

Approved: March 1, 2001

Date

Carl Dean Holmes

MINUTES OF THE HOUSE COMMITTEE ON UTILITIES.

The meeting was called to order by Chairman Carl D. Holmes at 9:12 a.m. on February 12, 2001 in Room 526-S of the Capitol.

All members were present except: Rep. Nile Dillmore

Committee staff present: Lynne Holt, Legislative Research
Mary Torrence, Revisor of Statutes
Jo Cook, Committee Secretary

Conferees appearing before the committee: None

Others attending: See Attached List

Chairman Holmes distributed a list of energy related bills that have been introduced by the committee (Attachment 1). The Chairman discussed the status of each bill and asked the committee members to comment.

Chairman Holmes distributed a copy of a RFP (Request for Purchase) issued by the Department of Administration's Division of Information Systems and Communications (DISC) that dealt with the KAN-ED network (Attachment 2).

Rep. Sloan announced that the House Committee on Taxation had held hearings on **HB 2266** and **HB 2268** and the committee had recommended both bills favorable for passage. They also worked **HB 2245** and recommended it for passage. Because these 3 bills had been referred to both Taxation and Utilities Committees, they were now at this Committee's disposal.

Rep. McClure distributed a press release (Attachment 3) about the \$27 million ethanol plant to be built in Russell, Kansas.

Meeting adjourned at 10:33 a.m.

The next meeting will be a joint meeting with the House Committee on Taxation on Tuesday, February 13, 2001 in Room 313-S of the Statehouse.

HOUSE UTILITIES COMMITTEE BILLS

1. **Sub HB 2244:** Establishes the energy resources coordinating council to formulate a state plan for coordination of the management, conservation and development of energy in the state (on general orders)
2. **HB 2245:** Creates incentives to generate electricity using renewable resources; requires public utilities, municipal utilities and cooperatives to enter into parallel generation contracts with generators that generate using renewable resources; requires certain provisions be included in the contracts; establishes income tax credits for either the generator or the utility
3. **HB 2266:** Creates incentives for construction of coal-fired merchant power plants and large electrical transmission lines; provides for exemption of merchant plants from KCC regulation, issuance of bonds to pay costs of pollution control devices for the plants and classification of the plants as commercial and industrial property for property tax purposes; provides a 10-year exemption from property tax for merchant plants and 345+ KV transmission lines; provides the same incentives for a merchant plant that uses natural gas for generation if the plant is used only to provide back-up power for a generation facility using renewable energy resources
4. **HB 2267:** Provides incentives for public and private accredited K through 12 schools to produce power using wind generation; requires public utilities, municipal utilities and cooperatives to enter into parallel generation contracts with schools using wind generation; requires certain provisions be included in the contracts; makes it clear that schools may pay for wind generators from capital outlay funds and may issue bonds and levy a tax for that purpose
5. **HB 2268:** Creates incentives to build coal-fired generation facilities; allows the cost of construction work in progress (CWIP) to be included in a utility's ratebase; authorizes issuance of bonds to pay costs of pollution control devices; provides an exemption from property tax for 10 years
6. **HB 2323:** Provides sales tax exemption for sales of certain energy efficient appliances (referred to Taxation Committee)
7. **HB 2475:** Requires consideration of life cycle costs during the design phase of renovation or construction of state buildings
8. **HB 2477:** Provides an income tax credit for the cost of bringing building insulation up to an R-49 rating; caps the credit at \$100 or 30% of the cost, whichever is less
9. **HCR 5012:** Urges cities and counties use the increase over last year's revenues from natural gas franchise fees (those based on gross receipts) to provide funding for attic insulation in residential and commercial buildings and government-owned buildings, including school buildings, to bring the insulation up to an R-49 rating
10. **HCR 5013:** Proposes constitutional amendment to assess public utility property at 25% rather than current 33%
11. **HCR (not introduced yet):** Requests utilities to make two-year loans for attic insulation to customers who are on a level payment plan

HOUSE UTILITIES

DATE: 2-12-01

ATTACHMENT 1



DEPARTMENT OF ADMINISTRATION
Division of Purchases

BILL GRAVES
Governor

DAN STANLEY
Secretary of Administration

JOHN T. HOULIHAN
Director of Purchases
900 S.W. Jackson, Room 102-N
Landon State Office Building
Topeka, KS 66612-1286
(785) 296-2376
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DIS -
Andy

