

MINUTES

SELECT JOINT COMMITTEE ON ENERGY

January 5-6, 2006
Room 514-S—Statehouse

Members Present

Representative Tom Sloan, Chairman
Senator Jay Scott Emler, Vice Chairman
Senator Janis Lee
Senator Carolyn McGinn
Senator Mark Taddiken
Representative Joann Freeborn
Representative Tom Hawk
Representative Carl D. Holmes
Representative Forrest Knox
Representative Annie Kuether

Staff Present

Mary Galligan, Kansas Legislative Research Department
Raney Gilliland, Kansas Legislative Research Department
Bruce Kinzie, Revisor of Statutes Office
Mary Torrence, Revisor of Statutes Office
Heather Klaassen, Intern, Kansas Legislative Research Department
Renaë Hansen, Committee Secretary

Conferees

See attached list.

Thursday, January 5 Morning Session

The meeting was called to order by Chairman Sloan at 9:00 a.m.

Jay Caspary, Director of Engineering for the Southwest Power Pool (SPP), presented information about projected changes in the regional transmission of electricity ([Attachment 1](#)). He shared with the Committee the problems involved in providing reliable transmission service to energy consumers across the region when demand is constantly in flux and bottlenecks in transmission lines

cause congestion. SPP must anticipate future demand and expand the grid whenever necessary to ensure that customers always have electricity when they need it.

Members inquired into the reliability of the current transmission grid, the economic impact of a system failure, and the process by which SPP projects future demand. Mr. Caspary noted that actual load is continually changing. As a consequence, meeting demand is as much of an art as it is a science. One legislator inquired whether SPP conducts population studies. Mr. Caspary responded that SPP receives forecasts on population and economic growth. Without those forecasts, SPP would be unable to anticipate energy needs until it was too late to adjust. A member asked why SPP makes ten-year projections rather than making 15-or 20-year projections. The response was that projections beyond ten years become increasingly uncertain. Another Committee member asked how complicated it was to balance the load when wind generation is included. Mr. Caspary said SPP has the ability to make short-term projections on intermittent wind generation so that it can be managed. Wind energy currently is reaching price levels that make it more economically viable. SPP, however, has yet to update their criteria to include new generation technologies, such as wind, that currently are being treated as negative load. Chairman Sloan asked if there were specific things the state and stakeholders should be doing to help with the planning process and construction projects that are necessary to relieve the congestion. Mr. Caspary commented that he was unsure what more could be done, but he was hopeful that they will soon see the grid expand. Another legislator asked who pays for the cost recovery. Mr. Caspary explained that 33 percent of the expansion costs would be socialized across the SPP footprint and the other 67 percent would be funded by beneficiaries.

The Chairman recognized Dr. Richard Nelson of Kansas State University and Mike Volker of Midwest Energy, who presented information on the advantages and disadvantages of adopting a Renewable Portfolio Standard (RPS) for Kansas ([Attachment 2](#)). Patty Clark from the Kansas Department of Commerce also was recognized. She commented on the Department's efforts, in conjunction with the Kansas Energy Council, to evaluate the feasibility of conducting an RPS study for Kansas.

Committee members asked questions pertaining to other states' RPSs and inquired as to how Kansas might fit into the national picture. Dr. Nelson noted that a national RPS would be better for Kansas than a state-only RPS. One legislator noted that because each state's resources are unique, a state-specific RPS cannot be constructed by cherry-picking ideas from other states. One Committee member asked if there were any studies done in Kansas to evaluate the feasibility of an RPS. Patty Clark responded that a report would be ready early-to mid-October of 2006. A discussion ensued about the need for Kansas to position itself as a nationally recognized producer of renewable energy. This way, Kansas would be prepared to trade or sell renewable energy credits to other states that may need to purchase out-of-state renewable energy to meet state mandates. Furthermore, it was noted that as Kansas generates more wind energy, it must also strengthen its ability to supplement that power during times when the supply of wind-generated energy falls short of demand. This is especially important during periods of peak demand.

