

Approved: February 8, 2005

Date

Carl Dean Holmes

MINUTES OF THE JOINT MEETING OF THE HOUSE AND SENATE COMMITTEES ON UTILITIES.

The meeting was called to order by House Chairman Carl D. Holmes at 9:20 a.m. on January 13, 2005 in Room 526-S of the Capitol.

All members were present except: Representative Vaughn Flora - Excused
Representative Carl Krehbiel - Excused
Representative Melody Miller - Excused

Committee staff present: Mary Galligan, Legislative Research
Mary Torrence, Revisor of Statutes
Jo Cook, Administrative Assistant

Conferees appearing before the committee: Lee Allison, Kansas Energy Council
Hal Gardner, Kan-ed

Others attending: See Attached List

Chairman Holmes welcomed Dr. Lee Allison, Chairman of the Kansas Energy Council to the joint committee meeting. Dr. Allison presented a power point presentation on the 2005 Kansas Energy Report (Attachment 1). Dr. Allison shared information regarding the Council's activities including their Action Items, Executive Branch Recommendations, and their Legislative Recommendations. Dr. Allison responded to questions from the joint committee.

Senate Chairman Emler welcomed Hal Gardner, Executive Director of Kan-ed, to the joint committee. Mr. Gardner provided a Legislative Executive Summary (Attachment 2) that shared the Vision and Mission Statements for Kan-ed, as well as it's accomplishments and future plans. He also outlined the history of Kan-ed. Mr. Gardner told the joint committee that they expect the network to be essential to Kansas. Mr. Gardner responded to questions from the committee.

The joint meeting adjourned at 10:32 a.m.

The next meeting will be January 18, 2005 at 9:00 a.m.

JOINT MEETING HOUSE & SENATE UTILITIES COMMITTEE GUEST LIST

DATE: January 13, 2005

NAME	REPRESENTING
Hal Gardner	Kan-ed, ks Board of Regents
Mark Schreiber	Westar Energy
John Peterson	Ks Governmental Consulting
Steve Johnson	Kansas Gas Service
Joe Dick	KC BPU
Dan Murray	Federico Consulting
Tom Day	KCC
Lee Allison	Ks Energy Council
Pam Spyr	Curb
Tom Gleason	Independent Telecom Group
Mary Jane Staniewicz	KS Assoc of Ethanol Processors
Dennis Turk	Verizon (Wireless)
Amber Shaverdi	PMCA
TOM PALACE	PMCA
Debbie Vignatelli	SBC
Jim Grantner	SBC
Jandra Braden	Great Plains / KCPL
Paul Johnson	PACK

JOINT MEETING HOUSE & SENATE UTILITIES COMMITTEE GUEST LIST

DATE: January 13, 2005

NAME	REPRESENTING
Robin Lehman	Lehman Group
Charles Benjamin	Sierra Club -KS
SEAN MILLER	KS Dairy Assn
Kimberly Spencer	Aquila
Carole Jordan	KS Dpt Ag
Ken PETERSON	KS Petroleum Council
Jesse McCurry	Commerce
Brent Haden	KS Livestock Assoc.
TERRY HOLDREN	KANSAS FARM BUREAU
STUART LOWRY	KWCSA ELEC. COOPERATIVES
DAVE HOLTMANIS	KS Elec Co-ops
Bruce GRAHAM	KEPCO
Susan Murphy	KCC
Anne Speiss	KTIA

2005 Kansas Energy Report

Presentation to the joint meeting of the
House and Senate Utilities Committees
January 13, 2005

by
Lee Allison
Chair
Kansas Energy Council



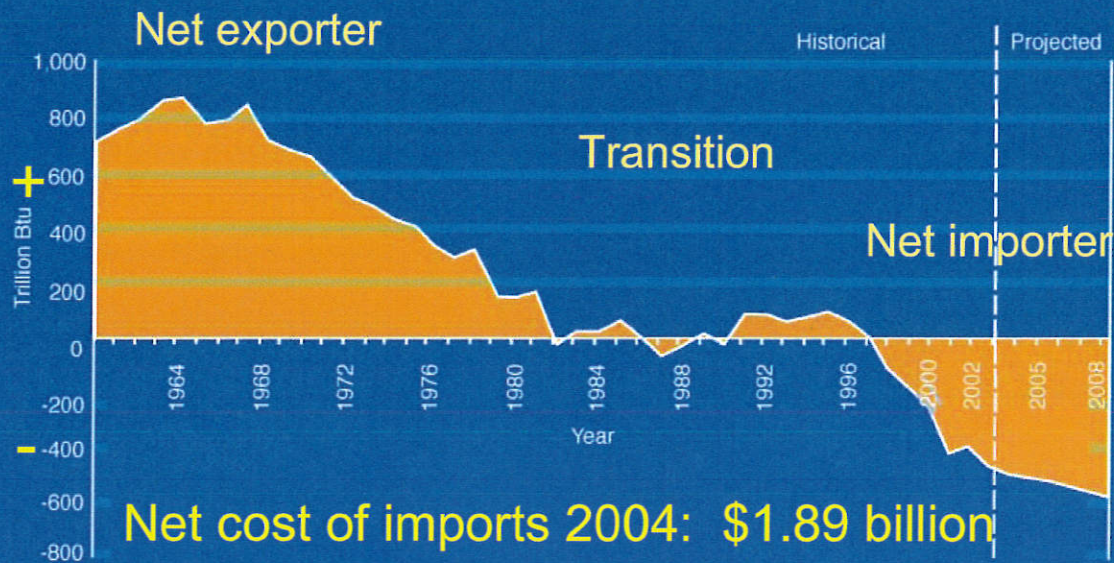
Kansas Energy

Kansas Energy Council



HOUSE UTILITIES
DATE: 1-13-05
ATTACHMENT 1

Kansas net energy balance 1960 – 2008



Kansas Energy Council Goals

- Energy self-reliance
- Restore Kansas energy exports
- Low-cost, reliable, sustainable energy produced in Kansas where possible

Kansas Energy Council

KEC: state energy policy

A balanced approach:

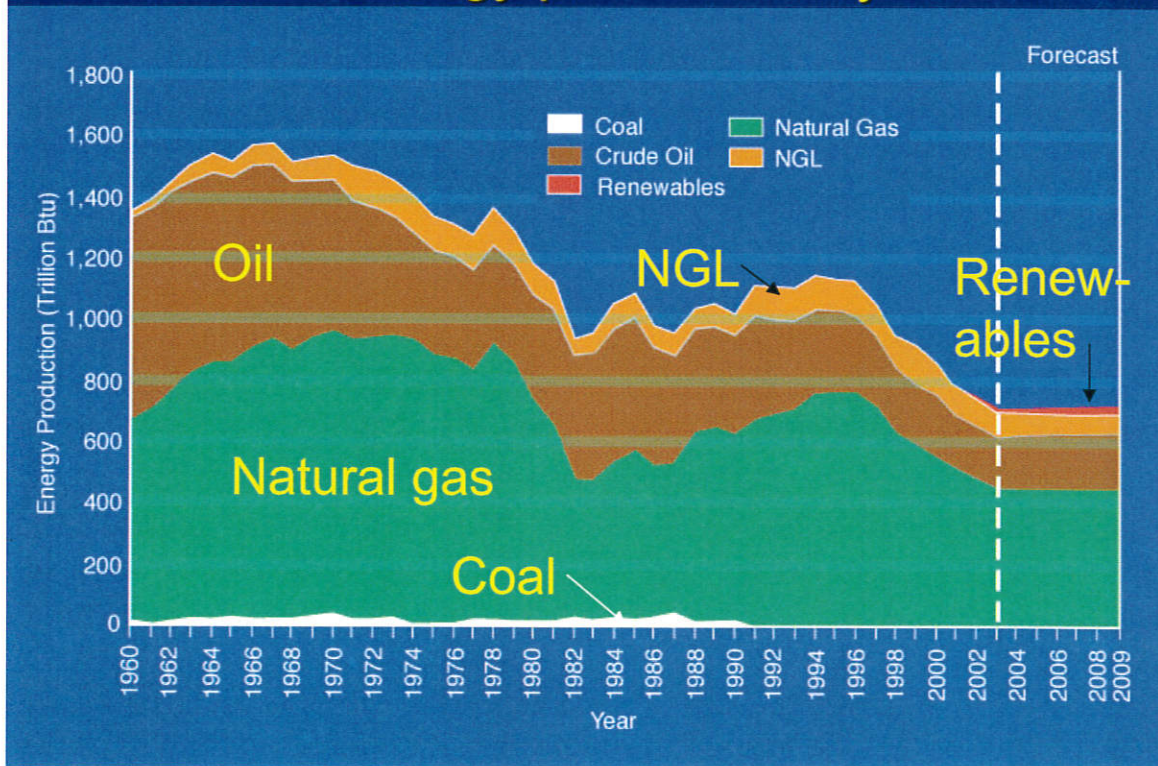
REDUCE DEMAND - increased conservation and efficiency

INCREASE SUPPLY - Extend the life of existing energy sources (oil and gas fields)

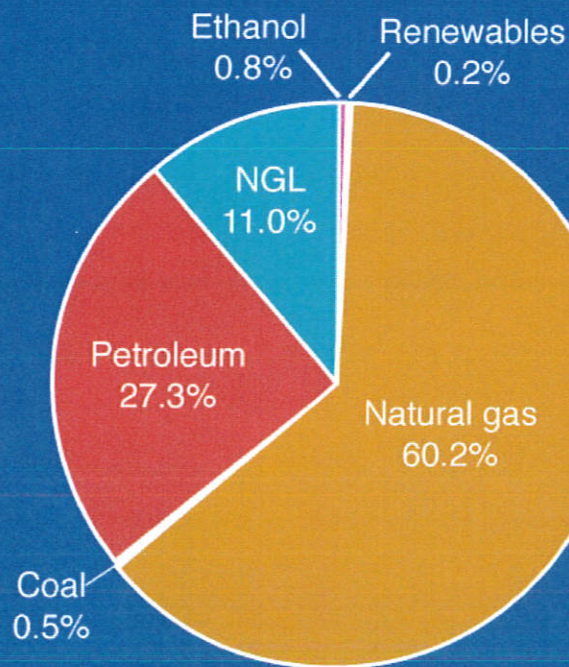
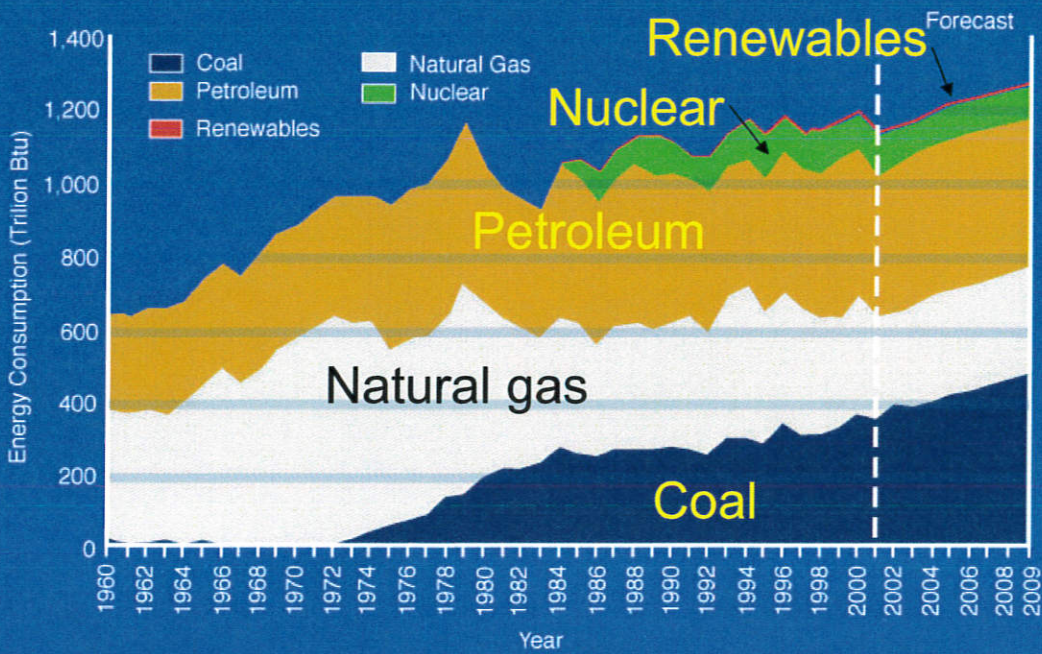
INCREASE SUPPLY - Develop new energy sources (e.g. wind, ethanol, coalbed methane)



