

MINUTES OF THE HOUSE TRANSPORTATION.

The meeting was called to order by Chairperson Gary Hazylett at 2:05 p.m. on March 14, 2001 in Room 519-S of the Capitol.

All members were present except:

Representative Andrew Howell, excused
Representative Eber Phelps, excused

Committee staff present:

Bruce Kinzie, Revisor
Hank Avila, Research
Ellie Luthye, Committee Secretary

Conferees appearing before the committee:

Senator Mark Taddiken
Richard Nelson, Kansas State University
Jim Ploger, Manager, Energy Programs Section, Kansas Corporation Commission
Bill Wiley, Kansas Soybean Association
Bill Hampel, Hampel Oil Distributors, Inc.
Kenlon Johannes, Kansas Soybean Association
Leslie Kaufman, Kansas Farm Bureau
Steve Woolington, Director of Operations, Kansas Department of Transportation
Joe Fritton, Director, Division of Facilities Management, State of Kansas
Greg Krissek, Director of Operations, Kansas Corn Growers Assn./Kansas Grain Sorghum Producers

Others attending:

See attached sheet

SB 4 - certain percentage of fuel purchased for state motor pool required to be biodiesel blend

Chairman Hayzlett opened hearings on **SB 4** and called on Senator Taddiken as the first proponent. He told the committee the bill originated in the Senate Utilities committee with the intent of encouraging the acceptance and use of alternative fuels, with the desire of increasing fuel supplies while decreasing our dependence on foreign oil. He said bio-diesel has several advantages over conventional diesel fuel - 1) it burns cleaner which is environmentally friendly and 2) has increased lubricity which reduces engine wear and extends the life of the engine. He also presented a study showing the increased performance of vehicles using bio-diesel. He concluded that considering all of the above factors, using bio-diesel fuel is in the best interest of the State of Kansas. (Attachment 1)

Richard Nelson, Kansas State University, presented charts showing how biodiesel is being used in Kansas, how the use of biodiesel affects the environment, biodiesel and the energy policy, the potential for school bus usage and concluded that biodiesel is a good energy policy, a good environmental policy, a good economic policy and that **SB 4** is good legislation. (Attachment 2)

Jim Ploger, Kansas, Energy Programs, Kansas Corporation Commission, was the next proponent to speak in favor of **SB 4**. He said the buildup of greenhouse gases such as carbon dioxide and their effect on the environment, in conjunction with recent increases in petroleum fuel costs, have prompted a genuine concern regarding the continued reliance on petroleum-based fuels and their effect on our air quality and energy security. He told the committee biodiesel production and its use produces nearly 80% less carbon dioxide emissions than petroleum-based diesel fuel. He concluded the Kansas Corporation Commission, in conjunction with the Kansas Soybean Association, are sponsoring a project that involves quantifying the macro-economic benefits associated with the construction and operation of a soybean-based biodiesel plant in various locations throughout the state. (Attachment 3)

Bill Wiley, Kansas Soybean Association, told the committee the product has the support of two major Kansas oil refiners and is now available at more than 30 different distributors across the state with more being added each month. He said other states such as Nebraska, Iowa and Minnesota already have their state government

vehicles operating on a soybean oil additive diesel fuel and it is time Kansas also shows its support for the farmers and the environment by passing **SB 4**. (Attachment 4)

Bill Hampel, Hampel Oil Distributors, Inc. said for the past year Hampel Oil has been studying soy diesel and whether or not it would be a viable product to carry and sell within their trade area. He told the committee last farming season they purchased some soy diesel from one supplier which was premixed at the pipeline terminal. However, a drawback is that it is not available at all pipeline terminals or refineries throughout Kansas and the additional freight costs to purchase fuel from these select few terminals carrying soy diesel is prohibitive in many cases because the product quickly becomes uncompetitive with fuel purchased from closer terminals. From Hampel Oil's standpoint it is too early to tell if soy diesel will become a product that is demanded in the agricultural sector, however they have invested a lot of time and money in faith that it will. In conclusion he said there were three things necessary to make it a viable product - 1) promoted by petroleum marketers, 2) demanded by farmers and 3) its usage incentivized by the Kansas legislature. (Attachment 5)

Kenlon Johannes, Kansas Soybean Association, said that as third world countries are moving from a grain based diet to a meat based diet this has caused an increase in the demand for soybean meal. While the soybean is 80% high protein meal, the remaining 20% is soybean oil. Since there is not a high demand worldwide for soybean oil there is a tremendous excess of the oil. He told the committee the soybean check-off program has invested over 20 million dollars, over the past 9 years, into the development of biodiesel as a renewable fuel for diesel engines. Biodiesel is good for engines, good for the environment, good for farmers and good for reducing dependence on foreign oil. He asked support for sound energy policy, sound environmental policy and sound economic policy by passing **SB 4**. (Attachment 6)

Leslie Kaufman, Kansas Farm Bureau, spoke in support of **SB 4**. She said their members are encouraging agriculture producers to take the lead in utilizing crop-based fuels in their vehicles and machinery. They support the expansion of retail outlets to increase the availability of ethanol and bio-diesel and encourage the State of Kansas to further the production and use of bio-diesel, wherever available, to power state-owned machinery and equipment. (Attachment 7)

Steven Woolington, Director of Division of Operations, Kansas Department of Transportation, said the department is supportive of the development of Kansas' production of renewable fuels such as biodiesel but has some concern about implementation. He said a survey of their fuel suppliers indicate that the department would incur increase fuel costs for biodiesel as well as concerns about the availability of the required fuel stocks. Another concern was the fuel gelling problems and the cost for adding in-tank heaters in addition to fuel-line heaters which KDOT does not currently have in their trucks. Also, since the majority of KDOT fuel storage tanks are above ground there would be a need to install heaters in these storage tanks if biodiesel were to be used at those location. He concluded that while KDOT is not opposed to trying a low percentage biodiesel product, they would recommend a pilot program be initiated before statewide implementation. (Attachment 8)

Following questions from the committee Chairman Hayzlett closed hearings on **SB 4**.

SB 3 - certain percentage of fuel purchased for state motor pool required to be ethanol blend

Chairman Hayzlett opened hearings on **SB 3** and called on Joe Fritton, Director, Division of Facilities Management for the State of Kansas to provide testimony. He offered two amendments the Department of Administration would like to request. The first amendment would require for bulk fuel purchase 80% by volume of the bulk fuel purchased be 10% ethanol instead of all bulk fuel purchases. The second amendment for individual fuel purchases would add a cost cap that is the same 10 cents or more per gallon as that currently in the amended bill for bulk fuel purchases. The Central Motor Pool supports the use of alternative fueled vehicles. (Attachment 9)

Greg Krissek, Kansas Grain Sorghum Producers/Kansas Corn Growers, gave some of the statistics and background for ethanol production and told the committee that the Special Committee on Utilities gave a report on what state government could do to provide incentives for ethanol, a domestically renewable and environmentally friendly fuel that helps provide new markets for agricultural products and identified increased use of ethanol blends by state agencies as one positive outcome. (Attachment 10)

MINUTES OF THE HOUSE TRANSPORTATION COMMITTEE, Room 519-S of the Capitol at 2:05 p.m. on March 14, 2001.

Leslie Kaufman, Kansas Farm Bureau, also spoke in support of **HB 3**.

Steve Woolington, Director of Operations, Kansas Department of Transportation, stated the department is supportive of the development of Kansas' production of renewable fuels such as ethanol, however, they did have some concerns with the cost and availability. He said the department supports the proposed amendment which was requested by the Department of Administration. (Attachment 11)

Rebecca Reed, Department of Agriculture, presented written testimony on the importance of ethanol to Kansas agriculture and information on its potential use in the department's vehicles. (Attachment 12)

There being no other proponents, and no opponents listed, Chairman Hayzlett closed hearing on **SB 3**.

The Chairman adjourned the House Transportation Committee at 3:30 p.m. The next meeting of the House Transportation Committee will be Thursday, March 15th at 1:30 p.m. in Room 519-S.