Greg Dana, Vice President of Environmental Affairs with the Alliance of Automobile Manufacturers, presented information on automotive fuels and vehicle technology ([Attachment 3](#)). He informed the Committee that the federal Environmental Protection Agency (EPA) has adopted new rules, to become effective sometime in 2006, calling for the reduction of sulfur in motor fuels. Ethanol and bio-diesel blends, as well as hydrogen fuel, would comply with this regulation. He noted that a car can run on nearly anything, but the difficulty lies in making sure the fuel is developed so that the vehicle runs properly and safely at all times. Mr. Dana discussed various types of fuels and transportation technologies, including the hybrid-electric vehicle. Finally, he commented on the ability of hydrogen vehicles to enter the mass market. Ed Wallace, of General Motors, was available to answer Committee members' questions.

One member asked how the state can enhance the infrastructure to service the kinds of vehicles that are being invented. Mr. Dana and Mr. Wallace responded that the state must ensure that E-85 is widely available at the pump. The conferees noted that making alternative fuels available at the same time innovative vehicles enter the market is problematic. However, they noted that customers will only purchase alternative fuel vehicles if E-85 is as widely available as gas or diesel is today. Also, they remarked that the state must balance fuel economy needs with safety requirements and environmental standards. Additional comments related to how best to educate the public on new technologies. The conferees noted that there is a website, www.E85fuel.com, that presents information about E-85 vehicles and fueling stations.

Mike Sloan, of Virtus Energy Research Associates, presented information on the deliberative polling process ([Attachment 4](#)). He informed the Committee that a deliberative poll was conducted in Texas to educate participants and policy makers on energy issues, measure participants' energy concerns, and evaluate their responses to a wide variety of policy options. He discussed the poll that was conducted in Texas and explained how a similar poll may be useful to Kansas.

One Committee member asked how deliberative polling would benefit policymakers, and whether or not the educational component of the poll would result in more conscientious consumers. Mr. Sloan noted that policymakers could benefit from such a poll. The poll conducted in Texas provided information to both policymakers and utilities regarding what consumers really wanted. Consumers, likewise, were educated in the process, and tended to express greater interest in renewable technologies than in simply seeking the lowest cost option.

Afternoon Session

The meeting carried over the lunch hour with Bruce Snead, Energy Efficiency and Conservation Representative of the Kansas Energy Council, who presented information about recent developments in energy efficiency ([Attachment 5](#)). He noted that current federal and state energy efficiency programs work well together. Mr. Snead suggested that rather than financing further studies, the state could take advantage of efficiency studies done in other states and simply tailor them to Kansas. He suggested that the state could make facilities even more efficient by educating both consumers and architects and by enforcing building codes. He suggested that Kansas consider creating a public benefits fund to finance statewide programs. His testimony included several tables comparing programs, policies, and incentives in other states.

A Committee member asked if there were effective ways of encouraging the general public to invest in energy efficiency. Mr. Snead commented that the market itself provides an incentive. Changes can be made in building codes and the enforcement of those codes. The state can encourage change by educating builders and by offering energy-efficiency mortgages. Another member asked if other states include energy efficiency standards as part of their RPSs. Mr. Snead answered that it varied state to state. One member suggested that energy efficiency would not solve an energy crisis, but it would be helpful if consumers took advantage of every opportunity available. Mr. Snead replied that they were trying to determine what other states are doing to get people to participate in energy-efficiency programs. He also suggested that Kansas may want to look at ways to encourage efficiency improvements on rental properties. Finally, a Committee member suggested that homeowners should be required to disclose how energy efficient a home is before the close of the sale.

Jeff Serfass, President of the National Hydrogen Association, presented information about the growing national interest in hydrogen as a source of energy (Attachment 6). The National Hydrogen Association has three priorities: 1) develop national safety codes and standards; 2) promote education and outreach; and 3) encourage policy advocacy at the national level. He discussed advances in hydrogen technology and presented some of the challenges that must be overcome as the nation transitions to hydrogen energy.