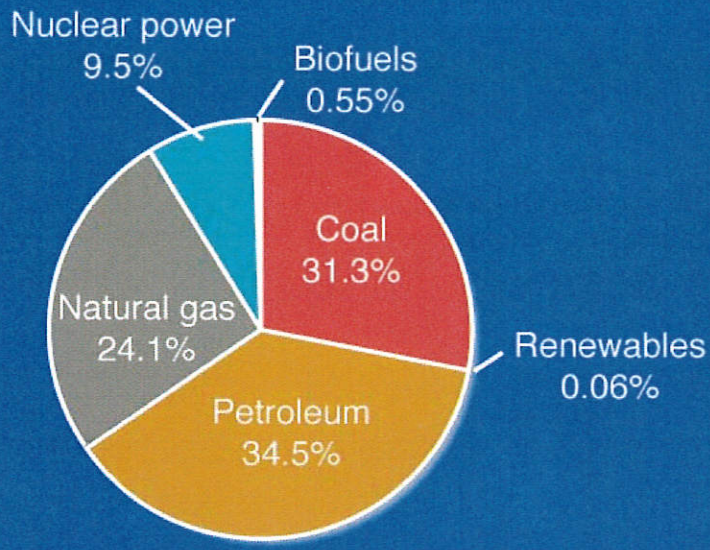
Kansas energy production by fuel



Kansas Energy Consumption 1960-2009

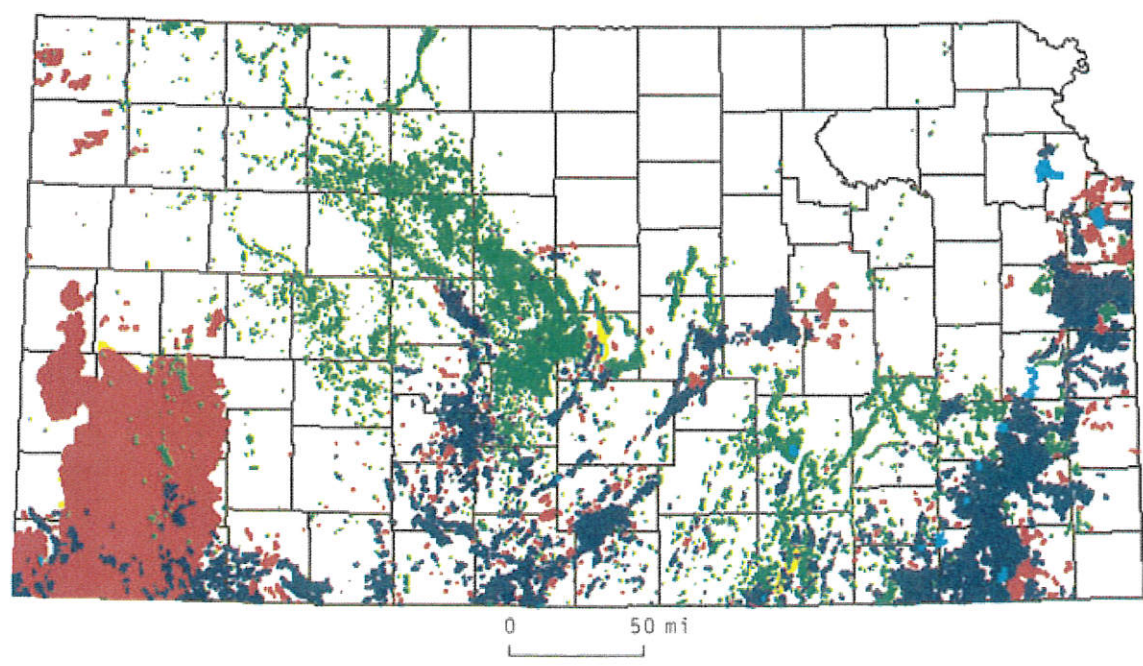
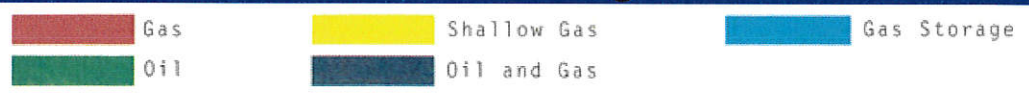


Kansas Primary Energy Production, 2003



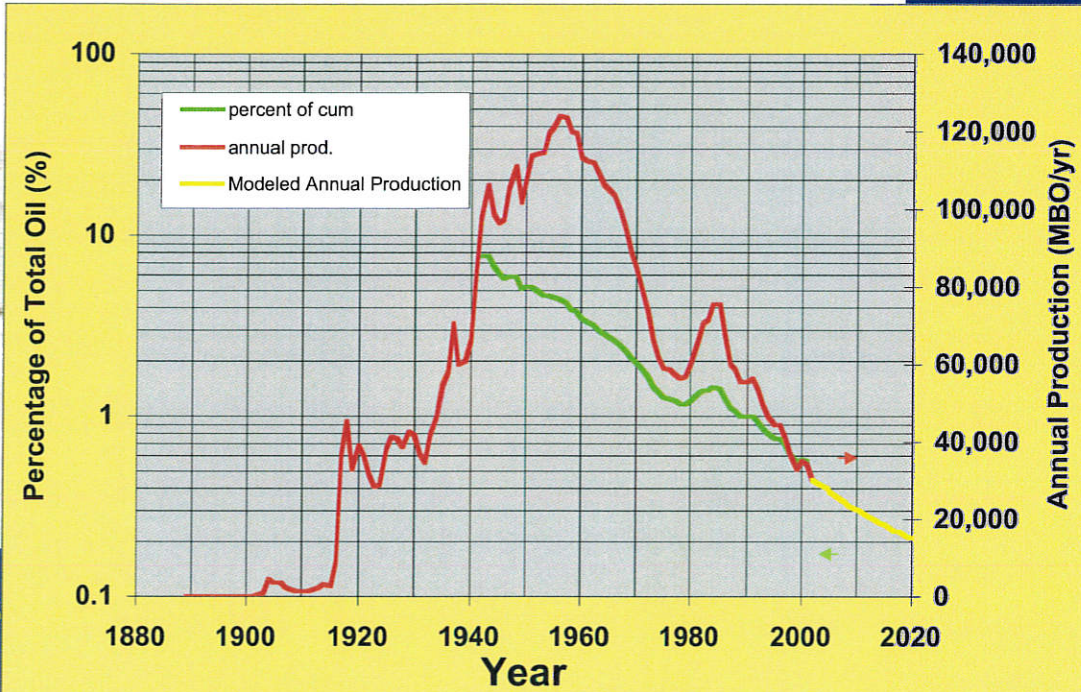
Kansas Primary Energy Consumption by Fuel Source, 2001

