

CONTINUATION SHEET

Opponents:

Joe Fritton, Division of Facilities & Management (Attachment 7)

Joe Fritton provided statistics on the (1) number of diesel engine vehicles (four) owned by the state motor pool, (2) there are around 8500 state owned vehicles, (3) availability of biodiesel and ethanol fuel in pumps throughout the state, (4) cost to the state for the various types of fuel. Due to lack of pumps with ethanol or biodiesel throughout the state it would be difficult to meet the intent of this legislation. He suggested that other state agencies be included but did not have information on number of diesel engine vehicles in state-owned vehicles.

Chair opened for questions from the committee. Chair announced continuation of hearings on **SB 3** and **SB 4** and possible committee action on Monday, February 5.

Next meeting of the Senate Utilities Committee will be Monday, February 5, 2001.

Adjournment.

Respectfully submitted,

Ann McMorris, Secretary

Attachments - 7

SENATE UTILITIES COMMITTEE GUEST LIST

DATE: FEBRUARY 1, 2001

NAME	REPRESENTING
Dennis Morrill	Kansas Soybean Association
Eugene Swearingen	Kansas Soybean Ass.
Bill Thiemann	" " "
Bill Wiley	American Soybean Assoc.
Leslie Kaufman	K's Farm Bureau
Rebecca Reed	KDA
Joe Lieber	KS Co-op Council
Jack Glaves	Duke - 1st 7d
John Crowder	Sen. Stan Clark
Carol Craymer	ITNS
Andy Shaw	Kearney Law Office
Ben Gaches	CSBA
Dennis McKinney	Rep.
DOUG PICKERING	AG ENVIRONMENTAL PRODUCTS
Lope White	KCGA - KGSPA
Ken Petersen	KS Petroleum Council
TOM PALACE	PMCA OF KANSAS
Keed Davis	KDOT
Robert Halley	KDOT

Y-JH

Carl Folsom

Hensley's ofc.

Rep. Holmes



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

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Secretary of Transportation

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Bill Graves
Governor

**TESTIMONY BEFORE
SENATE UTILITIES COMMITTEE**

**REGARDING SENATE BILLS 3 AND 4
USE OF GASOHOL AND BIODIESEL IN STATE VEHICLES
February 1, 2001**

Mr. Chairman and Committee Members:

I am Bob Haley, Director of the Division of Administration, Kansas Department of Transportation. On behalf of the Department, I am here today to testify on Senate Bills 3 and 4 regarding the use of gasohol and biodiesel in state vehicles. We feel obligated to point out bills which have the potential to impact the revenues available for the Comprehensive Transportation Program.

Senate Bill 3 would require that 80 percent of the gasoline used in state motor vehicles contain at least 10 percent ethanol (gasohol) and Senate Bill 4 would require that 80 percent of the diesel fuel used in state motor vehicles be a blend containing at least 2 percent biodiesel. The Department is supportive of the development of Kansas' production of renewable ethanol and biodiesel fuels. The Department has two concerns with the proposed legislation.

One, a survey of our fuel suppliers indicate that the Department would incur increased fuel costs for gasohol and biodiesel as well as concerns about the availability of the required fuel stocks. 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. We surveyed eight of our principal suppliers on the price of gasohol and biodiesel. Six of the eight were able to supply gasohol and quoted prices from 2 cents to 9 cents over the price of gasoline. The average difference was 4.8 cents per gallon and based on past usage, Senate Bill 3 would cost the Department approximately \$71,000 additional per year. Only four of the eight suppliers were able to supply biodiesel at this time. The quoted price was from 2.25 cents to 11 cents higher for an average incremental cost of 5.3 cents per gallon. Based on past usage, Senate Bill 4 would increase the cost to KDOT for diesel fuel by approximately \$139,000.

Two, the Department provides storage for its own fuel. There is concern about using gasohol in our small engine equipment. The Department may need to acquire additional storage facilities in order to stock gasoline for the small engine equipment.

Even though we are in general support of the development of Kansas' ethanol and biodiesel fuels, we appreciate the opportunity to also point out some concerns regarding Senate Bill 3 and Senate Bill 4.