One Committee member asked the current price of a hydrogen-fueled vehicle. Mr. Serfass responded that a dual-fueled BMW could cost anywhere from \$50,000 to \$100,000. Another member of the Committee asked whether John Deere or Case is selling hydrogen-fueled vehicles. Mr. Serfass commented that those companies are looking into it, but that they have not put any on the market yet. The member suggested that since farm vehicles are sometimes stationary and generally do not travel long distances, they may be prime targets for use of hydrogen fuel. A member asked whether the Department of Defense (DOD) has conducted any research in the area of hydrogen energy. Mr. Serfass responded that the DOD has investigated the benefits of hydrogen and has found that it has lower thermal use, higher efficiency, and greater adaptability to use in remote areas since the fuel can be produced anywhere.

Tim Carr and Dave Newell, of the Kansas Geological Survey, presented information on the recovery of coalbed and shale gas in Kansas (Attachment 7). They offered a primer on coalbed methane production, and discussed the state of the industry in Kansas and throughout the nation. Finally, they offered some projections on the direction the industry will take in coming years.

One Committee member asked how producers determine when the production of coalbed methane has reached the break even point for a particular region. The conferees responded that producers will continue to produce coalbed methane gas as long as their expenses are covered. An individual has reached break even when it is no longer economically feasible to continue producing in that area. Another member asked about the extraction of methane gas from shale. Mr. Carr responded that technology has made this possible. The conferee noted that methane gas could be collected from landfills, as well. Landfills are paid by the federal government to collect and flare gas. However, it was noted that this resource has a distinct cut-off point after which fuel can no longer be produced. The Chairman asked Mr. Newell how the state could increase the attractiveness of carbon dioxide sequestration. Mr. Newell responded that the state would not be able to get a company to do enhanced sequestering of coalbed methane. He commented it is a scary prospect to those who do not want to look beyond their own industry.

The Chairman called upon Mary Galligan, of the Kansas Legislative Research Department. She distributed information collected in response to questions asked by Committee members at the December 14-15 meeting:

- A chart listing various state incentives for the production and use of ethanol (Attachment 8);
- Kansas Independent Oil and Gas Associations written response to questions dealing with the oil and gas industry workforce development program (Attachment 9) (this material included a press release from the Governor's Office (Attachment 10));
- A chart compiled by the Research Department on the location, ownership, and production capacity of ethanol plants in Kansas (Attachment 11);
- A table listing each state's minimum renewable electricity requirements (Attachment 12);

- A table from the Department of Revenue displaying historical motor fuels tax rates (Attachment 13); and
- A document explaining how the American Job Creations Act of 2004 affected tax incentives for ethanol and bio-diesel producers (Attachment 14).

Chairman Sloan asked Committee members to think about how they wanted to structure the discussion for the following day. He asked them to consider three possibilities: 1) create long-term policy or procedures; 2) position the state to act as a market force (*i.e.*, as consumer); and 3) create a permanent planning body.

The meeting was adjourned by Chairman Sloan and scheduled to reconvene January 6, 2006, at 9:00 a.m.

Friday, January 6 Morning Session

The Chairman called the meeting to order at 9:05 a.m.

The Chairman recognized Dr. Richard Nelson, associate professor at Kansas State University and head of the Kansas Industrial Extension Service, who presented information explaining how the energy balance of bio-fuels is measured (Attachment 15). More specifically, he explained how energy balance is measured in soybean-based bio-diesel and beef tallow-based bio-diesel.

Kenlon Johannes, Administrator of the Kansas Soybean Commission, presented testimony on the cost of producing bio-diesel and the potential for a bio-diesel production facility to be built in Kansas (Attachment 16). His testimony included information on the Btu content of both diesel and bio-diesel. Then, as a representative of the Kansas Soybean Association, he presented a number of legislative recommendations intended to promote the building of a bio-diesel production plant in Kansas (Attachment 17).

Jere White, executive director of the Kansas Corn Growers Association and the Kansas Grain Sorghum Producers Association, presented a PowerPoint presentation on the net energy balance of ethanol (Attachment 18). He compared the U.S. gasoline pump price with the much lower ethanol wholesale price. Finally, he projected that the net energy value of corn-ethanol will continue to improve.

A Committee member asked all three conferees about the consumption and production of grain-based fuels. The response was that the price of corn would not affect the production of ethanol or bio-diesel. However, the conferees noted that farmers would be wise to invest, not only in crop production, but in the production of alternative fuels as well.