HOUSE TRANSPORTATION COMMITTEE GUEST LIST

DATE: March 14, 2001

NAME	REPRESENTING
Senator Mark Taddiken	
Roberto Reed	KS Dept Agriculture
Mark Stock	DoF Admin Fac. Mgt
Eol Spiess	D of A, DEM
Richard Nelson	KSU
Bill Hampel	Hampel Oil Distributors - Wichita
Bill Wiley	KS Soybean Assoc.
Kenlon Johannes	Kansas Soybean Assoc.
Jarrod Kietter	Washburn University ^{Dept of} Political Science
David Berner	- - - - -
Steve Woolington	KDOT
Bill Watts	KDOT
Michael White	Kearney Law Office
Nancy Rogina	KDOT
Shirley Allen	Bottenberg Assoc.
Sandy Braden	Hankes Braden Barber (Williams)
Jan Dwyer	KCC Energy Programs
John [unclear]	Harvey Blair
Ken [unclear]	KS [unclear]

MARK W. TADDIKEN
SENATOR, 21ST DISTRICT
CLAY, CLOUD, MARSHALL
NEMAHA, WASHINGTON, RILEY
AND A PORTION OF
POTTAWATOMIE COUNTY



TOPEKA

SENATE CHAMBER

2614 HACKBERRY RD.
CLIFTON, KS 66937
(785) 926-3325
FAX: (785) 926-3210

To: House Transportation Committee - Chairman Hayzlett and committee members

From: Senator Mark W. Taddiken

Subject: Senate Bill 4 - certain percentage of fuel purchased for state motor fuel required to be bio-diesel blend.

Chairman Hayzlett and committee members, I appreciate the opportunity to testify before you today on Senate Bill 4.

A few words of introduction are in order for those of you who don't know me. I represent the 21st Senatorial district located in north central Kansas. My occupation is farming and over the years I have served on a variety of boards including the Kansas Soybean Association. It was through my involvement on the soybean board that I became aware of the potential of bio-diesel.

Senate bill 4 requires that all bulk purchases of diesel fuel by state agencies be at least a 2 percent "bio-diesel" blend, unless the price difference from regular unblended diesel fuel exceeds 10 cents per gallon. Also, retail purchases of diesel for state

House Transportation Committee
March 14, 2001
Attachment 1

vehicles would be required to be of at least a 2 percent bio-diesel blend when available under current state purchasing agreements.

The “Bio” product is actually mono-alkyl esters made from vegetables oils, which generally would be sunflowers or soybeans or from animal fat, which would be beef tallow, all of which are produced in Kansas. Thus, the increased use of bio-diesel would create additional demand for Kansas products.

This bill originated in the Senate Utilities committee with the intent of encouraging the acceptance and use of alternative fuels, with the desire of increasing fuel supplies while decreasing our dependence on foreign oil. With the passage of SB 4 the State of Kansas would become a leader setting an example for the citizens of the state.

Bio-diesel has several advantages over conventional diesel fuel. First, it burns cleaner than conventional diesel, which is environmentally friendly. Page 3 of the attachment is a chart depicting the reduced emissions of bio-diesel. This information comes from a study performed by Koch Petroleum who markets both regular number 2 diesel and bio-diesel. Secondly, bio-diesel has increased lubricity as shown on page 4 , meaning it is slicker, which reduces engine wear and extends the life of the engine. This would be a long-term money saver for the State of Kansas.

The portion of the study I find most compelling is on the increased performance using bio-diesel. Page 7 shows the increase in the cetane rating bio-diesel has over No. 2 diesel. To understand cetane ratings, think of octane ratings for gasoline. The higher the rating the more power the fuel provides to the engine. Page 8 depicts the overall savings that occurred in the ten trucks, one million-mile study. You will notice that the original cost of the bio-diesel was three cents per gallon higher. However the miles per gallon increased by three tenths of a mile per gallon, thus over the million miles driven the overall fuel cost was \$6349.21 lower. When the above factors are considered, it becomes evident that using bio-diesel is in the best interest of the State of Kansas.

Bio- diesel is available at terminals across Kansas in bulk (truck load) lots. It has very limited availability at retail outlets. Usage by the state fleet will increase the awareness of bio-diesel as well as create more demand and hopefully more retail outlets.

I would ask that you recommend SB 4 favorably for passage and I will stand for questions.



K KOCH
Performance Fuels™

‘Soy-Additized Premium Diesel’

- Additive contains biodiesel component made from 100% U.S. grown soybean oil.
- Recognized by The National Biodiesel Board as a “low-blend (less than 2%) biodiesel”.



KOCH
Performance Fuels™

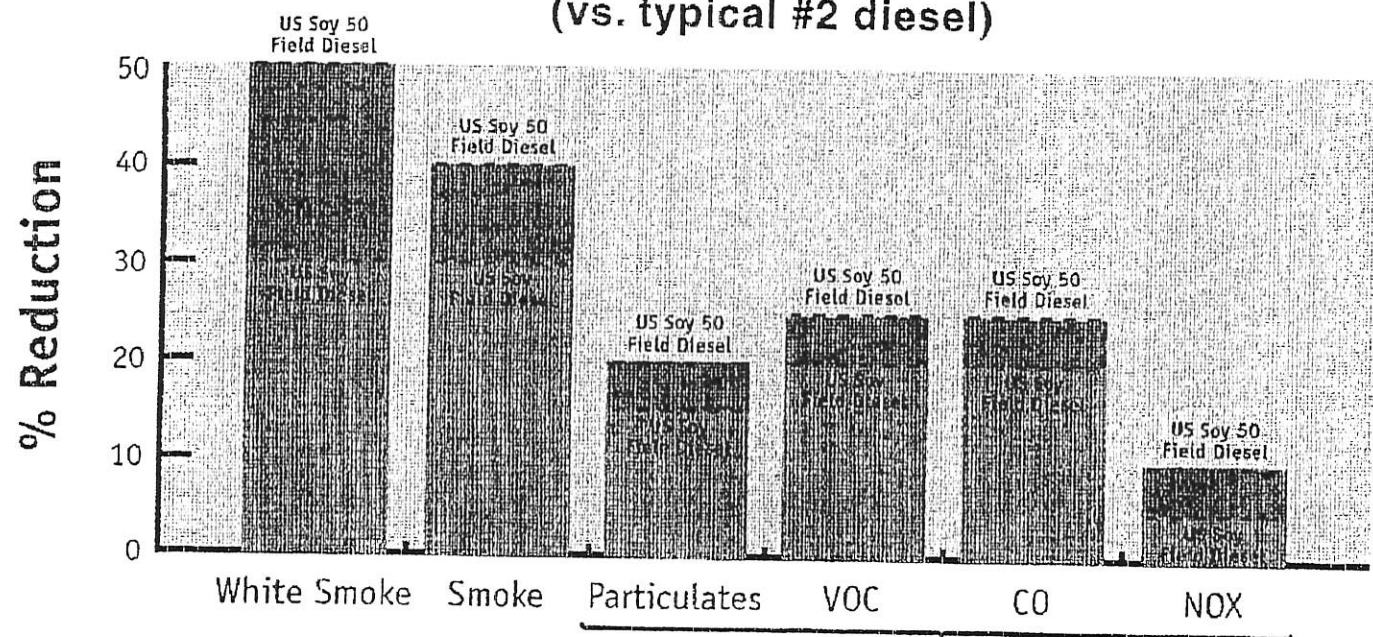
Difference

- Superior Fuel Economy and Power
- Electronic Additive Injection
- Advanced Emissions Control Benefits
- Superior durability, reliability, maintenance
- Excellent lubricity



