

MINUTES

SELECT JOINT COMMITTEE ON ENERGY

January 13, 2006
Room 231-N—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

Attendees Present

See attached list.

Friday, January 13

At 10:00 a.m., the meeting was called to order by Chairman Sloan.

Chairman Sloan presented a brief overview of issues discussed at prior meetings, but upon which the Committee did not reach a consensus ([Attachment 1](#)). The Committee discussed the possibility of adopting incentives for energy conservation. Discussion was directed to the section of Attachment 1 entitled "Energy Conservation Incentives". Committee members raised questions about who would be responsible for inspecting purported energy conservation improvements, and

who would make sure the expenditures were cost effective. One member noted that the state would be required to trust those making the claims.

Representative Hawk moved that the Committee introduce a bill that would create a \$100 tax incentive for each additional 4 inches of attic insulation installed per dwelling unit; a \$200 tax credit for each 5 percent increase in heating, ventilation, and air conditioning (HVAC) system efficiency for a single-family dwelling or duplex, and a \$100 tax credit for each multiple-family dwelling unit served by that HVAC unit; and a \$100 tax credit for each \$2,000 of energy conservation exterior doors and windows per dwelling unit. Senator Taddiken seconded the motion. The motion passed.

The Committee discussed the Presidential Executive Order directing military facilities and other federal agencies to acquire renewable energy and adopt energy conservation practices. Members expressed concern that federal facilities in Kansas might need to purchase renewable energy credits from out-of-state suppliers in order to meet the target set in the Executive Order. Chairman Sloan offered a suggestion that would provide a tax credit for any utility that provides to a federal facility renewable energy produced in Kansas (“Renewable Energy and Military Facilities,” Attachment 1). Under the proposal, the KCC would determine the amount of the tax credit necessary to compensate those utilities for excess costs attributable to the renewable energy transaction.

Representative Hawk moved that the Committee introduce a bill that would create the mechanism described in Attachment 1 regarding renewable energy for military facilities. The Chairman seconded the motion for discussion purposes. Discussion followed. Committee members asked whether such a bill would require utilities to provide renewable energy to military and federal facilities. A member suggested that the state offer tax incentives to utilities who voluntarily provide the renewable energy. The response was made that this bill would not require utilities to offer renewable energy, nor would it force the military to purchase renewable energy. The motion passed.

The Chairman directed the Committee’s attention to the deliberative polling process item (“Guide to Policy-Making,” Attachment 1). He asked Committee members to consider whether a deliberative poll would be useful in Kansas. Some members stated that the poll could encourage utilities to develop renewable energy sources and encourage consumers to adopt energy conservation measures. Other members expressed discomfort with the proposal, stating that it was too vague and had the potential of being very costly.

The Chairman asked staff to include in the Committee Report a reference to the Committee’s interest in educating the public on energy issues (*i.e.*, production, taxation, transportation) and a reference to a deliberative poll as a potential tool in that process. A member suggested that the KCC or the KEC work in collaboration with electric utilities to examine policy options related to renewable energy generation. A member also suggested that they look at options available to utility customers.

A member suggested that Kansas utilities should devise ways to provide renewable energy to interested customers. This would drive the market for renewable energy to be produced and made available in Kansas.

Chairman Sloan drew the Committee’s attention to the written comments of Timothy Carr (Attachment 2). In his written remarks, Mr. Carr offered suggestions regarding how the Committee might increase energy production in Kansas. Chairman Sloan presented a second document elaborating his own thoughts on how the Committee might act in this regard (Attachment 3).

One member suggested that funds be made available to Kansas universities willing and interested in researching how best to promote the expansion of energy production in Kansas. Another member suggested that the state utilize a percentage of the severance tax on oil and gas to fund this research.

Representative Freeborn moved that the Committee introduce a bill reflecting the language suggested by Mr. Carr to earmark the greater of \$1.2 million or one percent of annual severance tax revenue for use by the Kansas Energy Research Center for research related to development of enhanced petroleum and natural gas production technologies and demonstration projects. The bill would require an annual report to the Legislature on how those funds are being spent. Senator Taddiken seconded the motion. The motion passed.