Committee members discussed the use of MTBE as an additive to gasoline. The conferees suggested that as more people push for a ban on MTBE, it will eventually be phased out of the production process. That may increase the demand for ethanol as an additive to gasoline.

The Committee discussed the likelihood that incentives would stimulate competition with surrounding states in the area of bio-fuels production. Committee members asked about the performance differences between alternative fuels. The conferees noted that any performance difference could affect consumption. A Committee member remarked that alternative fuels present varying levels of emissions and have different impacts on the environment.

The Chairman recognized Stan Reimann, Chief Operating Officer of Coffeyville Resources, LLC, Kansas City, Kansas, who presented background on the company's petroleum refinery and nitrogen fertilizer manufacturing plant in Coffeyville, Kansas ([Attachment 19](#)). The plant at Coffeyville is the only nitrogen fertilizer facility in North America using petroleum coke, rather than natural gas, as feedstock to produce nitrogen fertilizer. Mr. Reimann explained the coke gasification process and recommended that the state offer incentives that would promote the expansion of the industry.

Committee members asked where the technology for this process was developed and where the machinery was purchased. Mr. Reimann responded that Texaco developed the technology, and that it has been used in Africa for decades. He added that machinery used in Coffeyville was purchased from a company in Italy. In order to run the production plant, 15 engineering jobs were created, thereby strengthening the local economy. Mr. Reimann informed the Committee of his company's planned expansion, the first phase of which will be staged over the next eight to nine months. Another phase will begin in 2007 and the expansion is scheduled to be completed in mid-2007. He said that the expansion will result in hiring 15-20 additional engineers. The company currently employs 475 people. One Committee member suggested that they develop a new way to dispose of the waste carbon dioxide, rather than flaring it. Mr. Reimann said that they plan to begin using the carbon dioxide resulting from their process to recover oil in the near future.

Terry Heidner, Director of the Division of Planning and Development for the Kansas Department of Transportation, presented background on the railroad infrastructure in Kansas and discussed the ability of short line railroads to reach ethanol production facilities ([Attachment 20](#)). He mentioned that significant obstacles stand in the way of railroads safely transporting hazardous materials such as ethanol. Mr. Heidner also informed the Committee about track rehabilitation projects that currently are being funded by the State Rail Service Improvement Fund.

Pat Hubbell, Burlington Northern Santa Fe, Kansas Railroads, described freight railroad traffic in Kansas ([Attachment 21](#)). In addition, he presented information on the amount of Class I, regional, local, switching, and terminal railway lines operating in Kansas. Mr. Hubbell noted that demand for Wyoming coal east of the Mississippi River will increase train traffic through Kansas. He noted that 15-20 trains per day carry coal from Denver to Topeka and that the Union Pacific line from Denver to Topeka was recently rebuilt. John Rosacker, from the Kansas Department of Transportation, was present to answer questions.

Mr. Hubbell was asked what the State could do to facilitate rail services to emerging ethanol production facilities. He responded that the property tax could be removed. Committee members asked how long it would take to upgrade a short line railroad. Mr. Rosacker responded that getting through the federal process to obtain money would take a minimum of nine months. Total rail replacement can be accomplished at a rate of approximately one mile per day. It takes a minimum of a year to complete an upgrade. One Committee member asked what the state could do to facilitate these operations. Mr. Hubbell responded that the railroad industry needs trained employees. Thousands of jobs will be available in the next three years. He noted that Burlington Northern-Santa Fe added 30 coal trains in 2005.

Chairman Sloan initiated Committee discussion by reminding the Committee of its charge, and asked members how they wanted to proceed. The Chairman offered a summary of ideas presented at the first two meetings ([Attachment 22](#)), and presented a memorandum consisting of

policy options for the Committee's consideration (Attachment 23). He also directed members' attention to the *Kansas Energy Report 2006* produced by the Kansas Energy Council (Attachment 24).

The Chairman suggested that the Committee consider creating a new energy-planning entity that would remedy shortcomings of the current situation created by a lack of permanent staff to support the work of the Energy Council and a lack of coordination between the Energy Council and the Legislature. This body would be a successor to the Energy Council, composed of a permanent research staff, with a regular funding mechanism, and with a new directive to research statewide trends in energy production and consumption, to investigate policy options, and to devise policy recommendations appropriate to Kansas.