KOCH
Performance Fuels™

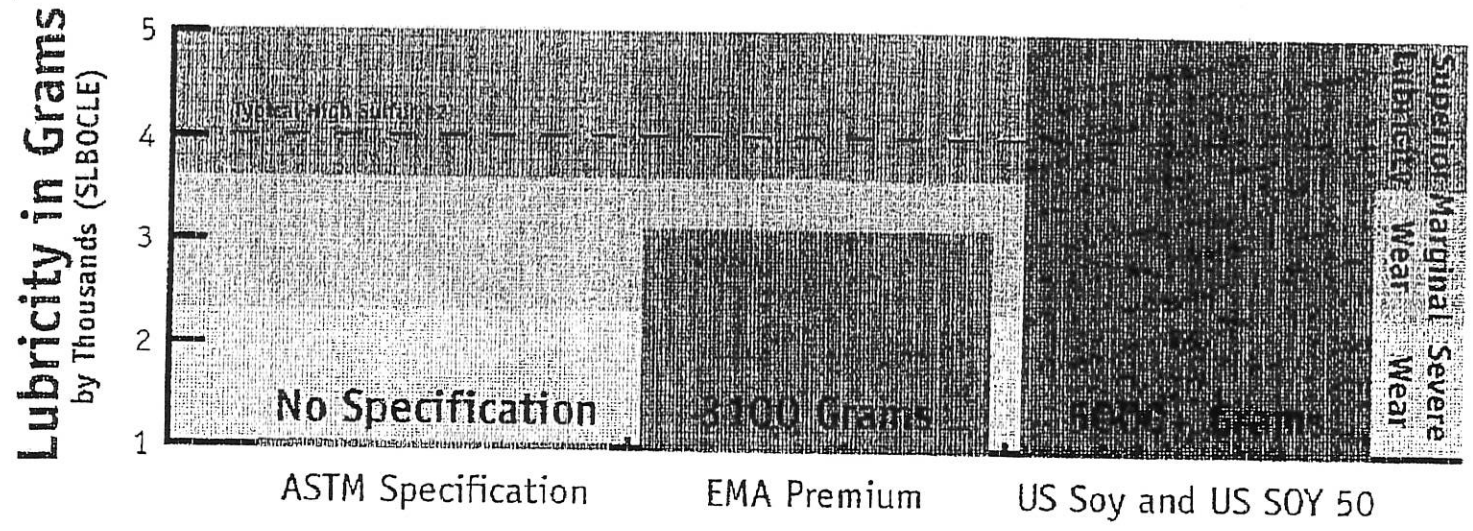
Emissions Reduction* (vs. typical #2 diesel)



*Based on independent tests.

EPA Regulated Emissions

Superior Lubricity



Corrosion Protection

Test Method	ASTM Specification	Typical #2 Diesel	U.S. Soy Field Diesel	NCWM Premium	EMA Premium	U.S. Soy 50 Field Diesel
Cummins N-14 Injector Sprayhole Corrosion/Erosion	N/A	Fail	Pass	N/A	N/A	Pass
Copper Strip Test ¹ D-130	3	3	1 (Superior)	N/A	3	1 (Superior)
NACE Spindle ² Rust Test	N/A	D	A	A	N/A	A

(1) No. 1 is highest rating.

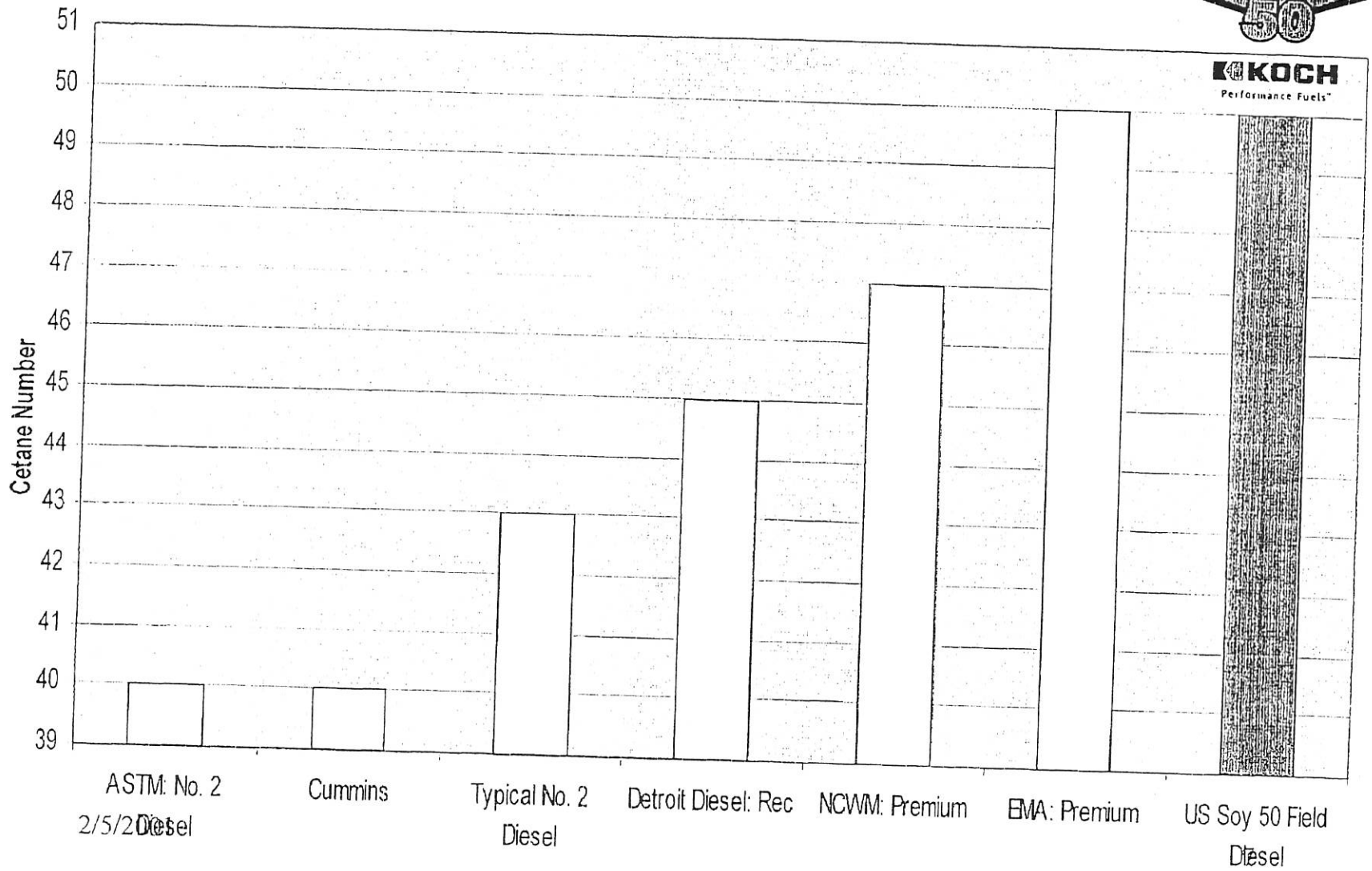
(2) Amount of Rust: A = No Rust B = Up to 25% C = 25-50% D = 50-75%

Water Tolerance*

Fuel	Rating After 5 Minutes Interface Separation		Time Required to Settle (in Minutes)
Typical #2	3	3	10+
US Soy and US Soy 50 Field Diesels	1	1	2

*No. 1 is highest rating: excellent water separation characteristics.

