiency and Renewable Energy (EERE), 24 states plus the District of Columbia have RPSs.

Whether Kansas chooses to consider a traditional RPS or to create its own unique state action plan for renewable energy, CEP would like to point out some of the benefits:

- *Sending clear signals to potential investors in renewable energy*. An RPS represents a state's firm, long-term commitment to supporting renewable energy development, and provides credibility to the state's promises to support necessary infrastructure improvements, such as new transmission lines. In Kansas, with one of the strongest wind resources in the nation, billions of dollars are on the line.
 - *Raising Kansans' awareness about RPSs*. Whether Kansas ever passes an RPS, the fact that 24 other states HAVE done so provides substantial opportunity for Kansas. An RPS or state energy plan discussion could positively motivate Kansas entrepreneurs.
6. *Climate Action Plan*. Only 14 states are currently without climate action plans or progress toward them. Climate Action Plans create a baseline inventory of GHGs along with projections of future consumption so that success in mitigation can be accurately measured. They engage emitters and interested parties in a stakeholder process that produces consensus goals for emission reductions. In all 36 states where this process has been pursued, it has produced positive and unexpected long-term partnerships as well as ambitious but achievable goals. The Center for Climate Strategies is already working with KDHE toward an inventory and projection. *We encourage the KEC to begin the full climate planning process as soon as possible.*

Chapter 5: Biomass-Biofuels

On this topic, new research, technologies, and questions emerge daily.

- CEP questions the Draft Recommendation's overly broad claim on page 3, that "biofuels are often considered carbon neutral." While biofuels do substantially reduce GHG emissions, it is hard to evaluate evidence for neutrality given ongoing scientific debate over how to calculate life cycle emissions and quantify fossil fuel inputs into fertilizer production and transport. CEP could not find evidence that NREL, EPA, DOE went so far as to often call biofuels carbon neutral.
- The primary source for biofuels is currently corn. This is an issue for the Kansas farm economy, where corn prices are a concern for both farmers and livestock producers. High corn prices are good for farmers but a problem for cattlemen, especially smaller producers.
- Ethanol production technologies appear to be on the verge of a transition from corn-based to cellulosic. *We encourage the KEC to consider investments in this transition.* Likewise, the biorefinery concept (a facility that combines fuel and electric generation from biomass) deserves consideration.

CEP believes that biomass and biofuels have great potential **if developed sustainably**. This criteria involves:

- *True cost accounting that considers energy inputs and emissions over the full life cycle of the fuel.* Deciding whether a fuel is sustainable means evaluating it as thoroughly as possible, from its birth as a feedstock through transportation, refining, distribution, and end use.
- *Recognizing that biomass stocks and processing have enormous consequences for human health and the environment.*
 - Positive: Deep-rooted perennial energy crops - such as switchgrass, native prairie grasses, biomass from CRP lands, as well as scrub, brush, and treelines - require little tilling, create little erosion, require little pesticide, herbicide, and fertilizer, provide wildlife habitat, and protect soil and water quality.
 - Negative: Iowa, the nation's leading exporter of ethanol, is experiencing significant controversy over water pollution and unsustainable drawdown of groundwater. *CEP encourages the KEC to consider depletion of the Ogallala Aquifer, which sustains considerable grain production in western Kansas and is threatened by climate change, when confronting decisions about biofuel development.*
- *The biomass industry can be developed to benefit the regional Midwestern economy, freeing it from dependence on energy imported from other states and countries.*
 - By treating biomass as a local fuel source - part of the prairie heritage, to be produced and processed here - we can use this industry to strengthen rural economic development.

Specific Recommendations and Additional Suggestions

1. CEP concurs with KEC's excellent suggestion that the KCC, Commerce, and Revenue conduct a thorough review of existing biofuels programs and incentives. *We encourage the KEC to provide a detailed review of who receives subsidies and whether those funds contribute to rural small business support.* Biomass incentives should support smaller cooperatives and a wide range of biomass producers as well as large corn-growers.

CEP encourages the Council to consider expanding review of this issue to include legislation that might help jump-start biomass for electrical generation. For example, net metering would assist livestock producers in implementing technologies of methane capture (please see our comments on Chapter 2, **Greenhouse Gas Emissions**).