Committee discussion ensued over the proposed makeup of the research and planning entity. One Committee member inquired as to why so many legislators should be included in the Advisory Group. The Chairman responded that the presence of legislators would improve communication between the planning entity and the Legislature. A Committee member suggested that the charge to the current Energy Council set forth in the Executive Order 2004-05 (found on page 35 of *Kansas Energy Report 2006*) was not being carried out. In order to better fulfill the charge given to the Energy Council, a different kind of entity makeup might be in order. Another Committee member asked what the difference was between the substance of Executive Order 2004-05 and Chairman Sloan's proposal. The Chairman responded that the Advisory Group would anticipate the state's long-term needs. It would have a permanent staff, be expanded to include energy consumers, and would include legislators as non-voting, *ex officio* members.

The Committee discussed the size of the proposed Advisory Group and any differences in the scope of work between the Advisory Group and the Kansas Energy Council. A member of the Committee suggested that the Director of the new energy entity be included in the Governor's cabinet. The Committee considered making that recommendation. Discussion ensued regarding whether the Legislature can direct the makeup of the Governor's cabinet. A member of the Committee commented that several key department heads would be included among the members of the Advisory Group.

A significant amount of time was spent discussing how this new Advisory Group would be funded, and how members would be compensated for their time and related expenditures. Dave Springe, Director of Citizens Utility Ratepayer Board (CURB), explained how the CURB Board divides its annual budget of approximately \$750,000: half supports the five CURB staff; and the other half is used to pay outside technical consultants. CURB meets approximately 4 or 5 times a year. One member asked what might be the expected budget for the Advisory Group. Chairman Sloan suggested it could be anywhere from \$250,000 to \$400,000. Another member suggested that funding for the Advisory Group come from an assessment on utilities and from motor fuel taxes. Another member stated that he was opposed to dipping into transportation funds when the entity was not created to serve just transportation interests. Chairman Sloan also warned that funds designated from the State General Fund are tenuous because priorities change from one session to the next.

Representative Joann Freeborn moved that the Committee introduce a bill reflecting the language present in Attachment 22, creating an Energy Policy Advisory Group and providing funding from revenues collected from motor fuel taxes. Chairman Sloan seconded the motion for discussion purposes. Discussion followed. The motion was withdrawn.

Discussion continued over how the proposed Advisory Group would be funded and how much it might cost. Committee members pursued further discussion on the possibility of making the Director a cabinet position (*i.e.*, Secretary of Energy). Concern was expressed, however, over

whether or not the state would adequately fund the effort. Questions were raised over the steps necessary to create such an entity.

Representative Joann Freeborn moved that the Committee introduce a bill reflecting the language in Attachment 22 regarding the establishment of an Energy Policy Advisory Group and providing half of the funding for the Advisory Group's work to come from the Economic Development Initiative Fund (EDIF) with the other half coming from an assessment on utilities. Chairman Sloan seconded the motion for discussion purposes. Discussion ensued.

One member expressed concern that advisory bodies are paid scant attention unless they direct cabinet-level agencies. She stated that this entity must be empowered with sufficient resources and stature to do the job, which she estimated would cost no less than \$500,000 annually. However, she added, the bigger the group, the more diverse the opinions and the greater the challenge it will be to reach consensus on recommendations. Senator Taddiken commented that the Committee should not be afraid of a large price tag when it is dealing with an issue as important as energy. Another member noted that all EDIF funds are designated. Any balance in that fund goes to the State General Fund (SGF). Consequently, earmarking EDIF funding is the equivalent of appropriating funds from the SGF. The motion was withdrawn.

Representative Joann Freeborn moved that the Committee introduce a bill reflecting the language in Attachment 22, creating an Energy Policy Advisory Group and providing \$500,000 of funding from the SGF. Senator McGinn seconded the motion. Discussion ensued and the motion was delayed until Afternoon Session.

Committee members inquired as to whom would be responsible for hiring the permanent staff members. The Committee reached consensus that the Advisory Group would appoint staff.