Cetane Number Standards



US Soy Field Diesel Fuel Economy Calculator

1. Current Fuel Economy	MPG	6
2. Fuel Price - US Soy	\$/gal	\$1.43
3. Fuel Price - #2 diesel	\$/gal	\$1.40
4. Number of trucks		10
5. Miles per day	miles/truck	500
6. Days per week	days/truck	4
7. Weeks per season	weeks/truck	50
8. Miles per season	miles/truck	1,000,000

Savings compared to #2 diesel	US Soy	#2 diesel
9. Miles per Gallon	6.3	6
10. Cost per mile	\$/mile 0.227	0.233
11. Savings per mile	\$/mile 0.006	
12. Number of trucks	10	10
13. Cost per Season	\$226984.13	\$233333.33
14. Savings per Season	\$ 6349.21	0

SOY. DIESEL DISTRIBUTORS

Bridgman Oil Company, Inc
109 Clay Street
Hutchinson, KS 67501
316/665-6811

Capitol City Oil, Inc
P.O. Box 618
Topeka, KS 66601
785/233-8008

Crescent Oil Co
1020 W. Sycamore
Independence, KS 67301
316/331-2850

Dobrauc Oil Co
P.O. Box 1001
Frontenac, KS 66763
316/231-9270

Fox Petroleum Products
511 N. Pearl
St. John, KS 67576
316/549-3324

Hampel Oil Distributors, Inc
3727 S West Street
Wichita, KS 67217
800/530-5848
www.hampeloil.com

Jensen Oil & Gas Co, Inc
P.O. Box 7
Mankato, KS 66956
785/378-3111

John E. Jones Oil Co
P.O. Box 546
Stockton, KS 67669
785/425-6746

Moeder Oil Co

2302 Railroad Ave
Great Bend, KS 67530
316/792-1203

Parallel Farms
18648 286th Rd
Whiting, KS 66552
785/873-3246

Paso Petroleum
P.O. Box 487
Pratt, KS 67124
316/672-5461

Pawnee County Coop
P.O. Box 50
Larned, KS 67550
316/285-2161

Robson Oil Co, Inc
101 S. Cedar
Abilene, KS 67410
785/263-2470

Service Oil Company
P.O. Box 446
Colby, KS 67701
785/462-3441

T & E Oil Co
P.O. Box 1303
Hutchinson, KS 67501
316/263-4410

Triplett, Inc
P.O. Box 647
Salina, KS 67402
785/823-7839



Biodiesel Industry Update and Energy Policy Options for Kansas

House Transportation Committee
March 14, 2001

Steve Howell & Richard Nelson
MARC-IV Consulting and Kansas State University



Biodiesel

100 pounds + 10 pounds ^(Catalyst) = 100 pounds + 10 pounds
Soy Oil Methanol Biodiesel Glycerine
or
Beef Tallow

B100 = Biodiesel
Specified by ASTM PS 121

B20 = 20 % B100 blended with 80% petrodiesel



Biodiesel and Kansas

- ❖ ~ 650 million gallons petrodiesel each year
- ❖ Potential for 235 million gallons biodiesel:
 - 140 million gallons from beef tallow
 - 95 million gallons from soy oil
- ❖ To increase biodiesel use, Kansas must:
 - Increase awareness of the fuel
 - Find ways to monetize the benefits through sound energy, economic, and envr. policy

Biodiesel Work in Kansas

- ❖ Kansas Corporation Commission:
 - Biodiesel macroeconomic study for Kansas
 - Expect benefits similar to ethanol industry
- ❖ Kansas Soybean Commission:
 - Education Program for Biodiesel
- ❖ Two Biodiesel Sales Operations in State:
 - Ag Environmental Products, Lenexa
 - West Central Soy, Gardner
- ❖ Premium Diesel Packages Containing Biodiesel in Low % Currently Being Offered

Biodiesel--National Momentum

- ❖ 40 Major Fleets Using B20 For EPA CT
- ❖ Federal Agencies are using B20
- ❖ Presidential Executive Orders:
 - 13134, 13101, 13149
- ❖ Commodity Credit Corporation:
 - \$300MM for incremental EtOH, biodiesel
- ❖ Nation-Wide Legislation
- ❖ Customer Interest is Skyrocketing

Biodiesel and Environment

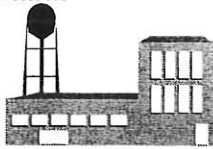
- ❖ B100 is Biodegradable, Non-Toxic
- ❖ Reduces CO, HC, Particulate Matter (PM)
- ❖ No fuel sulfur or aromatics
 - Already meets new 2007 EPA diesel specs
- ❖ Reduces PM Cancer Potential 94%
- ❖ Best of Any Fuel for Global Warming:
 - Reduces Life Cycle CO₂ by 78%

Biodiesel and Energy Policy

- ❖ Local, Renewable, Sustainable Resource
 - Can extend supplies of fossil fuels
 - Stable and reliable energy source
 - Highest energy balance of any liquid fuel: ~ 3.25 to 1
- ❖ Can Implement Immediately
 - Mixes easily and completely with diesel
 - Existing diesel engines, pumps, etc.
- ❖ Used in Highest Efficiency Engine:
 - Diesel engines 30% more efficient than gasoline
 - High biodiesel lubricity can enhance engine life

Biodiesel and Economics

- ❖ Creates Manufacturing Jobs, Enhances Economic Development
 - Most Likely in Rural Areas
 - Near Beef Packing and Soy Processors
- ❖ Reduces Energy Imports
- ❖ Improves Trade Balance
- ❖ Creates Expanded Markets for Agriculture
- ❖ Diesel Prices on the Rise
- ❖ Biodiesel Prices Decreasing



Senate Bill 4

- ❖ B2 in state vehicles would spur on additional competition, reducing prices
- ❖ B2 in state vehicles would make biodiesel (perhaps in higher blends) more widely available for other applications

Potential School Bus Application

- ❖ *Natural Resources Defense Council*
School Bus Report: January 2001
- ❖ School children who ride diesel powered school buses 1 hour to and from school have 4 times increased risk for cancer
- ❖ Biodiesel health effects excellent
- ❖ B2 program could complement higher blends in school buses

Summary--Biodiesel

- ❖ Biodiesel Is Good Energy Policy
 - ❖ Biodiesel Is Good Environmental Policy
 - ❖ Biodiesel Is Good Economic Policy
 - ❖ Senate Bill 4 is Good Legislation
- Biodiesel Should be Incorporated as A Major Component of New Energy Policy for the State of Kansas

Soybean Production (bushels) and Associated Biodiesel Production (gallons) 1990-1999

Year	Annual Soybean Production, bushels	Annual Biodiesel Production, gallons
2000	56,700,000	83,314,286
1999	78,400,000	115,200,000
1998	75,000,000	110,204,082
1997	86,950,000	127,763,265
1996	74,000,000	108,734,694
1995	51,250,000	75,306,122
1994	73,500,000	108,000,000
1993	53,200,000	78,171,429
1992	68,450,000	100,579,592
1991	43,700,000	64,212,245
1990	46,800,000	68,767,347
1990 - 2000 Average	64,359,091	94,568,460

Commercial Cattle Slaughter - Kansas (thousand head per month) 1990-1999 and Gallons of Edible and Inedible Tallow-based Biodiesel

Year	January	February	March	April	May	June	July	August	September	October	November	December	Annual Total
1999	636.1	596.1	670.3	675.4	682.8	724.9							3,985.6
	12,981,633	12,165,306	13,679,592	13,783,673	13,934,694	14,793,878							81,338,776
1998	605.7	600.7	624.6	646.1	654.9	662.6	645.5	650.7	639.7	654.3	554.1	601.7	7,540.6
	12,361,224	12,259,184	12,746,939	13,185,714	13,365,306	13,522,449	13,173,469	13,279,592	13,055,102	13,353,061	11,308,163	12,279,592	153,889,796
1997	612.5	569.3	579.8	637.0	656.0	642.6	664.3	663.2	606.4	640.2	531.2	566.0	7,368.5
	12,500,000	11,618,367	11,832,653	13,000,000	13,387,755	13,114,286	13,557,143	13,534,694	12,375,510	13,065,306	10,840,816	11,551,020	150,377,551
1996	611.6	566.8	555.0	621.6	648.6	612.4	608.2	622.5	511.0	565.3	535.7	529.1	6,987.8
	12,481,633	11,567,347	11,326,531	12,685,714	13,236,735	12,497,959	12,412,245	12,704,082	10,428,571	11,536,735	10,932,653	10,797,959	142,608,163
1995	570.8	516.2	581.5	558.9	651.4	671.4	620.0	664.6	616.3	581.7	543.5	536.2	7,112.5
	11,648,980	10,534,694	11,867,347	11,406,122	13,293,878	13,702,041	12,653,061	13,563,265	12,577,551	11,871,429	11,091,837	10,942,857	145,153,061
1994	542.5	509.6	569.3	547.1	593.8	637.7	584.0	610.5	589.7	604.2	531.8	565.0	6,885.2
	11,071,429	10,400,000	11,618,367	11,165,306	12,118,367	13,014,286	11,918,367	12,459,184	12,034,694	12,330,612	10,853,061	11,530,612	140,514,286
1993	470.2	442.5	503.0	516.0	543.4	580.7	570.9	554.5	524.2	517.7	484.9	524.2	6,232.2
	9,595,918	9,030,612	10,265,306	10,530,612	11,089,796	11,851,020	11,651,020	11,316,327	10,697,959	10,565,306	9,895,918	10,697,959	127,187,755
1992	543.1	454.9	502.0	479.0	515.0	546.3	548.6	542.1	522.5	499.0	439.0	464.1	6,055.6
	11,083,673	9,283,673	10,244,898	9,775,510	10,510,204	11,148,980	11,195,918	11,063,265	10,663,265	10,183,673	8,959,184	9,471,429	123,583,673
1991	528.5	444.2	476.6	512.1	524.8	519.0	544.8	560.0	508.4	504.9	453.5	450.3	6,027.1
	10,785,714	9,065,306	9,726,531	10,451,020	10,710,204	10,591,837	11,118,367	11,428,571	10,375,510	10,304,082	9,255,102	9,189,796	123,002,041
1990	517.5	482.8	541.0	492.0	567.5	571.7	563.3	579.5	494.4	521.9	472.8	454.1	6,258.5
	10,561,224	9,853,061	11,040,816	10,040,816	11,581,633	11,667,347	11,495,918	11,826,531	10,089,796	10,651,020	9,648,980	9,267,347	127,724,490