Kansas oil & gas fields



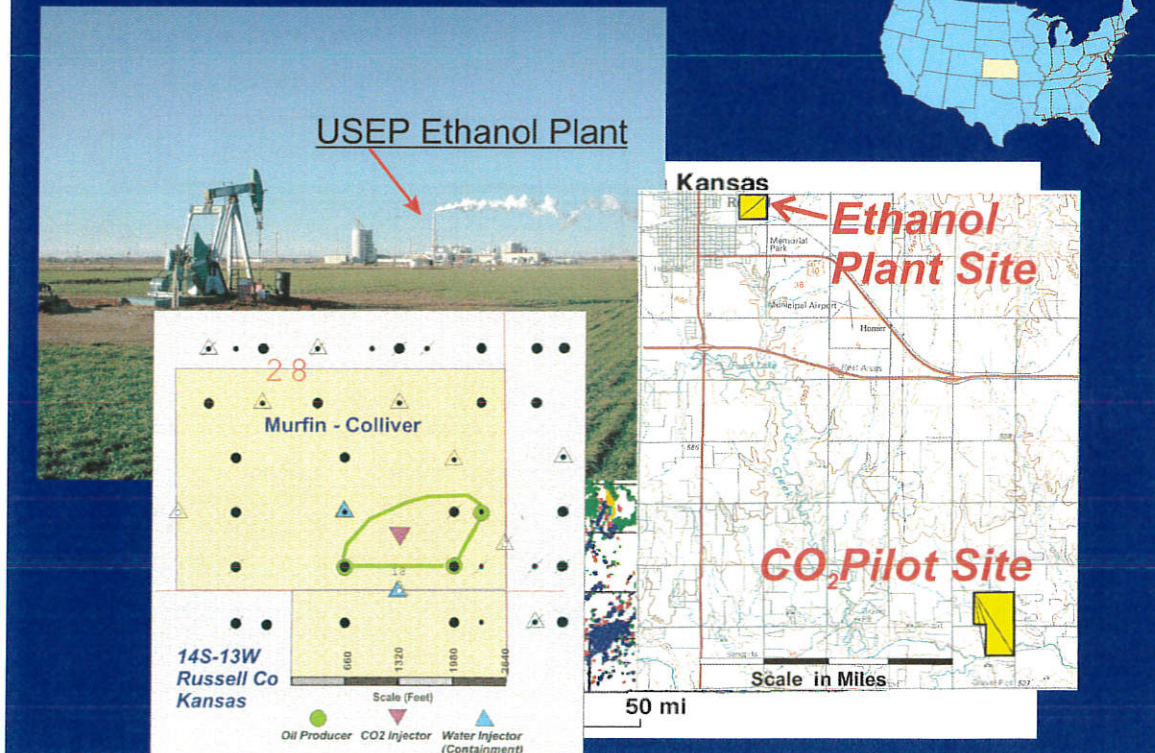
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Kansas Oil Production History