Senate Utilities Committee
February 1, 2001
Attachment 1-1

STATE OF KANSAS

ROCKY NICHOLS
STATE REPRESENTATIVE
58TH DISTRICT
SHAWNEE COUNTY



TOPEKA

HOUSE OF
REPRESENTATIVES

COMMITTEE ASSIGNMENTS

MEMBER: APPROPRIATIONS COMMITTEE
TAX, JUDICIAL AND TRANSPORTATION
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February 1, 2000

Chairman Clark and Members of the Committee:

Thank you for the opportunity to testify in support of Senate Bills 3 and 4. I will focus my comments today to SB 3, concerning requirements that our state motor pool utilize an ethanol blend.

Kansas needs to lead by example by having the motor fuel pumps at the state motor pool use only ethanol blends. Under the present administration they do not use an ethanol blend. Using only ethanol blends at our motor pool fuel pumps was a policy created by Governor Mike Hayden on September 17, 1990 following the issuance of Executive Order No. 90-129. That executive order not only required state agency heads with motor vehicle under their control to utilize ethanol-blend gasoline "whenever feasible," it also directed state employees traveling by state vehicle to use the blended fuel whenever possible. This progressive policy of using ethanol blends at the pumps of our state motor vehicle fleet was continued throughout the administration of Governor Joan Finney. Unfortunately, this policy of using ethanol-blending gasoline at our state motor vehicle fleet facility was discontinued in 1995 under the present Administration of Governor Graves.

I believe that you may also hear testimony asking that you expand this bill to include other state governmental units, and I would also endorse that proposal.

Thank you for your time and attention to this important issue.

Senate Utilities Committee
February 1, 2001
Attachment 2-1

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TOPEKA

HOUSE OF
REPRESENTATIVES

February 1, 2001

ASSISTANT MINORITY LEADER
 COMMITTEE ASSIGNMENTS
 TRANSPORTATION
 CALENDAR & PRINTING
 ENVIRONMENT
 SELECT COMMITTEE ON
 INFORMATION MANAGEMENT

Testimony on Senate Bills 3 & 4

Thank you for the opportunity to testify on Senate Bills 3 and 4. These two bills were recommended by the interim committee on utilities.

Today Kansas farmers are faced with extremely low grain prices. In fact, several communities in my district still have grain piled on the ground in temporary storage facilities. At the same time we are facing historically high prices for gasoline and diesel fuel. Can we help ourselves work out of this problem by increasing the use of Kansas crops for energy production?

The interim committee faced a question of which comes first, create demand and production will increase to meet the demand, or, make a product available and demand will increase to consume the product. We decided to meet the challenge of expanding agricultural crop usage by attacking both sides of this question. The interim committee introduced ideas aimed at facilitating expansion of production and increasing availability to consumers.

Senate bills 3 and 4 would use the purchasing power of the state to increase consumer demand for ethanol and biodiesel. The increased demand not only encourages increased production but it also encourages retail offerings by petroleum marketers.

Ethanol blends are available statewide at Coastal Marts, Kwik Shops, and Casey's General Stores, among others. Typically 10% blends are sold as midgrade 89 octane fuel at 2 to 5 cents more per gallon than regular unleaded. Hopefully wholesalers will eventually blend ethanol blends for 87 octane regular as is currently being done in other states.

The 80% requirements in these bills allow flexibility to meet the goals. We did overlook some things in the bill drafting therefore I would recommend the following committee amendments:

1. We now realize that the central motor pool does not buy fuel for a large number of state vehicles. Therefore SB3 should be expanded to cover KDOT and Regents vehicles.
2. SB4 may be made more workable by applying it only to bulk purchases of diesel fuel as biodiesel blends are now more available in bulk purchases.

It should be pointed out that biodiesels burn cleaner and have higher lubricity. Vendors in my area report that biodiesel at a 2 cent premium to regular diesel is a good value.

Senate Utilities Committee
 February 1, 2001
 Attachment 3-1

One important point should be made. Economists tell us that demand for food is inelastic. But demand for energy is elastic. Decreases in price cause increases in demand. Therefore, to the extent we plug Kansas crops into the energy market we not only increase demand, we also tie into a market with elastic demand.