reference: Livestock Marketing Information Center

Distillate Fuel Consumption (thousand gallons) by Sector End-Use in Kansas

Year	Residential	Commercial	Industrial	Oil Company	Farm	Electric Utility	Railroad	Vessel Bunk.	On-Highway	Military	Off-Highway	All-Other	Total
1994	1,139	20,910	8,917	5,513	185,850	5,083	108,993	0	294,362	4,605	25,660	0	661,032
1995	649	25,553	9,840	5,156	171,323	2,664	221,920	0	343,175	1,093	32,604	0	813,977
1996	740	23,606	10,601	4,868	162,074	6,270	121,763	0	352,872	924	28,009	0	711,727
1997	1,572	21,047	12,417	5,975	187,045	5,296	90,780	0	364,088	1,172	28,888	0	718,280
1998	472	18,227	14,954	3,064	158,601	8,386	76,052	0	372,593	404	23,836	0	676,589
1999	529	18,127	16,403	4,480	143,085	15,708	61,599	0	374,267	178	20,513	0	654,889

reference: *Energy Information Administration Fuel Oil and Kerosene Sales*

Transportation Committee
Kansas House of Representatives
Written Testimony of the Kansas Corporation Commission Staff
March 14, 2001

Senate Bill 4

Thank you. Chairman Hayzlett and members of the Committee, I am Jim Ploger, Manager of the Kansas Corporation Commission's Energy Programs Section.

The buildup of greenhouse gases such as carbon dioxide (CO₂) and their effect on the environment, in conjunction with recent increases in petroleum fuel costs, have prompted a genuine concern regarding our continued reliance on petroleum-based fuels and their effect on our air quality and energy security. Carbon emissions, strongly believed to contribute to global warming, are also projected to increase another one-third by 2010 and almost 50% per year by 2020. Nearly one-tenth of CO₂ emissions are attributable to distillate fuel consumption.

Biodiesel production and its use produces nearly 80% less CO₂ emissions than petroleum-based diesel fuel.

Since 1990, energy consumption in the United States has increased by 14% (28% in the last 25 years) and is forecast to increase another 22% by 2020. In addition, net petroleum imports are projected to increase to 65% of our total energy consumption (up from more than 50% today) within 20 years, while domestic crude production is expected to continue to decline during this period.

Currently, the transportation sector accounts for approximately 70% of petroleum use. Clearly the effect of continuing to rely so heavily upon imported petroleum and the potential environmental, economic, and energetic consequences associated with its continued use is an issue that must be addressed.

The Energy Programs Division of the Kansas Corporation Commission has been a strong supporter of alternative fuels and is currently sponsoring a project in conjunction with the Kansas Soybean Association that involves quantifying the macro-economic benefits associated with the construction and operation of a soybean-based biodiesel plant in various locations throughout the state.

Kansas has the potential to produce, on an annual basis, about 95 million gallons of biodiesel from soybeans and 140 million gallons of biodiesel on an annual basis from animal fats (edible and inedible tallow).

Biodiesel production and use offers the opportunity for a “win-win” situation for urban and rural interests across our state and nation.

In urban areas, the public will enjoy additional jobs and cleaner air, and production agriculture and agribusiness processing industries will benefit from the “derived demand” for their products. Use of these agricultural commodities as an alternative transportation fuel will help alleviate our dependence on foreign sources of petroleum, have a positive environmental impact both regionally and nationally, and provide an extremely significantly economic impact to many sectors of our state’s economy.

Thank you. I would be happy to answer any questions.

**Testimony of
Mr. Bill Wiley
Kansas Soybean Association
Presented to
House Transportation Committee
March 14, 2001**

Good afternoon. My name is Bill Wiley. I farm in Osage County near Lyndon and I am appearing before the House Transportation Committee on behalf of the farmer-members of the Kansas Soybean Association.

What would be your reaction if I were to tell you about a fuel additive that includes the following benefits?

- It is an environmentally friendly product,**
- It will not require a net budget increase... but instead would provide long term savings,**
- It is derived from a Kansas grown renewable resource,**
- It is recognized by the federal government as an alternative fuel source,**
- It provides Kansas farmers with a major new market for their commodities, and has expectations for substantial growth potential within the next few years,**
- And it is being marketed as a premium product.**

You certainly would take notice.

This product has the support of two major Kansas oil refiners, and is now available at more than 30 different distributors across the state, with more being added each month. If I were to mention this product could also be distributed in either bulk form or convenient packaging for on-sight blending; you no doubt would have additional interest.

In fact, biodiesel derived from soybean oil, performs all of the above mentioned benefits and more.

The Kansas Soybean Association considers Senate Bill 4 a top priority for our organization and we urge lawmakers to seriously consider the benefits of having state owned vehicles operate on a two-percent biodiesel blend of soybean oil additive. We appreciate the support of the State Senate who believe in the product and demonstrated their support with a 40 to 0 vote, and it is our hope the House of Representatives act in a similar manner.

Biodiesel research has been extensively documented. There are close to 300 different articles and documents on the Internet that show the benefits and efficiency of biodiesel.

Last year, the Kansas Department of Transportation fleet of diesel powered vehicles consumed over Two-point-four million gallons of diesel fuel. If those same vehicles were to operate on a two-percent blend of biodiesel, as proposed in Senate Bill 4, they would have utilized 34,666 bushels of Kansas soybeans. One bushel of soybeans can produce one and one-half gallons of biodiesel.

Other states such as Nebraska, Iowa and Minnesota already have their state government vehicles operating on a soybean oil additive diesel fuel. It is time Kansas also shows our support for our farmers and for our environment by passing Senate Bill 4.

Some opponents of the bill may make the claim that a two-percent biodiesel blend will cost too much money. However, the small additional cost will quickly be recovered since soybean-based biodiesel will prolong the life of an engine by providing greater lubricity and fuel efficiency. By using a two-percent blend of biodiesel, the state can actually save money.

Fuel prices often fluctuate, requiring flexibility in fiscal budgets. The small initial costs of premium biodiesel should not place a burden on the budget of any state agency.

I appreciate this opportunity to speak on behalf of a product the Kansas Soybean Association firmly believes is beneficial. We believe it is beneficial for the Kansas environment and the Kansas economy. You may recall the Kansas House of Representatives passed a resolution last year that contained similar language as proposed in Senate Bill 4. The Kansas Soybean Association is asking for your continued support, and we encourage the committee to pass Senate Bill 4.

At this time I would be pleased to answer any questions from the House Transportation Committee members.



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Hampel Oil Distributors, Inc. is a twenty-five year old company headquartered in Wichita with branch locations in Iola, Pratt, Garden Plain and Garden City, Kansas, and Oklahoma City, Oklahoma. Along with a sister company in Merriam, Kansas we employ 85-90 people and have combined revenues in excess of 40 million dollars per year.