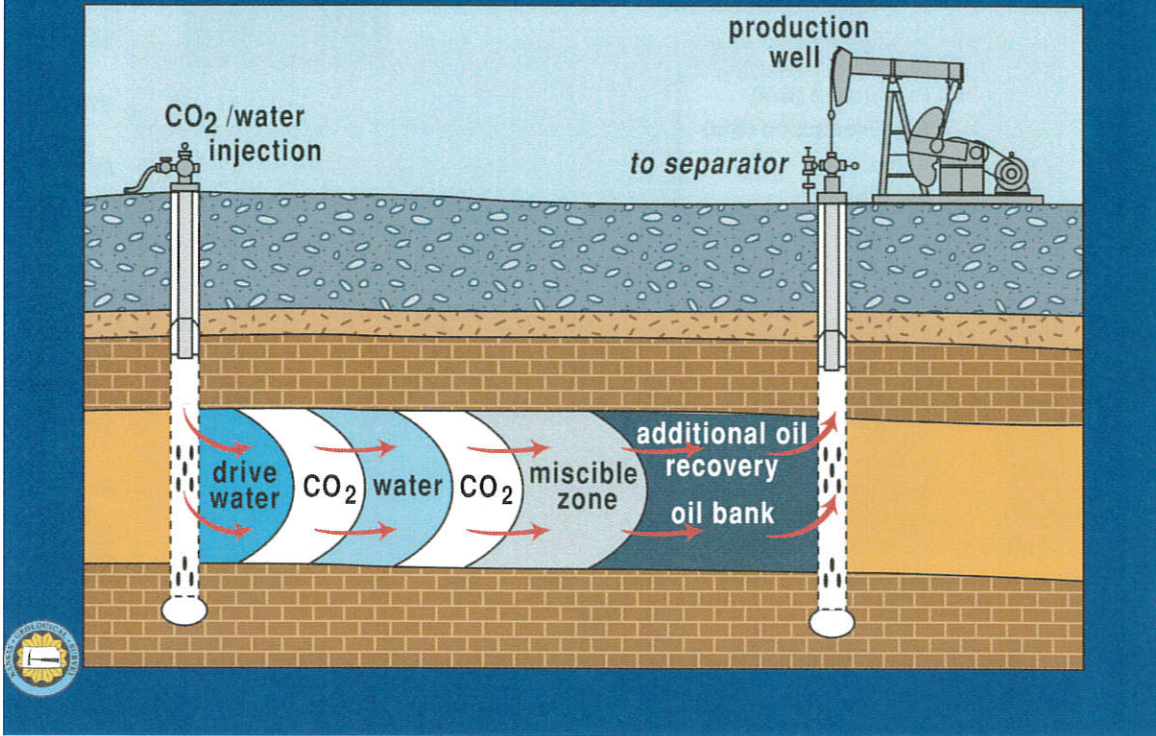
APB 0304

Russell EOR Project

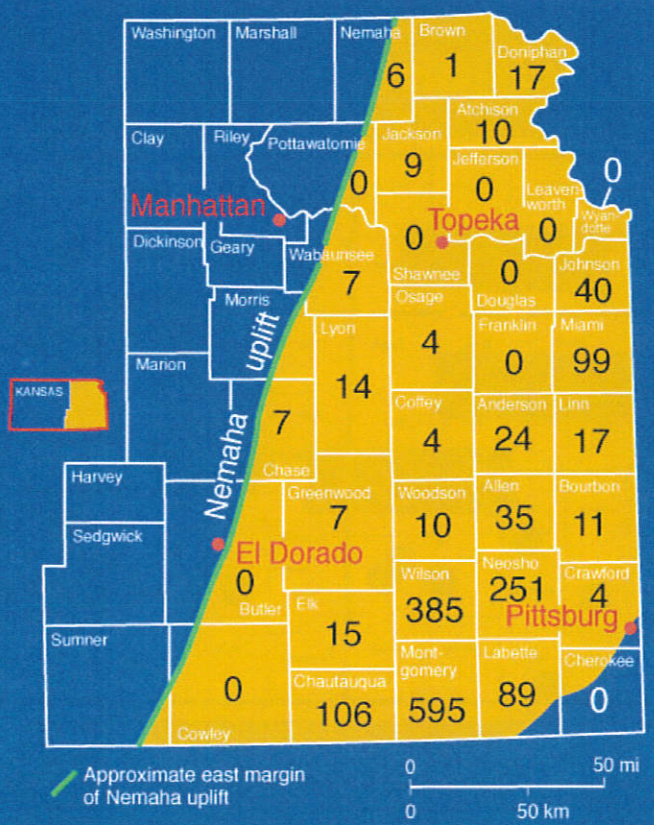


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Carbon Dioxide Flooding

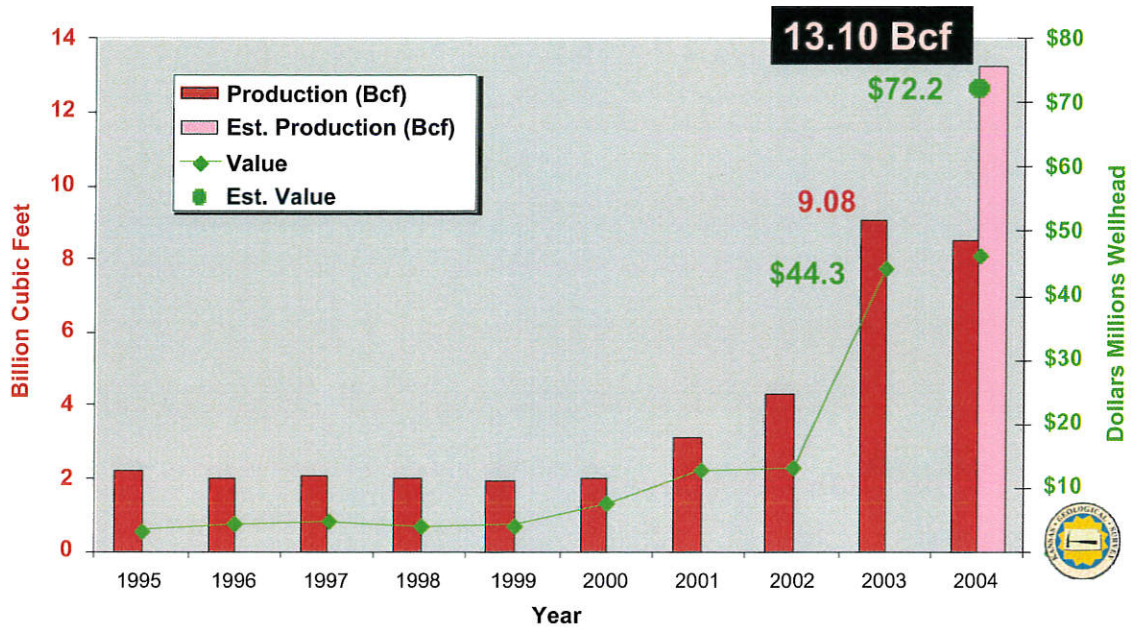


Coalbed Methane Wells in Kansas

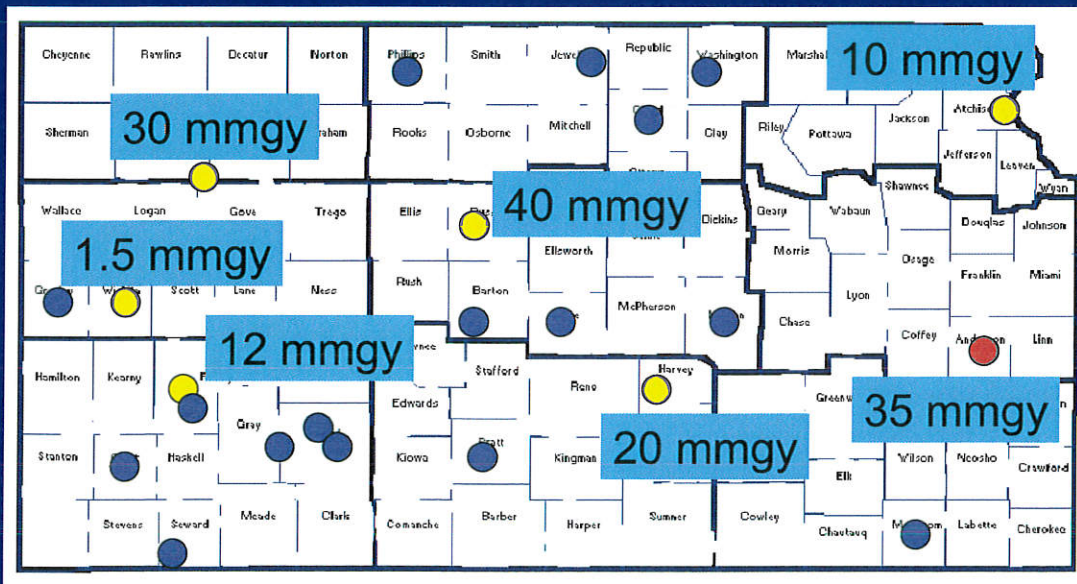


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SE Kansas CBM Production



Kansas Ethanol Production



- - Proposed Plants
- - Existing Plants
- - Under Construction

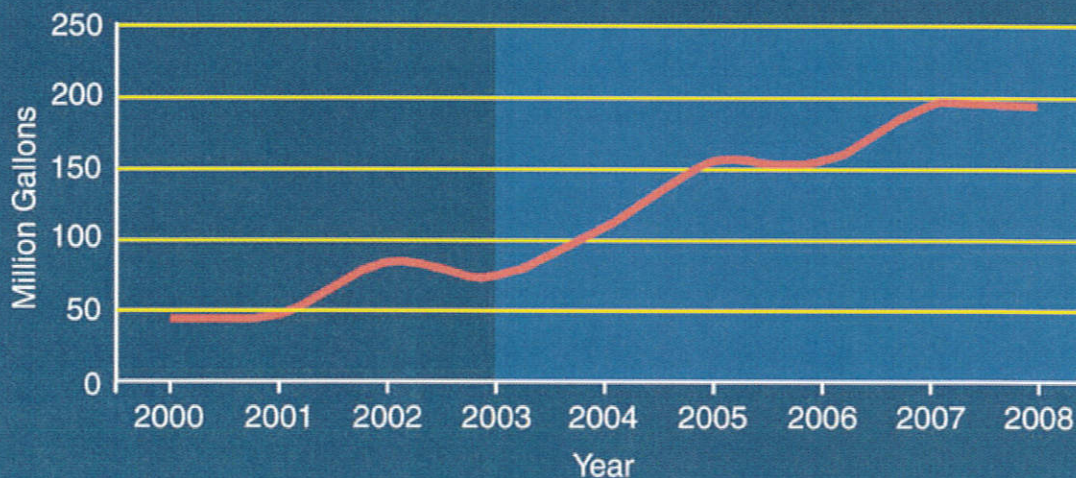
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Ethanol is Good For the Economy and Kansas Agriculture

- Six ethanol plants in KS employ 208
- Capital investment over \$130 million – more on the way
- Uses more than 48 million bushels of Kansas grains a year
- Ethanol is the 3rd largest user of feedgrains - behind only livestock feeding operations and export markets

Kansas Corn Growers

Kansas Ethanol Capacity, 2000–2008



Kansas Geological Survey

www.kansasenergy.org

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Potential Ethanol Plants in Kansas

