

SENATE UTILITIES COMMITTEE
FEBRUARY 1, 2006
ENERGY CONSERVATION FINANCING & BONDS BRIEFING
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- 1) The testimony this morning shows the efforts of the Kansas Energy Office and the Kansas Development Finance Authority to assist public agencies with energy conservation financing. Similar financing should be offered to private industry. Kansas should consider dedicating a portion of its Private Activity Bonds (PAB's) to assist small and large businesses with the most energy efficient renovations or expansions. Kansas' allocation of PAB's (federally tax-exempt bonds) in 2005 was \$249,180,000. These bonds do not add to the indebtedness of Kansas. The same rules of acquiring an independent energy analysis and energy savings guarantee would apply to these private projects as applies to the public projects. This could be another economic development tool for attracting new businesses to Kansas or assisting existing firms in reducing their operating costs.
- 2) For Kansas to have a serious debate on the potential of energy conservation and efficiency, we need to develop a comprehensive energy end use analysis. Several states have made such an investment. In California, the cost-effectiveness of energy efficiency programs shows that the cost of saved electricity (air conditioners, lighting, motors, etc.) was 3 cents a KWH versus 6 to 8 cents for new coal generation. Kansas has one million occupied residences with half of them built prior to 1960. What is the efficiency of their air conditioners and furnaces? The level of insulation? 32% of these residences are rental. Would 100,000 new efficient air conditioners be a better investment than the 4th coal unit at Jeffrey's? What would be the economic impact to the Kansas economy if that coal plant investment went into hundreds of Kansas communities, lowering consumers cooling bills and circulating those savings on Main Street? This economic multiplier effect should be considered.
- 3) The broader energy conservation debate must center on the mandate for public utilities (found in K.S.A. 66-101b) that they 'be required to furnish reasonably efficient and sufficient service and facilities'? If an energy analysis in Kansas proved that energy efficiency programs were half the cost of new power, what is the mandate to the KCC? As to investments by utilities in conservation, the KCC has not decided how such investments could be recovered by the electric or natural gas utilities. Hopefully the KCC and the Kansas Legislature can formally discuss opportunities in conservation investments and update the appropriate statutes.