2. Kansas has heartily encouraged biofuel producers. *CEP encourages the Council to consider stronger incentives for consumers to support biofuels by offering tax credits for purchasing flex fuel, biodiesel, and fuel-efficient vehicles.*

Chapter 9: Energy Conservation and Efficiency

Great Plains Energy's Mike Chesser calls energy efficiency our "first fuel" - the least-cost, most benign resource available to us to meet new demand. Better yet, the majority of dollars spent to achieve energy efficiency tend to stay in the local economy, benefiting local retailers, contractors, laborers.

CEP heartily supports each of the KEC's draft recommendations.

- Expansion of the weatherization program is welcome, needed, and eminently affordable as compared to new generation.
- KACEE does terrific work in the state and is the ideal choice to conduct teacher training on efficiency and conservation.
- KSA 66-1227 should be amended as necessary to enable KCC enforcement.
- Energy efficiency standards for all new publicly funded structures should compare to LEED Gold, a standard achieved in publicly funded buildings in Portland, Oregon with great success.
- The KEEP program deserves dramatic expansion on the model of Nebraska's proven Dollar and Energy Savings Loan Program. *CEP strongly encourages the KEC to remove the income requirements from KEEP altogether.* If the goal of this program is to reduce energy use, it should be made available to all Kansans. Since loans will in fact be repaid, with interest, this program should not be viewed in terms of public assistance, but as appropriate incentive.

- Building codes provide our best opportunity to realize substantial future savings. We know that it is now economic to build structures that require at least 50% less energy than their predecessors. Johnson County recently built its own award-winning building remarkably cost-effectively. *CEP supports the KEC's encouragement of ambitious local building codes.* Building to new standards brings challenges, of course, but such challenges have been repeatedly met over the years as materials like asbestos and lead paint fell from favor and catastrophic events like hurricanes, earthquakes and tornadoes provoked calls for stronger structures. Kansas is equal to this challenge and could lead the nation in meeting it, attracting families to energy-efficient communities with a higher quality of life.

Additional Suggestions

1. Utilities should be not only enabled but encouraged to pursue energy efficiency. Their relationship with and access to their customers and their expertise in energy delivery make utilities ideal purveyors of efficiency. *CEP encourages the KEC to consider decoupling rates from sales volume while providing performance-based incentives so that utilities can earn a return on investment in energy efficiency similar to what they currently earn on new generation. Such incentives could be structured so that one portion is guaranteed and another is payable upon confirmation of actual reductions and the cost-effectiveness of measures taken.*
2. Many citizens would like to "do the right thing" when it comes to energy efficiency but when faced with expensive decisions, defer them. *CEP encourages the KEC to consider meaningful tax incentives for citizen investments in energy efficiency.* Such credits, especially when effectively promoted, have notably spurred purchase of Energy Star appliances and highly efficient air conditioners and furnaces in many states, aiding widespread reductions in energy use.
3. Finally, while citizen education at all levels is useful and welcome, work in several states has shown that the most effective way to reduce energy use in the long-term is to affect the entire supply chain - from wholesalers to retailers to consumers at point-of-sale - in such a way that it is actually difficult for consumers to make a "bad" decision. *CEP encourages the KEC to consider creating a workforce development effort - perhaps collaborative between Commerce and the Energy Office - that provides training, certification, and tax incentives for contractors, retailers, and wholesalers to provide energy efficiency goods and services and to inform consumers about tax incentives and rebates available to them.*

Thank you for the opportunity to make this comment.

SOURCES

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- <http://www.carbontax.org>

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- State Activities, http://www.eere.energy.gov/states/maps/renewable_portfolio_states.cfm, visited 9/24/07.

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Biomass-Biofuels

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- Principles for Bioenergy Development, <http://www.ucsusa.org>

- Growing Energy on the Farm, http://www.ucsusa.org/clean_energy/renewable_energy_basics/growing-energy-on-the-farm-biomass-and-agriculture.html, visited 09/25/07.

Energy Conservation and Efficiency

- Governor Kathleen Sebelius, State of the State Address, January 19, 2007, <http://www.governor.ks.gov/news/sp-stateofstate2007.htm>
- ACEEE, <http://www.aceee.org/>
- Alliance to Save Energy, <http://www.ase.org/>
- Midwest Energy Efficiency Alliance, <http://www.mwalliance.org/>
- KDHE, <http://www.kdheks.gov/>
- Efficiency Vermont, <http://www.encyvermont.org/>
- U.S. DOE Energy Efficiency and Renewable Energy, <http://www.eere.energy.gov/>

**Remarks to the Kansas Energy Council Public Hearing Oct 10, 2007
Room 313S, State Capital Building, Topeka, KS
Margaret Thomas, 8401 Roe, PV, KS 66207 913-341-5805**

Good morning. I am Margaret Thomas and I live in Prairie Village. I am Chair of the Prairie Village Environmental Committee, a board member of the Kansas Natural Resource Council, a member of the Johnson County Environmental Task Force and the True Blue Women's Environmental Committee, and a founding member of the Sustainable Sanctuary Coalition.