ADDENDUM

December 29, 2000

Addendum Number: 2

RFP Number: 02599

PR Number: 3928

Closing Date: 2:00 P.M., April 18, 2001

Item: KANSAN-2001 Project

Agency: Kansas Department of Administration
Division of Information Systems and Communications
Location(s): Topeka, KS

Conditions:

Section 5.2.5 has been revised and re-instated as follows:

Government/Educational Initiatives and Directives

Recently a special task force created by SR 1848, completed their recommendations for interconnecting schools, libraries, and hospitals to a special Kansas Educational Network. In order to gain insight into the potential cost for this network and to understand industry capabilities, this RFP includes an optional request for network architectures to potentially connect:

- a. 304 school districts
- b. 19 Inter-local or educational service centers
- c. 330 libraries.

We are seeking innovative ideas about how this interconnection might work using existing industry telecom resources while protecting existing industry contracts with schools, hospitals, and interlocals. A concept, which appears highly attractive, is to strategically locate Network Access Points (NAPS) to a single backbone. The NAPS would connect existing fiber and cable based consortiums such as those at Greenbush, Great Plains Network, A+ and other similar consortia.

Appendix C (attached) contains the location of these sites.



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ATTACHMENT 2

Addendum No. 2 to
Request for Proposal Number 02599
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We are interested in proposed designs for interconnectivity. This information will be used to estimate costs for fiscal notes to the legislature and administration. No network services in this area will be awarded.

There are no other changes at this time.

A signed copy of this Addendum must be submitted with your bid. If your bid response has been returned, submit this Addendum by the closing date indicated above.

David W. Metzenthin

David W. Metzenthin
Procurement Officer

[Handwritten signature]

DWM:cjf

I (We) have read and understand this addendum and agree it is a part of my (our) bid response.

NAME OF COMPANY OR FIRM: _____

SIGNED BY: _____

TITLE: _____ DATE: _____

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FOR IMMEDIATE RELEASE

RE: TWENTY SEVEN MILLION DOLLAR ETHNOL PLANT TO BE BUILT IN RUSSELL, KANSAS

PRESS CONTACT:

DAVE VANDER GRIEND

ICM, INC.

316-796-0900 EXTENTION 117

Russell, Kansas

ICM, a Colwich, Kansas design engineering company in the fuel ethanol industry, has teamed up with Venture Bio-Fuels, an investment group from Lacrosse, WI, to build a \$27 million fuel ethanol plant in Russell, KS. The ethanol plant will operate under the name of U.S. Energy Partners, LLC. The plant will process approximately 9 million bushels of locally grown milo and corn into 25 million gallons of fuel ethanol, 80,000 tons of distiller's grains and 63,000 tons of carbons dioxide.

The fuel ethanol will be sold in Kansas and western markets to be blended gasoline to reduce automobile tailpipe emissions. Distiller's grains will be sold on a dry and modified wet basis to areas cattle feeders. The company is participating in the US Department oil sequestration study by providing funding and carbon dioxide to recharge oil wells south of Russell.

This project is also unique in that it is developing a partnership with the City of Russell

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ATTACHMENT 3

to share savings provided by recovering steam and stack gases from the new electrical cogeneration system. ICM's President and Chief Executive Office, David Vander Griend said, " This energy arrangement will be one of the most advanced systems in the nation and will recover over ninety percent of all energy in the natural gas. ICM is happy to share the savings with the City of Russell to make better use of all of our resources".

The plant will also be teaming up with the Kansas Geological Survey to use the carbon dioxide (CO₂) produced from fermentation as an injection fluid for secondary recovery of crude oil. This CO₂ is pumped now into the ground to force additional crude oil out of the rock formations. The CO₂ remains in the ground, resulting in a net reduction of CO₂ in the atmosphere.

The distiller's dried grains produced from the fuel ethanol plant is a high protein feed that has been widely accepted as a premium feed for ruminant cattle feeding operations. This plant will be distributing the distiller's grains within a 50-mile radius of the fuel ethanol plant, again benefiting the local economy and local cattle feeding operations.

Of the \$27 million project cost, U.S. Energy Partners project will spend \$22 million in plant equipment, buildings, roads and infrastructure. Construction is scheduled to begin by mid-February, pending receive of permits already in process. The plant will employ approximately 30 full time people and is a twenty-four hour operation. Plant startup is scheduled for the fourth quarter of 2001 and Full time employment will begin within thirty days of startup. Additional information for applying for the ethanol plant jobs will be published later this summer.