A Committee member asked how this new entity would be expected to interact with the Kansas Corporation Commission (KCC). Chairman Sloan pointed out that the KCC is a regulatory entity and would retain its role as such and would not become directly involved in planning activities. The Advisory Group would be responsible for analyzing data and policy options and offering recommendations. Another Committee member asked if it would be simpler just to add these responsibilities to the KCC. A member responded that the regulatory and planning/policy role could, on occasion, conflict.

Chairman Sloan expressed concern that the Kansas Energy Council (KEC), as it currently is composed, under-represents the consumer. The Advisory Group, he explained, would replace the KEC and would include consumer representatives, including legislators.

A Committee member asked about the possibility of increasing funding for the KEC and supplementing its membership. A member observed that the KEC was created by Executive Order and that it would be difficult for the Legislature to change the membership. A question was raised about the continuity of KEC's ongoing activities. A member noted that, if the Advisory Group is created, the Governor could appoint the same people who currently serve on the KEC, plus the newly designated and *ex officio* members. Another suggestion was to keep the current Energy Council and increase its funding to \$250,000 as a means of alleviating financial barriers and to permit the KEC to conduct more research and make longer term policy recommendations.

A Committee member suggested that the proposed legislation be given further consideration. It was noted that the legislative members on the body tie the Advisory Group into the legislative process. The Committee was reminded that the KEC was created by Executive Order and not by statute. Passing legislation to create the Advisory Group would lend continuity to the entity from one administration to the next.

Further discussion and action on the motion was deferred until after the final speaker's presentation.

Afternoon Session

The Chairman called upon Kate Burke, with the National Conference of State Legislatures in Denver, who presented summary case studies of five other states' energy policy-planning structures (Attachment 25). Ms. Burke complimented Kansas for being one of the top ten states in energy planning. Finally, she distributed a list of website addresses where each of the five state energy plans highlighted in her presentation could be found (Attachment 26).

Heather Klaassen, an intern with the Kansas Legislative Research Department, presented her findings on eight states' energy plans and the entities that created them (Attachment 27).

Committee members asked about how other states' energy-planning entities were created and how they were funded. Ms. Burke responded that they typically were funded from a federal formula-generated block grant that takes into consideration the number of people in the state and the amount of energy consumed. States tend to address both short- and long-term energy concerns by creating an energy-planning entity, either by Executive Order or by statute.

The Chairman directed the Committee's attention to the motion on the floor. A member suggested that the oil refinery industry be represented on the Advisory Group. The question was called on the motion. The motion passed.

Senator Emler moved to amend the itemization of an Advisory Group member to increase to two the number of members from the oil refinery industry located in Kansas and to include the Secretary of Agriculture as a non-voting, ex officio member. The motion was seconded by Senator Taddiken. The motion was passed.

The Committee decided, by consensus, to include in the bill a provision for payment of compensation and expenses of members not otherwise paid for their service on the Policy Group.

Committee members discussed using bio-fuels and renewable energy resources for public agencies. Discussion centered on what these entities would do with any surplus power generated.

Senator Lee moved that the Committee introduce a bill that would create Educational-Energy Cooperatives and Municipal-Energy Cooperatives, as outlined in Attachment 23. The motion was seconded by Representative Freeborn. Discussion followed. The motion passed.

The Committee briefly discussed the proposal to encourage military units to use renewable energy generated in Kansas. A member noted that a Presidential Executive Order calls for military facilities to acquire renewable energy, and that should be sufficient incentive to seek Kansas-generated energy.

Chairman Sloan proposed developing a package of incentives for one or more unit train terminals to export bio-products nationally. Discussion followed.

Senator Taddiken moved that the Committee introduce a bill that would provide a 12-year property tax exemption for any rail terminal dedicated to loading bio-fuels, ethanol, or hydrogen and

to provide Kansas Development Finance Authority (KDFFA) financing assistance for those facilities. Representative Holmes seconded the motion. The motion was passed.

The Committee discussed ways to stimulate the market for energy from renewable resources. One member inquired whether the Committee wanted to recommend that all motor fuel sold in the State of Kansas should be composed of a certain percentage of bio-fuel.

Senator McGinn moved that the Committee introduce a bill that would require all gasoline sold in Kansas to include 10 percent ethanol and all diesel sold in Kansas to include 2 percent bio-diesel by January 1, 2010. Representative Freeborn seconded the motion.