•Garnett, 35MGPY - East Kansas Agri Energy

•Pratt, 50MGPY – Ethanol Pratt

•Phillipsburg, 40MGPY – Prairie Horizon Agri Energy

•Lyons, 30MGPY – Renewable Fuel Producers

•Washington, 30MGPY – Renewable Fuel Producers

•Ensign, 30MGPY – Renewable Fuel Producers

•Tribune, 50MGPY – Renewable Fuel Producers

•Scandia, 10MGPY - Nesika Energy, LLC

•Liberal, 40MGPY – Panhandle Energies

•Ulysses, 30MGPY – Grant County EcoDevo

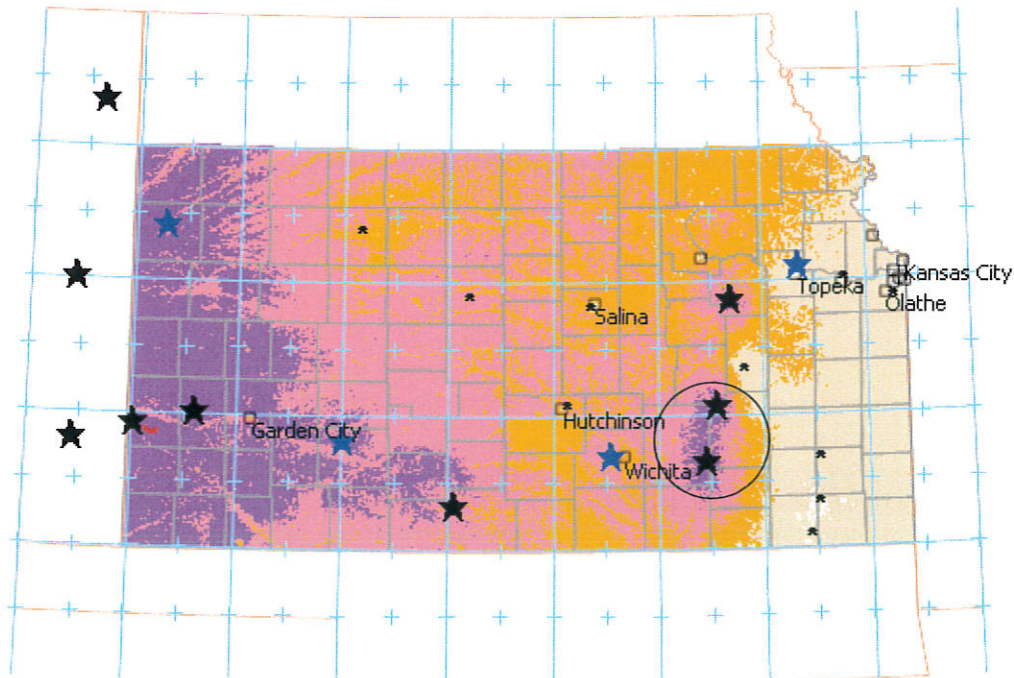
•Carbondale, 40MGPY – Renewable Fuels of Carbondale

•Garden City, ??MGPY – Wind River Grain

•2 in Dodge City, Marion, Hutchinson, etc.

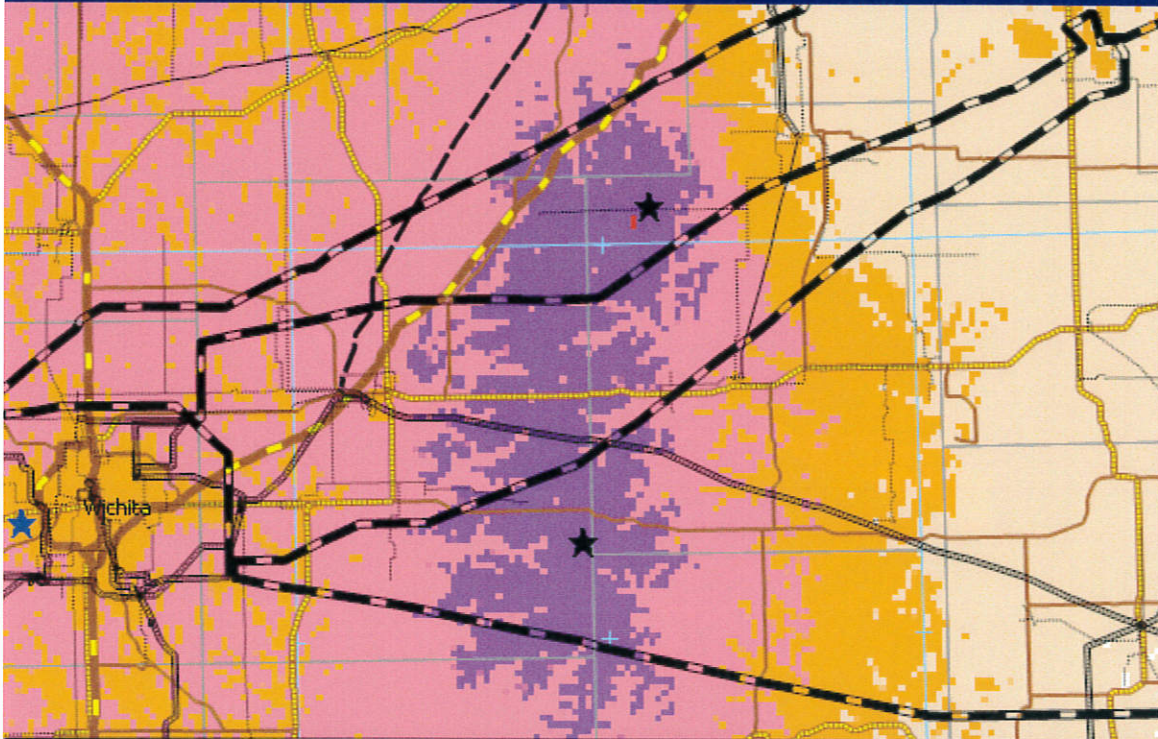
**New potential
300+ MGPY**

Kansas Wind Resources



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Wind Resources - Southern Flint Hills



Coriolis AE

Powered by manifold.net

Existing and Proposed Wind Energy Projects in Kansas



- Proposed Wind Energy Site (approx. locations)
- Existing Wind Energy Site (approx. locations)

