Approved: May 3, 2004 Carl D. Holmes
Date

MINUTES OF THE HOUSE COMMITTEE ON UTILITIES.

The meeting was called to order by Chairman Carl D. Holmes at 3:54 p.m. on May 3, 2004 in Room 519-S of the Capitol.

All members were present except: Representative Eric Carter

Committee staff present: Jo Cook, Administrative Assistant

Conferees appearing before the committee: None

Others attending: See Attached List

Chairman Holmes shared information about proposed legislation authorizing the Kansas Development Finance Authority to participate in a bid to attract FutureGen, the next generation coal-fired electric generation plant promoted by the State Energy Resources Coordination Council (Attachment 1). The FutureGen plant will be an incubation center for new technologies in energy production using coal gasification processes with zero-pollution emissions. The byproducts of the coal gasification process will include the production of hydrogen and carbon dioxide. The CO_2 would be used for tertiary recovery processes in the oil fields and to assist in the recovery of coal-bed methane gas. If Kansas is successful in its bid, a $1 billion facility will be constructed by the U.S. Department of Energy and a consortium of U.S. coal producers and electricity producers. There are other states competing for this opportunity. Discussion and questions followed.

The meeting adjourned at 4:09 p.m.

HOUSE UTILITIES COMMITTEE GUEST LIST

DATE: May 3,, 2004

NAME	REPRESENTING
Mark Schreiber	Westar Energy
TOM DAY	KCC
Bob Corkins	KLEAR
Matt Goddard	Heartland Community Bankers Assoc.

A briefing paper on

Building FutureGen in Kansas

What is FutureGen? FutureGen is a proposal by President Bush to build the world's first coal-fired electric power plant that will have near-zero emissions, generate hydrogen, and geologically sequester CO_2, a major greenhouse gas.

The 275 MW plant will serve as a prototype for new technologies in coal gasification and combined cycle power generation. Because of the research aspect of the plant, power output is expected to fluctuate.

Key elements of the project are the proximity to geologic sites for CO_2 sequestration and accessibility to a variety of fuel sources to test the efficacy of the plant.

What would it bring to Kansas? In addition to the economic value derived from initial construction of the nearly $1 billion facility, the state hosting FutureGen will be at the heart of 21st-century energy and environmental technology. FutureGen is expected to produce electricity with virtually no atmospheric emissions, dramatically improve the efficiency of electricity production, and produce significant quantities of hydrogen. Many of the plant operation positions would require highly-trained and highly-paid professionals. A power plant of this size and complexity also must draw on the surrounding communities for ongoing services and supplies.

The FutureGen plant would be an incubation center for new technologies in energy production, pollution control, production and utilization of hydrogen, and geologic sequestration of carbon dioxide. New businesses could be expected to capitalize on the project technology and products. These would include oil companies that need CO_2 for enhanced oil recovery projects across much of the state.

FutureGen would attract visitors from across the globe to learn from the new technologies being employed. We will propose that the plant incorporate a significant outreach program for technology transfer. In addition, the research mission of the project could be cooperatively linked with Kansas universities for spin-off projects, research, and education of students.

Who pays for it? The U.S. Department of Energy (DOE) estimates the cost to design and build FutureGen to be about $950 million. DOE will provide up to 80% of the cost, if an industry consortium composed of at least 20% of the U.S. coal producers and 33% of the U.S. electricity producers funds the remaining costs. The consortium has formed and is negotiating an agreement with DOE expected to be completed this spring. The consortium has committed to provide up to $200 million towards the project. DOE expects foreign contributions to reach $80 million. The consortium estimates that another $65 million will be needed to complete the funding.

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ATTACHMENT 1

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Who decides? The industry consortium approved by DOE will design, build, and operate the plant, although they may contract out much of those tasks. Battelle national laboratory in Ohio is providing management services for the industry consortium. The consortium will decide on the plant site and design, and submit their recommendation to the Secretary of Energy who can respond only with a 'yea' or 'nay' decision.

DOE delivered a report to Congress on March 4, 2004, outlining a timeline and process. Possible host sites for FutureGen are scheduled to be identified by October 2004 with final site selection set for two years later, after NEPA review. The industrial consortium will apparently establish criteria and deadlines for consideration of host sites. One criterion will be demonstrated ownership of proposed sites.

Does Kansas want FutureGen? A statewide open forum was held at the University of Kansas on March 5, 2004, sponsored by the State Energy Resources Coordination Council (SERCC). More than 30 representatives from utilities, industry, state agencies, legislature, congress, and academia reviewed the project and unanimously agreed that Kansas should compete to host FutureGen.

How do we get it built in Kansas? SERCC will appoint a representative committee to pursue FutureGen. The committee will work with DOE and Battelle to determine bid criteria.

What does Kansas have to offer?

- Value-added CO_2 sequestration in Kansas oil fields for enhanced oil recovery
- Central location and proximity to national rail lines to transport coal from all areas of the country
- Existing property tax exemption for new power plants
- Access to KDFA financing for much of the plant as pollution control equipment
- A package of other favorable state treatment on tax, regulatory, and financing issues
- A neutral location (none of the consortium members are based in Kansas)
- Numerous viable potential sites
- Potential CO_2 sequestration in eastern Kansas coalfields
- One of only 4 sites nationally that have geologically sequestered 'smokestack' CO_2
- A well-established track record with DOE

What is the competition?

- Illinois – aggressive financing package, strong state and congressional leadership
- Texas – $10 million state general fund allocated for matching funds
- Ohio, West Virginia, Montana, and North Dakota are among a dozen states or more publicly describing their intentions.

Links and references

http://www.kansasenergy.org/futuregen/info.html

http://www.fossil.energy.gov/programs/powersystems/futuregen/futuregen_report_march_04.pdf