Thank you for your work for us all. It must often seem like a thankless task most days.

I have 3 comments.

My first comment is that the KEC was charged by Governor Sebelius with formulating and coordinating a comprehensive, long-term state energy plan. While we appreciate the work involved in developing policy recommendations, these are not a plan, and certainly are not long-term or comprehensive. A long term plan would address our state's energy needs in 30, 40, or 50 years. A comprehensive plan would respond to the challenges posed by global warming and the related opportunities for promoting rural economic development and protecting our water resources by development clean energy. It would address the relationship between energy, greenhouse gas emissions, the economies of our rural communities, and how a sustainable future can best be achieved. Failing to do long term and comprehensive planning promises a hodge-podge of legislation on each topic, be it biofuels or energy efficiency, and leaves citizens and legislators alike with no common framework with which to compare and evaluate initiatives.

My second comment is that we all know greenhouse gas emissions are one of the most important issues facing us all. How could it be that this plan has no recommendations on reducing greenhouse gas emissions? What possible justification is there for a state energy plan in 2007 that does not recommend specific ways to reduce greenhouse gas emissions? In just our little city of Prairie Village, volunteers have been working all year on a greenhouse gas emission reduction plan for the city. Other cities in Johnson County are doing this as well. We have been compiling information on our contributions to these emissions, and will be recommending specific actions for city government, homeowners, businesses, and officeworkers to take. If a group of volunteers can do this, what justification is there for the KEC and associated staff not doing the same on a statewide level?

My final comment is related to the fact that our state is still embroiled in what progressive states know is clearly a false choice between economic development and coal-fired power plants. In order to educate our economic development community, the KEC could, through its energy plan, take the bold step of recommending a rural economic development initiative. This initiative would be 2-fold. It would train a region's work force in the skills the 21st century is going to need to offer the goods and services for the design, manufacture and application of state-of-the-art energy solutions. And it would provide financing and technical assistance for entrepreneurs to launch the kinds of companies that will be needed in renewable energy development and energy efficiency services. KEC could still make a valuable contribution by recommending a rural economic development demonstration project in one rural community. Such a project would offer job training and business development assistance to

capture the future's potential for sustainable jobs and income. My recommendation for the location of the first demonstration project would be the city of Holcomb.

TO: KEC
FROM: Joe Spease, President Pristine Power
DATE: 10/10/07
RE: State incentives for renewable energy

The American Council for an Energy-Efficiency Economy (ACEEE) released a study on September 27, 2007 that focused on how on-site renewable energy can help meet peak energy demands, stimulate the economy, create thousands of jobs, and clean up the environment. The report is available at <http://aceee.org/pubs/e078.htm> ("Role of Energy Efficiency and Onsite Renewables in Meeting Energy and Environmental Needs").

In a study done for Texas, ACEEE showed how investments by state and local governments, through the use of rebate and tax incentive programs for solar and small wind products, could meet future energy needs, create 38,000 new jobs, and contribute in a huge way toward reducing harmful emissions from coal plants. The same results would be seen in Kansas, with smaller numbers proportionate to our population.

ACEEE's Executive Director, Steve Nadel, said, "By becoming energy efficiency and renewable energy leaders, state governments can show fiduciary responsibility with taxpayers' dollars. . . These policies can meet most of the projected electricity needs over the next 15 years and could result in net consumer electricity expenditure savings of \$37 billion statewide over that period."

The website www.dsireusa.org under the heading Financial Incentives for Renewable Energy (listed by state) shows that 39 states have rebate and tax incentive programs in place for homes and businesses that encourage the installation of solar and small wind products. Kansas offers only a property tax allowance that helps some but not enough. Kansas needs a program to help offset product costs. I recommend that the state set a rebate offer of \$2.50 per watt for systems under 10 kw, and \$1.50 per watt for systems up to 500 kw.

As the ACEEE studies have shown, the savings from an investment by the state, such as the one recommended above, is recycled through the economy with tremendous economical and environmental, benefits and in lower healthcare costs. Please consider supporting such a rebate program for Kansas.