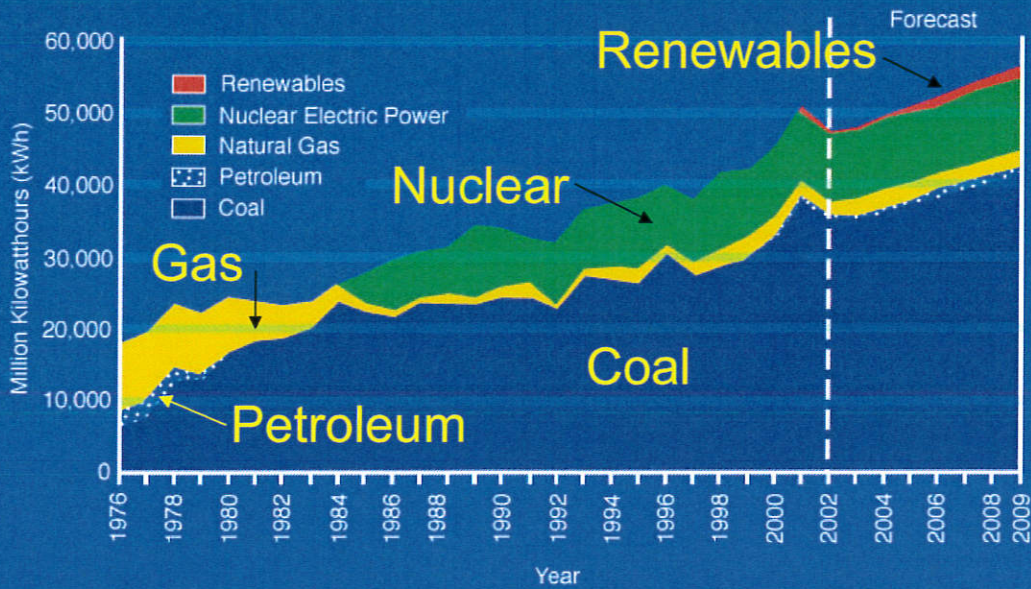
1,900 MW of wind energy proposed

www.kansasenergy.org

KEC Kansas Energy Council

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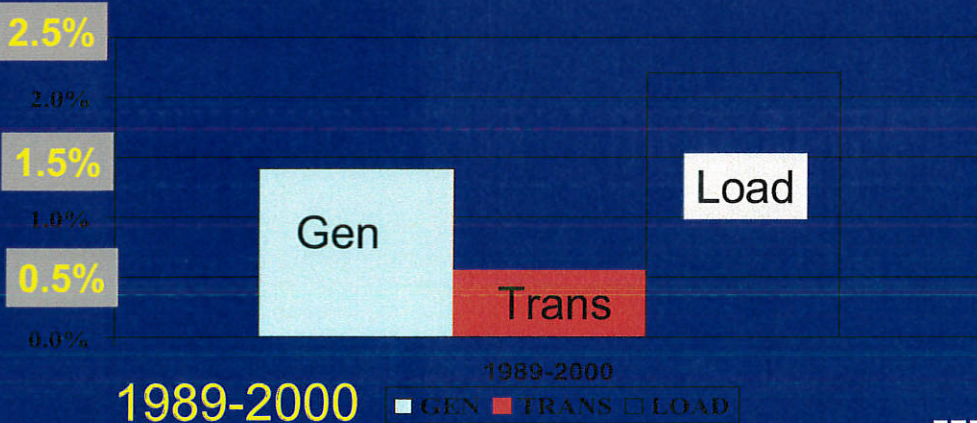
Kansas electric generation by fuel 1976 - 2009



Lagging Transmission Investment

Half as much annual investment in 2000 as in 1975

Annual growth rates in Gen, Trans, Load

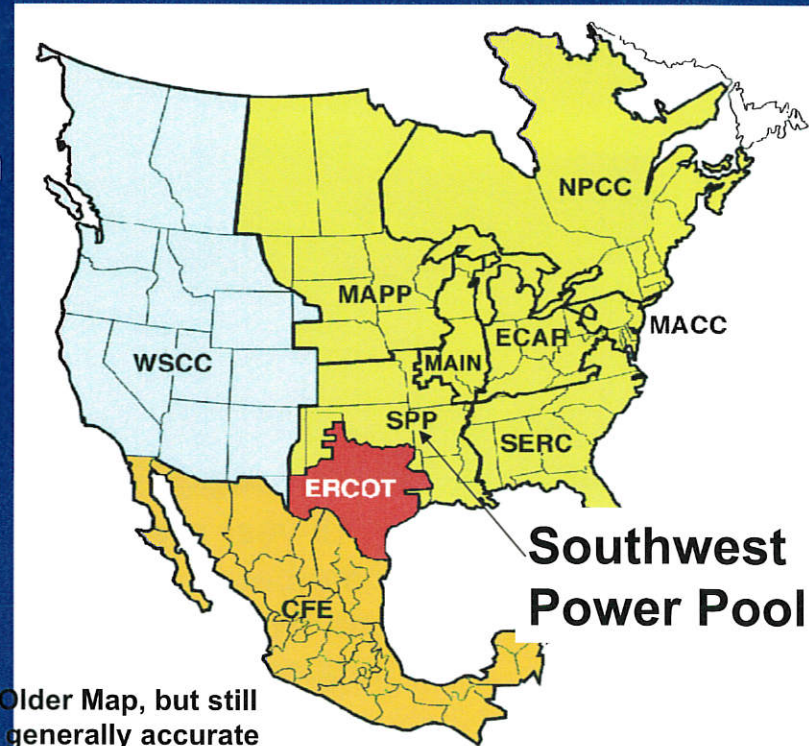


FERC

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The Electric Power Grids of North America

Regional
Transmission
Authorities –
“RTOs”



Interconnection Request Queue

Total Generation Requests

SPP Requests – 7,330 MW

KS Requests – 2,843 MW

Wind Generation Requests

SPP Requests – 4,331 MW

KS Requests – 1,943 MW

FutureGen

What



One billion dollar, 10-year project to create the world's first, coal-based, zero-emission electricity and hydrogen plant with sequestration

Battelle

President Bush, February 27, 2003

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Site Selection Issues

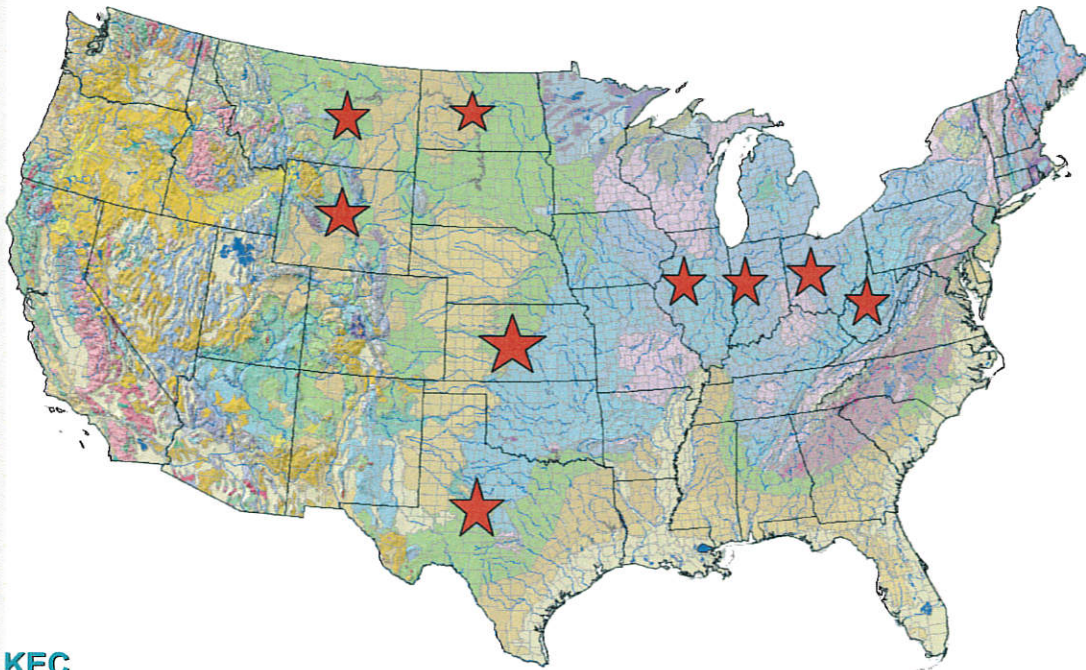
- ▶ Interest from numerous states
- ▶ Selection to be made by Industry Alliance, with DOE agreement
- ▶ Process and site-selection criteria to be developed following US DOE's selection of Alliance
- ▶ Possible criteria:
 - Technical – Geology, transmission, water. . .
 - Economic – Power purchase agreements, creative rate structures, cash
 - Political / regulatory – Multi-state collaboration, accelerated permitting, liability, public support / outreach . . .
- ▶ Expect a slow, methodical, and open process with complex political overtones