Representative Hawk referred the Committee to a bill draft he proposed for the Committee's consideration (Attachment 4). The bill would provide a mechanism for educating consumers on energy conservation and efficiency measures. Funding for those programs would be provided through charges collected by investor-owned utilities, rural electric cooperatives, and municipal gas and electric utilities.

One Committee member expressed concern that public agency revenue, collected to support such a program, might be swept by the Legislature for other purposes, as had various earmarked funds in recent years. The Committee discussed how this could be prevented. Representative Hawk drew the Committee's attention to the written comments of Scott White, Kansas Geological Survey, offering an explanation of the KEC's intent regarding legislative recommendation number seven contained in *The Kansas Energy Report 2006* (Attachment 5). Representative Hawk expressed an interest in creating a telephone contact where consumers can receive technical assistance.

Representative Hawk moved that the Committee introduce a bill to enact the "Kansas Energy Efficiency and Conservation Technical Assistance Act" modeled on the ideas present in Attachment 4. The motion died for lack of a second.

One member suggested that entities who receive tax credits for the production of alternative energy should be allowed to sell them, but should not be allowed to trade them.

Senator Taddiken moved that the Committee introduce a bill that would make all existing and new renewable and alternative fuel tax credits salable. Senator Emler seconded the motion. The motion was passed.

A member suggested that the Committee recommend an interim study on taxes related to fuels and energy production, processing, distribution and retail sale. Specifically, such a study should examine the tax structure to determine its suitability for an environment in which energy costs are high and fuels costs are extremely volatile. The committee undertaking this study also should be directed to ascertain whether production, severance, and property taxes, tax exemptions and incentives provide appropriate incentives to the energy production, refining, processing and distribution industries without resulting in windfall earnings.

Senator McGinn directed the Committee's attention to the information compiled by the Kansas Legislative Research Department in response to questioned posed by the Committee at previous meetings (Attachment 6). Clarification was requested on question number two. The Chairman recognized Jim Ploger, of the Kansas Corporation Commission (KCC). Mr. Ploger explained the energy conservation programs conducted by the KCC. He stated that the energy savings performance contracting program has been underway for a number of years to assist state agencies. It is a kind of lease-purchase agreement that allows state agencies to finance energy improvements out of projected savings. He commented that this kind of program is conducted nationwide and has proved to be immensely successful. Kansas' program is one of the most successful in the nation because it has a pre-approved Energy Service Company (ESCO) that speeds up the process and reduces expenses. Kansas has implemented over \$80 million of improvements. These are paid for through energy savings. There are no direct costs requiring cash up front. Mr. Ploger told the Committee that the KCC is expanding this service to all public agencies, including local units of

government. He said that there are nearly \$100 million of projects throughout the state with the potential to have \$600 million worth of improvements if everyone got involved. The program is funded through fees. There is no direct cost to the State General Fund and the program is entirely voluntary.

Staff from the Legislative Research Department distributed for Committee review a preliminary draft of the Committee Report (Attachment 7), written testimony provided by Larry Durham, President of Crude Marketing and Transportation, Inc. (Attachment 8), and speaking points provided by Chuck Banks, State Director of the U.S. Department of Agriculture, from his December 14th presentation to the Committee (Attachment 9). Also, staff from the Revisor's Office distributed bills recommended for introduction at the Committee's January 5-6 meeting.

One member suggested that the concepts proposed by the Committee have been good, and it was unnecessary to work through all of the details of each bill prior to their consideration by standing committees. The Chairman suggested that members review the Committee report and meet one more time to approve the Report for submission to the Legislature as required by the Committee's charge from the LCC. Staff members were asked to make a final draft of the Report including recommendations made at this meeting, available to Committee members by January 18, 2006.

The final meeting was scheduled for January 20, 2006, upon adjournment of the second house.

The meeting was adjourned.

Prepared by Renae Hansen
Edited by Heather Klaassen

Approved by Committee on:

March 3, 2006
(Date)