Our customer base is as diverse as our geography. We're primarily engaged in supplying trucking, construction, agriculture, manufacturing, and rural distributors with fuels and lubricants.

We purchase gasoline and diesel fuel from such suppliers as Conoco, Phillips, Koch, BP Amoco and others, pulling it from numerous pipeline terminals and refineries within Kansas. The lubricants we distribute are purchased from Mobil, Exxon, Citgo and others.

Our trade geography extends beyond the fixed locations mentioned above. Using scheduled truck routes we are able to service any town or city within Kansas and northern Oklahoma with packaged lubricants, chemicals and solvents in drums, cases and buckets. Normally our customer base on these routes are petroleum distributors who are scattered throughout the entire state. Their customers are also made up from the trucking, construction, agricultural and governmental sectors.

In most Kansas towns there are usually one or more companies who distribute fuel and lubricants. Most of these distributors have gasoline and diesel fuel storage tanks, warehouses and tank trucks to store and deliver fuels and lubricants to their customers.

This is a very competitive industry given the large number of distributors and the decreasing usage of fuel in the state due to no till farming and other conservation measures.

For the past year Hampel Oil has been studying soy diesel and whether or not it would be a viable product to carry and sell within our trade area. We dabbled somewhat last farming season purchasing some soy diesel from one supplier, which was premixed at the pipeline terminal. This remains a good option for many distributors. However, a drawback is that it is not available at all pipeline terminals or refineries throughout Kansas. The additional freight costs to purchase fuel from these select few terminals carrying soy diesel is prohibitive in many cases because the product quickly becomes uncompetitive with fuel purchased from closer terminals. This objection can be easily overcome because the soy oil additive or methyl ester as is it is otherwise called is commonly packaged in 55 gallon barrels and 2 ½ gallon jugs, which the distributor can purchase and splash blend into petroleum diesel himself at his bulk plant or into his customers tanks.

Hampel Oil has taken a different approach from the less costly although more labor intensive splash blending method. During the period we were researching the storage and handling of methyl ester we decided that the ease and accuracy of blending were important in keeping the cost to the customer as low as possible. We decided to put on board storage

tanks for the methyl ester on our delivery tank trucks with induction systems that automatically induce the methyl ester into the petroleum diesel stream as it is being pumped into the customer's tanks. Over the winter we have equipped five of our tank trucks with this system. Our plans are to equip the rest of our fleet prior to the end of 2001.

Currently four of our locations Wichita, Iola, Pratt and Garden Plain have the soy product and the facilities, equipment and trucks which are ready to supply soy diesel to these communities.

Hampel Oil has made a complete commitment to offering soy diesel to the agricultural sector. In addition to the investment in the inventory, storage tankage, and on board delivery equipment on our trucks we have produced a trademarked brand name, signage and literature. This month we have already had a mass mailing to co-ops and petroleum distributors throughout the state announcing the availability of the methyl ester in 55 gallon drums. And this week we are sending out information on soy diesel to 5500 rural box holders around Wichita and Iola.

Last week Hampel Oil hosted three customer appreciation dinners in Wichita, Iola and Pratt for our current and prospective agricultural customers. Approximately 350 people attended these where our PowerSoy Diesel was featured. Dennis Morrice and Kenlon Johannes of the Kansas Soybean Association and Steve Nogle of AEP the methyl ester refiner spoke at each dinner with the purpose of educating the audience on the benefits of using soy diesel.

Those in attendance at each of these dinners had varying degrees of interest. Naturally the most interest came from the soybean growers as they see it as a way to grow the demand for their products, however, there was also interest from the wheat and corn growers.

Presently there are not many distributors offering soy diesel to their customers. Many are completely unaware of where to get it and how to handle it. Some distributors have had a few inquiries from their farm customers, but have been unable to supply the soy diesel for various reasons. Aside from the handability and storage issue, a common reason distributors have been unwilling to handle it is that their perception of the demand in the marketplace is insufficient for them to bear the expense and trouble for a few customers.

From Hampel Oil's standpoint it is too early to tell if soy diesel will become a product that is demanded in the agricultural sector. We have invested a lot of time and money in faith that it will.

Soy diesel helps the agricultural community, which is Kansas' number one industry. In order to make soy diesel a viable product, which is readily available in all areas of Kansas and readily acceptable by the agricultural community it must be promoted by petroleum marketers, demanded by farmers, and its usage incentivized by the Kansas legislature. If these three things are done soy diesel could be a key element in increasing the demand for soybeans and thus help strengthening the State's largest industry.

Ladies and Gentlemen of the Committee:

My name is Kenlon Johannes. I am the CEO of Kansas Soybean Commission and the Kansas Soybean Association and I am addressing you as the Association's CEO. Although I have only been in my current position for less than a month, I am not new to the soybean industry or to biodiesel. Some years ago I managed the Wisconsin Soybean Board and later, the Missouri Soybean Merchandising Council through their development and expansion phases. Through my efforts at the Missouri Council, I was influential in starting up the National Biodiesel Board and served as its Executive Director before leaving for private industry. I have now been asked to take the helm and help direct the Soybean Check-off and Association in Kansas as we move from being a part of the Department of Agriculture to a more independent body. I own a farm which grows soybeans and I pay the soybean check-off myself, although I must say that over the last several years it has been tougher and tougher for my farm—and many of the farms all over the country that grow the food, feed and fiber that our country depends on—to make ends meet.

As many of you may know, soybeans are an increasingly important part of Kansas's agriculture and the soybean crop in Kansas has experience continued growth over the last five years. Soybeans, which are 80% high protein meal, represent one of the most important sources of feed protein for animals intended for human consumption. It is an important ingredient in the diet of hogs, cattle, poultry, and dairy animals. In addition, there are many industries in the state which both support—and depend upon—soybeans and the livestock it feeds for their lively hood. Trucking companies, railroads, implement dealers, fertilizer companies and the like, not the mention the corner grocery store, pharmacy, department store and other service industries all depend on the farming sector for income.

As third world countries grow in GDP, they are moving from a grain based diet to a meat based diet. This has caused an increase in the demand for soybean meal, and the Kansas and American soybean farmers have met that demand by increasing production—while using

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even fewer inputs. While the soybean is 80% high protein meal, the remaining 20% is soybean oil. Unfortunately, soybean oil demand worldwide is not keeping up with meal demand. We are currently swimming in an excess of soybean oil as a nation—with over 2 billion pounds of soybean oil carry over projected by USDA. This excess of soybean oil is a major factor for the low price of a bushel of soybeans—current soybean prices in Kansas are the lowest in many years.

At this same time we are reminded more painfully than ever that fossil fuels like gasoline, diesel fuel and natural gas as an energy source are in limited supply and we are ever increasingly dependent on foreign oil sources for our very way of life. Ladies and gentlemen of the committee, we must start to make changes now if we are to maintain our way of life for our children, and our grandchildren.

Kansas soybean farmers teamed with soybean farmers across the nation have taken the first step. Over the past 9 years, the soybean check-off program has invested over 20 million dollars into the development of biodiesel doing the research and testing needed to position biodiesel as a promising renewable fuel for diesel engines. As you may have heard from previous testimony, and will hear from others throughout this hearing, biodiesel has been thoroughly tested over the past 9 years. Biodiesel has ASTM specifications; it has provided \$2.2 million dollars worth of health effects testing to the US EPA, and is has been used successfully in over 30 million miles of real world use and counting. Biodiesel is good for engines, good for the environment, good for farmers and good for reducing dependence on foreign oil.

As policy makers and leaders of our society, we must make a statement that we support initiatives that accomplish these things. We fully understand that our society—and the world—will not change overnight. I believe that Senate Bill 4—which will provide for 2% biodiesel use in the fleets under state control—is a solid step in the right direction and will show the commitment that you have as leaders to the future of our society.

I encourage you to show your support for sound energy policy, sound environmental policy, and sound economic policy—and perhaps more importantly for the sake of our children and their future—to pass Senate Bill 4.