Surely, if state bids for bulk fuel deliveries begin specifying 2% biodiesel blends or 10% ethanol blends fuel distributors will take notice. (The state bulk fuel bids could even specify 87 octane ethanol blends.) If that causes them to increase inventories of ethanol blends they will make the blends available to other customers. The benefits will accrue to the entire state, especially the Kansas agricultural economy.

Thank you for the opportunity to testify today.

Kansas Biodiesel Distributors

Ag. Partners Cooperative	Hiawatha	United Co-op	Garnett
Farmers Cooperative Assoc.	Lawrence	United Co-op	Greeley
Dobrauc Oil Company	Frontenac	Edgerton Co-op	Edgerton
Bridgman Oil Company	Hutchinson	Farmers Co-op	Lancaster
Jensen Oil and Gas	Manhattan	Overbrook Farmers	Overbrook
Capitol City Oil Company	Topeka	Meriden Farmers	Meriden
John E. Jones Oil Company	Stockton	Parker Distributor	Wichita
Carter Petroleum Products	Kansas City	Steve Spicer	Halstead
Maher Oil Company	Kansas City	Burton Robinson	Sabetha
Consumers Oil Company	Maryville	Norbert Pfannenstiel	Salina
Moeder Oil Company	Great Bend	Darryl Volquardsen	McCook, NE
Essmiller Oil Company	Great Bend	Shamburg Oil	Beloit, KS
Parallel Farms	Whiting		
Fox Petroleum Products	Pratt		
Paso Petroleum	Pratt		
Hampel Oil Distributors	Wichita		
Pawnee County Co-op	Larned		
Service Oil Company	Colby		
T&E Oil Company	Hutchinson		
Taylor Oil Company	Wellsville		
Triplett, Inc.	Salina		



Testimony Regarding Senate Bill No. 3 Before the Senate Utilities Committee February 1, 2001

Good morning Chairman Clark and members of the Senate Utilities Committee, my name is Jere White. I am the Executive Director 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 provisions of SB 3 would require the state government's central motor pool to purchase at least 80% of its motor vehicle fuels with blends containing at least 10% ethanol. Kansas currently has four operating ethanol production plants located in the state that process grains, sorghum and corn primarily, into more than 30 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 do offer two suggestions for your consideration concerning SB 3's current provisions. First, it may be worthy to consider a two-year phase-in for meeting the 80% requirement to allow the state's fuel managers to plan for accessing supplies of E10. Current strong demand for the product may cause some difficulty contracting product in the short-term for this year. Secondly, it is our understanding that many state vehicles and their fuel-purchases are not administered by the central motor pool. Thus, SB 3's provisions, as currently written, would not govern some state agency and university motor pools. We believe they should.

We support this legislation that was recommended by last fall's Special Committee on Utilities upon completion of their 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.

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

Senate Utilities Committee
February 1, 2001
Attachment 5-1



PUBLIC POLICY STATEMENT

SENATE COMMITTEE ON UTILITIES

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

**February 1, 2001
Topeka, Kansas**

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

Chairman Clark and members of the Senate Utilities Committee, thank you for the opportunity to appear today and share Farm Bureau's support for SB 3. I am Leslie Kaufman and I serve as the 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 strengthen 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.

The bill before you will require a significant portion of the state's motor-vehicle fuel purchases to include ethanol blend fuels. As we read it, the bill applies only to

purchases for vehicles in the state central motor pool, or branches of the pool. We would inquire if there are numerous other state owned vehicles that are not part of the central motor pool? If so, we ask the Committee to consider including all state owned vehicles in this bill.

We certainly appreciate the opportunity to speak to you today in support of SB 3. This proposal can be an important component of efforts to increase ethanol production and use, as well as supporting alternative markets for Kansas grown agriculture products. Thank you.



PUBLIC POLICY STATEMENT

SENATE COMMITTEE ON UTILITIES

RE: SB 4 requiring the State of Kansas to purchase biodiesel blend motor fuels.