Discussion followed. One member suggested that a state mandate might result in citizens being forced to pay more for their motor fuels and that the Committee find other ways to stimulate the market. Another member commented that if the state wants to be a leader, it must lead by example. State and local governments should be required to use renewable resources. The motion passed.

Discussion continued. The Committee reached a consensus to introduce a resolution asking the Kansas Turnpike Authority to ensure that bio-fuels are sold at service stations on the Turnpike.

Representative Freeborn moved that the Committee introduce a resolution calling on Congress to encourage offshore drilling for gas and natural gas. Chairman Sloan seconded the motion. The motion passed.

Representative Holmes moved that the Committee introduce a resolution calling on Congress to ban the use of methyl tertiary butyl ether (MTBE) as a gasoline additive by January 1, 2010. Representative Kuether seconded the motion. The motion was passed.

A member suggested that the Committee explore ways to promote energy efficiency and conservation. Discussion ensued regarding a proposed requirement that sellers of homes disclose energy-efficiency information prior to closing the sale. A member suggested that the Committee create incentives for owners of rental property to install insulation and make other energy-conserving improvements.

Representative Holmes moved that the Committee introduce a bill that would amend KSA 66-1228 to provide that information about energy efficiency of houses be disclosed at the time the house is offered for sale, rather than at the closing of the sale. Representative Freeborn seconded the motion. The motion passed.

A member suggested that the Committee consider giving tax rebates to individuals who install insulation in their homes. One member suggested that if the Committee is interested in reducing energy consumption overall, it should not exclude individuals with high income merely because they have the resources to pay for the upgrades themselves.

The Committee discussed instituting a \$100 tax credit, including a refundable tax credit, for every four inches of insulation added to a home (including multiple-family dwellings), and a \$100 tax credit for every \$2,000 worth of investments in door and window replacements. A member asked staff to look into the amount that would be available from the discontinued demand transfers that could be made available to local governments to use to make public facilities more energy efficient.

Senator Taddiken raised the topic of ethanol and bio-diesel. Representative Sloan distributed copies of a bill outline he was planning to introduce during the 2006 Session (Attachment 28).

Senator Taddiken moved that the Committee introduce the bill outlined by Chairman Sloan. Senator Lee seconded the motion. The motion passed.

The Committee discussed ways to institute energy education. Staff was asked to explore what the KEC intended by the legislative recommendation number seven contained in *Kansas Energy Report 2006*. That recommendation was to “increase spending on current energy-related technical assistance and public education efforts that promote the efficient utilization of all energy resources.”

Senator Emler moved that the Committee introduce a bill that would permit a board of county commissioners to provide for payments in lieu of taxes for wind energy projects. Representative Hawk seconded the motion. The motion passed.

Senator Taddiken moved that the Committee introduce a bill providing a tax credit to any Kansas-based renewable fuels mixing facility. Representative Freeborn seconded the motion. The motion passed.

Staff distributed written responses to questions posed by the Committee at prior meetings:

- A memorandum from Tony R. Folsom, Deputy Director of the Department of Internal Revenue, explaining what properties qualify for energy-related property tax incentives (Attachment 29);
- An article from the *North American Windpower* magazine, entitled “Oklahoma Vaulting Ahead in the Race to Generate Power” (Attachment 30);
- An e-mail from Mary Galligan, sent on behalf of Chairman Sloan, providing a brief explanation of deliberative polling (Attachment 31);
- A summary, created by the Internal Revenue Service, U.S. Department of the Treasury, explaining how the American Jobs Creation Act of 2004 changed current law (Attachment 32);
- An update from National Conference of State Legislatures on the progress of federal energy legislation (Attachment 33);
- A copy of KSA 75-3744a, and KSA 55-443 (Attachment 34); and
- A list of recommendations compiled from all of the testimony that was presented to the Select Joint Committee on Energy as of January 5, 2006 (Attachment 35).

The next meeting was scheduled for January 13, 2006, upon the adjournment of both houses.

The meeting was adjourned.

Prepared by Renae Hansen
Edited by Mary Galligan and Heather Klaassen

Approved by Committee on:

March 3, 2006

(date)