PUBLIC POLICY STATEMENT

HOUSE COMMITTEE ON TRANSPORTATION

**RE: SB 3 requiring the State of Kansas to purchase ethanol
blend motor fuels**

**SB 4 requiring the State of Kansas to purchase biodiesel
blend motor fuels**

**March 14, 2001
Topeka, Kansas**

**Presented by:
Leslie J. Kaufman, Associate Director
Public Policy division
Kansas Farm Bureau**

Chairman Hayzlett and members of the House Transportation Committee, thank you for the opportunity to appear today and share Farm Bureau's support for SB 3 and SB 4. I am Leslie Kaufman, Associate Director of Public Policy for Kansas Farm Bureau.

At our 82nd Annual Meeting, the voting delegates representing agricultural producers from all 105 Kansas counties reaffirmed and strengthened our support for initiatives intended to increase the production and use of alternative fuels. Increased utilization of crop-based fuels will reduce US reliance on foreign oil, expand grain markets, improve air quality and protect water quality.

Our members are encouraging agriculture producers to take the lead in utilizing crop-based fuels in their vehicles and machinery. We support the expansion of retail outlets to increase the availability of ethanol and bio-diesel. Additionally, we encourage the State of Kansas to further the production and use of renewable fuels by utilizing fuels containing ethanol in state operated vehicles and using bio-diesel, wherever available, to power state-owned machinery and equipment.

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The bills before you will require state bulk motor fuel purchases of ten-percent ethanol blend and two percent biodiesel blend fuels, provided the bio-blend fuel does not exceed the cost of regular fuel by 10 cent or more per gallon.

We support the amendments made by the Senate Utilities Committee to make both bills apply to all state agencies, not just the state central motor pool.

We certainly appreciate the opportunity to speak to you today in support of SB 3 and SB 4. These proposals can be important components in the state's efforts to increase crop-based fuel production and use, as well as supporting alternative markets for Kansas grown agriculture products. Thank you.



**KANSAS DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY OF TRANSPORTATION**

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**TESTIMONY BEFORE
HOUSE TRANSPORTATION COMMITTEE**

**REGARDING SENATE BILL 4 AS AMENDED BY SENATE COMMITTEE
ON UTILITIES
USE OF BIODIESEL IN STATE VEHICLES**

March 14, 2001

Mr. Chairman and Committee Members:

I am Steve Woolington, Director of the Division of Operations with the Kansas Department of Transportation (KDOT). On behalf of the department, I am here today to testify on Senate Bill 4 as amended by Senate Committee on Utilities regarding the use of biodiesel in state vehicles.

Senate Bill 4 as amended would require that all bulk purchases of the diesel fuel used in state motor vehicles be a blend containing at least two percent biodiesel as long as the cost of biodiesel blend did not exceed the cost of unblended diesel by ten cents or more per gallon. The amended bill also requires that retail purchases of diesel fuel, where available, be fuel blends containing at least two percent biodiesel.

The department is supportive of the development of Kansas' production of renewable fuels such as biodiesel but has some concerns about implementation. A survey of our fuel suppliers indicates that the department would incur increased fuel costs for biodiesel as well as concerns about the availability of the required fuel stocks. A survey of eight of our current suppliers found one did stock biodiesel and another three indicated they could get it. The average price from those four suppliers was quoted at 5.3 cents per gallon higher than regular diesel. Fuel prices fluctuate dramatically based on volatility of the market, location, and size of the order. Limited supplies and increased demand could cause the cost of the fuel to increase.

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Since the introduction of Senate Bill 4, the department has become aware of concerns with the use of biodiesel in the department's equipment. The primary concern of using alternative fuel in highway maintenance equipment is that it could cause operation problems. A fuel gelling problem that removes a snow removal truck from service becomes a serious problem that could jeopardize the safety of the traveling public.

The Iowa Department of Transportation has been conducting a biodiesel fuel pilot project since September 2000. A final report is to be presented to the Iowa General Assembly by January 2002. They are testing in-tank heaters on some of their trucks at a cost of about \$525 per tank. This is in addition to the regular fuel-line heaters they have on all of their trucks. In an earlier demonstration project, they didn't put an in-tank heater on one truck and that truck gelled up. KDOT does not currently have in-tank heaters or fuel-line heaters on any trucks. Iowa is also experimenting with fuel additives (pour point depressants). To date, Iowa has not experienced any operational difficulties with biodiesel fuel in their demonstration vehicles using either in-tank heaters or fuel additives. No conclusions have been drawn as to the most effective and efficient applications. Another issue, however, is the fact that they have only used biodiesel in locations where they have underground storage tanks. They anticipate that they will need to install heaters in their above ground storage tanks (estimated at \$625 per tank) if biodiesel were to be used at those locations. The majority of KDOT fuel storage tanks are above ground facilities.

KDOT is not opposed to trying a low percentage biodiesel product, however, a pilot program would be recommended before statewide implementation to assure no unforeseen complications with our fleet during winter operations.

House Transportation Committee
March 2001

Joe Fritton, P.E. - Director

Division of Facilities Management

SB #3 – Establishing certain requirements for purchases of motor-vehicle fuels for state motor vehicles.

Mr. Chairman and Members of the Committee:

Thank you for the opportunity to provide testimony on behalf of the Department of Administration regarding this Senate bill. My name is Joe Fritton and I am the Director of the Division of Facilities Management. My division operates the Central Motor Pool, which provides state agencies with permanently assigned vehicles and vehicles on a daily rental basis.

Senate Bill 3 as amended

Senate Bill #3 as amended in the Senate would require all bulk motor-vehicle fuel purchased by state agencies for use in state-owned vehicles to be fuel blends containing at least 10% ethanol unless the state's cost for such fuel exceeds the cost of regular unleaded gasoline by 10 cents or more per gallon. Additionally, this bill as amended would require individual motor-vehicle fuel purchased under current state purchasing agreements to be fuel blends containing at least 10% ethanol when available.

Additional Amendments Requested

The Department of Administration would like to request two additional amendments.

1. For bulk fuel purchases, that 80% by volume of the bulk fuel purchased be 10% ethanol instead of all (100%) bulk fuel purchases. This requested amendment would allow state agencies to continue to use regular unleaded gasoline in some non-vehicular equipment.
2. For individual fuel purchases add a cost cap that is the same 10 cents or more per gallon as that currently in the amended bill for bulk fuel purchases.

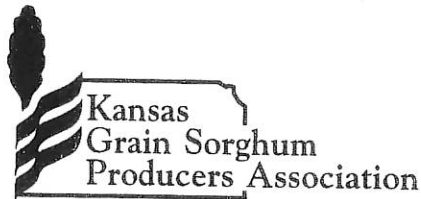
A copy of the proposed amendments is attached.

Current Central Motor Pool Promotion

The Central Motor Pool supports the use of alternative fueled vehicles. The motor pool currently has 46 credits with the Department of Energy for purchasing more alternative fueled vehicles than required by statute. The Central Motor Pool agreed with its fuel provider in September 2000 to purchase 10% ethanol blended fuel when the price was equal to or less than the price of unleaded gasoline. For fuel pumped in Topeka, the Central Motor Pool is currently in the process of switching from unleaded gasoline to 10% ethanol blended fuel.

I will be happy to answer any questions regarding this testimony.

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**Testimony Regarding Senate Bill No. 3
Before the House Transportation Committee
March 14, 2001**

Good afternoon Chairman Hayzlett and members of the House Transportation Committee, my name is Greg Krissek. I am the Director of Operations for both the Kansas Corn Growers Association and the Kansas Grain Sorghum Producers Association. I appreciate the opportunity to testify in support of SB 3.

The current provisions of SB 3 would require that all bulk purchases of motor-vehicle fuels by state agencies be blends containing at least 10% ethanol, unless the price difference from regular unleaded fuel exceeds 10 cents per gallon. Also, retail purchases for state vehicles would be required to be at least a 10 percent ethanol blend when available under current state purchasing agreements.

Kansas currently has four operating ethanol production plants located in the state that process grains, sorghum and corn primarily, into more than 35 million gallons of fuel ethanol annually. Nationally, approximately 1.6 billion gallons of ethanol were produced in the United States in calendar 2000.