**February 1, 2001
Topeka, Kansas**

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

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

Kansas farmers and ranchers grow some of the finest crops and livestock in the world. As production increases, producers increasingly look for additional uses and markets for their products. One such use is transforming agriculture products into alternative fuels.

In November, farmers and ranchers from all 105 Kansas counties gathered in Wichita for the 82nd Annual meeting of Kansas Farm Bureau. They adopted policy positions on a wide variety of issues important to agriculture and rural communities. The voting delegates reaffirmed and strengthen our support for initiatives intended to increase the production and use of alternative fuels.

We encourage agriculture producers to set the example for renewable fuel use by utilizing biofuels in their vehicles and machinery. The State of Kansas can play a vital role in helping increase biodiesel and ethanol production and use, as well. The State can provide support for renewable fuel use by setting an example through alternative fuel utilization.

We support requiring the State to use biodiesel fuel, whenever available, in state owned machinery and equipment. As such, we support SB 4. We would inquire whether delineating that the bill applies to the "state central motor pool" purchases includes all state vehicles and machinery that can operated on diesel fuel? If not, we encourage expanding the bill to cover all state entities that operate vehicles and equipment capable of running on diesel fuel.

We appreciate the opportunity to share these comments with the Committee and ask for your favorable consideration of SB 4. Thank you.

Utilities Committee

February 1, 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 agencies with permanently assigned vehicles and vehicles on a daily rental basis.

Senate Bill #3 would require state Central Motor Pool vehicles to purchase ethanol blended fuel for 80% of its purchases. The Department of Administration opposes the bill for three reasons:

1. **Applicability** - Senate Bill #3 applies to only to Central Motor Pool vehicles. The Central Motor Pool currently has only 22% (1838 of 8505) of the state's registered vehicles. A Legislative Post Audit report has recommended more agencies use the Central Motor Pool as a means of minimizing costs. Since ethanol is usually priced higher than regular unleaded gasoline, this Bill would discourage Central Motor Pool use.
2. **Availability** - Of the 1,200,000 gallons of fuel used annually by Central Motor Pool vehicles, only 260,000 gallons are projected to be pumped at the Central Motor Pool location in Topeka. The remaining 942,000 gallons will be pumped at retail locations throughout the 105 counties in which the fleet operates. This Bill would be almost impossible for the agencies to follow since retail purchase of the 10% ethanol blended fuel is available only at limited locations throughout the state and is extremely difficult to find in remote areas of the state.
3. **Current Promotion** - The Central Motor Pool supports the cost-effective use of alternative fueled vehicles and currently has 46 credits with the Department of Energy from purchasing more alternative fueled vehicles than required by federal and state statute. The Central Motor Pool has entered an agreement 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.

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

Senate Utilities Committee
February 1, 2001
Attachment 7-1

Utilities Committee

February 1, 2001

Joe Fritton, P.E. - Director

Division of Facilities Management

SB #4 – Establishing certain requirements for purchases of diesel 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 agencies with permanently assigned vehicles and vehicles on a daily rental basis.

Senate Bill #4 would require state Central Motor Pool vehicles to purchase 2% biodiesel fuel for 80% of its purchases. The Department of Administration opposes the bill for two reasons:

1. **Applicability** - Senate Bill #4 applies to only 4 vehicles in the state's fleet of 8505. In the last calendar year, these vehicles drove only forty-five thousand miles and consumed just eight thousand gallons of fuel. A Legislative Post Audit report has recommended more agencies use the Central Motor Pool as a means of minimizing costs. Since 2% biodiesel is usually priced higher than regular diesel, this Bill would discourage agencies to migrate their diesel vehicles to the Central Motor Pool.
2. **Availability** - Retail purchase of the 2% biodiesel is not available in the Topeka area. In fact the only retail source we were able to locate is in Pratt. The 8,000 gallons of diesel used annually by these 4 vehicles is purchased almost exclusively at retail locations throughout the 105 counties in which the fleet operates. This Bill would be impossible for the agencies to follow since 2% biodiesel fuel is unavailable at retail locations in the state.

The Central Motor Pool currently supports the cost-effective use of alternative fueled vehicles and has 46 credits with the Department of Energy from purchasing more alternative fueled vehicles than required by federal and state statute.

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