The most recent statistics from the US Federal Highway Administration indicate that approximately 10% of Kansas' fuel ethanol production is consumed within the state in E10 blends (90% gasoline/10% ethanol). This proportion of state ethanol use to production is similar to other states like Iowa. But it also indicates the large opportunity for increasing consumption of ethanol in fuels used in Kansas. We believe state government can play a significant role in expanding this use of 10% ethanol blends by ensuring that its fuel purchases seek out this home-grown product.

We support this legislation whose genesis was from last fall's Special Committee on Utilities. That group's study of what state government could do to provide incentives for ethanol - a domestically renewable and environmentally friendly fuel that helps provide new markets for agricultural products - identified increased use of ethanol blends by state agencies as one positive outcome.

Thank you for the opportunity to comment and I will try to answer any questions concerning this testimony.

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Secretary of Transportation

Bill Graves
Governor

**TESTIMONY BEFORE
HOUSE TRANSPORTATION COMMITTEE**

**REGARDING SENATE BILL 3 AS AMENDED BY SENATE COMMITTEE ON
UTILITIES
USE OF GASOHOL IN STATE VEHICLES**

March 14, 2001

Mr. Chairman and Committee Members:

I am Steve Woolington, Director of the Division of Operations with the Kansas Department of Transportation (KDOT). On behalf of the department, I am here today to testify on Senate Bill 3, as amended by Senate Committee on Utilities, regarding the use of gasohol in state vehicles.

Senate Bill 3 as amended would require that all bulk purchases of the gasoline used in state motor vehicles contain at least ten percent ethanol (gasohol) unless the cost of the gasohol is ten cents or more per gallon over regular unleaded gasoline. The bill as amended also encourages, where available, the retail purchase of gasohol for use in state vehicles.

The department is supportive of the development of Kansas' production of renewable fuels such as ethanol, however, we would like to bring to the committee's attention several issues concerning cost and availability. A survey of our fuel suppliers indicates that the department would incur increased fuel costs for gasohol as well as concerns about the availability of the required fuel stocks. A survey of eight of our current suppliers found that two of the eight did not stock gasohol and the average price from those who did stock the fuel was 4.8 cents per gallon higher than unleaded gasoline. Fuel prices fluctuate dramatically based on volatility of the market, location, and size of the order. Limited supplies and increased demand could cause the cost of the fuel to increase. Consumers may not see the difference found by the department at the pump. The federal tax on gasohol is 5.4 cents per gallon lower than the federal tax on unleaded gasoline. KDOT does not pay federal motor-fuel taxes and does not receive any benefit from the tax differential.

The Department of Administration has proposed an amendment to the bill and the Department of Transportation supports the proposed amendment. House Transportation Committee

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STATE OF KANSAS

BILL GRAVES, GOVERNOR

Jamie Clover Adams, Secretary of Agriculture
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KANSAS DEPARTMENT OF AGRICULTURE

House Transportation Committee

SB 3

March 14, 2001

Statement of the Kansas Department of Agriculture

The Kansas Department of Agriculture (KDA) is pleased to provide information on the importance of ethanol to Kansas agriculture and information on its potential use in KDA vehicles.

Ethanol's Importance to Kansas Agriculture

The KDA supports the use of ethanol in motor vehicle fuel. Ethanol is a value-added opportunity for the Kansas corn and grain sorghum industry adding to farm revenue, increasing high-skilled employment, improving the balance of trade and in effect, resulting in a net saving to the United States treasury. Environmental benefits include reduced vapor pressure, reduced sulfur content, and reduced aromatic and benzene content. Even a low 10% ethanol blend can reduce carbon monoxide better than any other federal Reformulated Gasoline (RFG) by more than 25%. In addition, ethanol has been shown to be low in reactivity and high in oxygen content which makes it an effective tool to reduce ozone pollution and makes it a safe replacement for toxic octane enhancers in gasoline such as benzene, toluene and xylene.

Retail Ethanol Availability

Our research revealed there are three main gasoline station chains which are known to have an ethanol blend in at least one grade of their gasoline - Coastal, Casey General and most Kwik Shops. Each chain is unique in its assessability for state vehicles and cost. Casey General stations are not listed as available Fuelman acceptable stations. State agencies are required to utilize the Fuelman system. Kwik Shops have a duel system of availability depending on the characteristics of the station. Some of the stores are "unbranded" and some are affiliated with Texaco. Typically, if they only have two grades of fuel available, the "premium" will be a 10% ethanol blend. If they have three grades available the "midgrade" fuel will typically be the 10% ethanol blend with the premium actually not using any ethanol.

Cost if Ethanol Used in KDA Vehicles

According the US Department of Energy (DOE), the average price per gallon of gasoline throughout the United States this week is \$1.46 for regular unleaded, \$1.55 for midgrade, and \$1.64 for premium. Typically, the difference between regular unleaded and the midgrade fuel is

House Transportation Committee
March 14, 2001
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between \$0.09 and \$0.10. The attached DOE handout shows average pricing for the past seven weeks.

During Fiscal Year 2000, the KDA drove 2,328,471 miles in permanently assigned vehicles (inspectors) and 160,268 miles in trip tickets.¹

- Estimated Total Unleaded Fuel Costs: \$190,744.19
- Estimated Costs if all fuel bought at midgrade cost: \$189,788.14
- Estimated Costs if all fuel bought at premium cost: \$214,260.56

¹Estimates were calculated using 30 mpg for compact cars and 16 mpg for all trucks and vans.

<!--StartFragment-->RETAIL GASOLINE: (Self Service Prices per Gallon, Including Tax report contains price estimates for gasoline sold in ozone non-attainment (RFG) areas, carbon monoxide non-attainment (Oxygenated) areas, ozone and carbon monoxide non-attainment (OPRG) areas, and attainment (Conventional) areas as designated by the Environmental Protection Agency.

Date	----- 2001 -----							
	12/11	12/18	12/25	1/1	1/8	1/15	1/22	1/29
US Price - All Grades								
Average	1.490	1.462	1.453	1.446	1.465	1.513	1.511	1.500
Conventional Areas	1.454	1.424	1.416	1.406	1.433	1.494	1.493	1.481
Oxygenated Areas	1.544	1.536	1.513	1.509	1.515	1.542	1.528	1.546
OPRG Areas	1.606	1.590	1.573	1.565	1.553	1.547	1.539	1.537
RFG Areas	1.565	1.540	1.532	1.529	1.533	1.555	1.554	1.540
US Price - Regular								
Average	1.449	1.422	1.414	1.406	1.425	1.474	1.471	1.460
Conventional Areas	1.415	1.386	1.380	1.368	1.394	1.456	1.455	1.443
Oxygenated Areas	1.510	1.501	1.478	1.475	1.480	1.507	1.493	1.510
OPRG Areas	1.559	1.542	1.526	1.517	1.507	1.499	1.490	1.489
RFG Areas	1.519	1.493	1.487	1.485	1.491	1.513	1.512	1.498
US Price - Midgrade								
Average	1.547	1.518	1.502	1.503	1.523	1.566	1.562	1.551
Conventional Areas	1.505	1.473	1.457	1.458	1.487	1.544	1.540	1.528
Oxygenated Areas	1.595	1.590	1.566	1.562	1.571	1.597	1.582	1.604
OPRG Areas	1.671	1.654	1.635	1.627	1.611	1.608	1.602	1.598
RFG Areas	1.637	1.612	1.601	1.598	1.602	1.616	1.614	1.602
US Price - Premium								
Average	1.636	1.609	1.597	1.590	1.606	1.656	1.656	1.644
Conventional Areas	1.598	1.566	1.556	1.548	1.574	1.636	1.637	1.623
Oxygenated Areas	1.694	1.686	1.662	1.656	1.662	1.692	1.677	1.696
OPRG Areas	1.738	1.725	1.713	1.705	1.690	1.687	1.683	1.677
RFG Areas	1.719	1.701	1.684	1.680	1.677	1.703	1.703	1.690

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