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FutureGen competition



KEC

FutureGen Industrial Alliance

Who

Membership:

- American Electric Power
- Cinergy Corp.
- CONSOL Energy Inc.
- Kennecott Energy Company
- PacifiCorp/ScottishPower
- Peabody Energy
- RAG American Coal Holding, Inc.
- Southern Co.
- The North American Coal Company
- TXU

Characteristics:

- >45% of U.S. Coal Production
- >20% Coal-Fueled Electricity Production
- Operations in >30 States
- Represent all major coal types

- ▶ Open membership policy with an active recruiting effort



Battelle

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FutureGen in Kansas



Centrally located – easy access to western & eastern coals

Property tax exemption

KDFA revenue bonds

CO2 sequestration leadership

Many good sites, strong support

KEC Action Items

- Study a statewide Renewable Energy Portfolio with tradable energy and environmental credits.
- Study a Public Benefit Fund to support strategic energy activities in Kansas, and options to fund it.
- Develop a comprehensive, long-range strategic energy planning process
- Develop an energy efficiency and conservation agenda and determine how it should be implemented.

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Executive Branch Recommendations

- Study changing the severance tax exemption on natural gas from a dollar-based to a volume-based exemption level.
- Encourage KDFA to assist refiners and utilities in obtaining financing for modifications in compliance with EPA requirements.
- Encourage an MOU with EPA to resolve conflicts with the “downstream” parts of the petroleum industry (i.e., refining and marketing).

KEC Legislative Recommendations

- Enact state Production Tax Credit of \$.005 per kWh for renewable energy, with transparent, tradable credits.
- Restore a priority creditor status for sellers of oil and gas production when a purchaser is in bankruptcy.
- Authorize Kansas Development Finance Authority (KDFA) to offer bonds to finance Kansas energy projects.
- Remove mandatory labeling for 10% ethanol mixtures at the gas pump.
- Clarify legality of negotiations for voluntary payments for wind projects.

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Kansas Energy Council



www.kansasenergy.org



Vision Statement

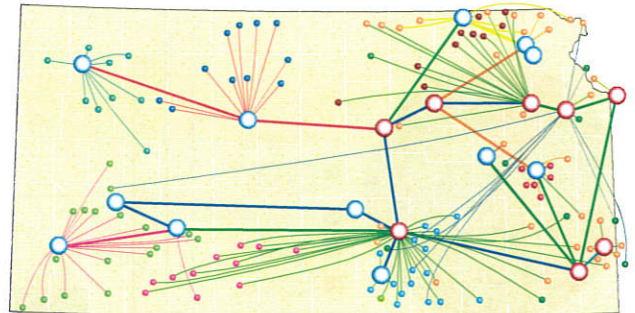
Kan-ed will work to enhance human and professional relationships through the utilization and promotion of efficient and appropriate use of network technologies.

Mission Statement

Kan-ed will support libraries, K-12 schools, higher education and hospitals by assisting with access to commercial Internet resources, providing access to private network resources for distance learning and applications, and providing access to other Internet technologies and technology services.

Primary Objectives

- Maintain and expand the private secure network
- Provide a framework for quality content & services
- Provide members with subsidies to help reduce their Internet fees



Call to Action

The Legislative act that created Kan-ed includes a "Sunset" provision, effective June 30, 2005. To guarantee progress that has been made by Kan-ed in the provision of broadband service to our schools, hospitals and libraries, continuance of support from the Kansas Universal Service Fund (KUSF) is critical.

The Scorecard

Kansas Legislative "Shalls"	KAN-ED Accomplishments
Provide a high-speed, private, secure network, to which Kansas Hospitals, K-12 schools, Libraries, and Higher Education Institutions can connect.	The Kan-ed "extended edge" private network is 100% operational. (see state map).
Provide access to 75% of member institutions who applied for membership in the first year. Access is recognized as not only the physical connection to the network, but also the provision of services to Kan-ed members.	As of the statutory date of July 1, 2004, seventy-seven percent (77%) of the 939 eligible Higher Education Institutions, Hospitals, K-12 schools, and Libraries have become Kan-ed members and have access to Kan-ed services.
Provide access to a stable platform for video conferencing and distance learning applications.	130 K-12 Interactive Distance Learning (IDL) sites initiated approximately 6,000 sessions resulting in more than 15,000 individual connections between Kan-ed sites.
Provide members with subsidies to help reduce their fees for Internet 1 (commercial Internet) access from local providers.	The Kan-ed Broadband Subsidy Program provided \$770,000 in 2004 for bandwidth acquisition support to 338 of its member institutions.
Provide Technology Grants to help members purchase equipment and services to connect to the Kan-ed network.	The Kan-ed Enhancing Technology Grant Program (ETGP) distributed \$3M to 137 constituent members in 2004 to upgrade older ITV and video conferencing systems to state-of-the-art H.323 (video over Internet Protocol) standards.
Collaborate with private providers. Kan-ed shall not impair existing contracts with Internet providers.	Kan-ed is leasing telecommunications facilities and equipment from multiple local service providers to create a backbone across the state. Network access points (NAPs) at strategic locations connect the state's telecommunications providers directly, minimizing tariffs and access fees.
Provide access to content and services that enhance the private network.	The Kan-ed competitive Content and Services Development Grant Program provided \$250,000 to its members for the 2004-5 year to develop programs that respond to the needs of its constituents.

HOUSE UTILITIES

DATE: 1-13-05

ATTACHMENT 2

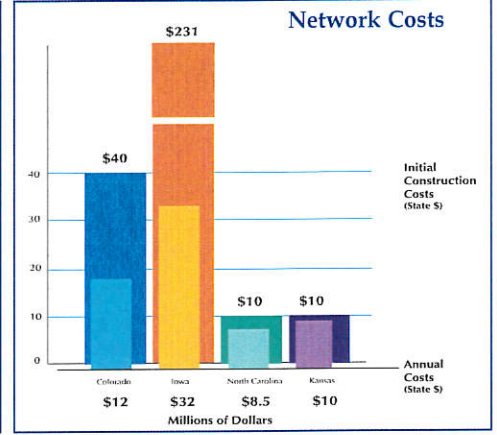
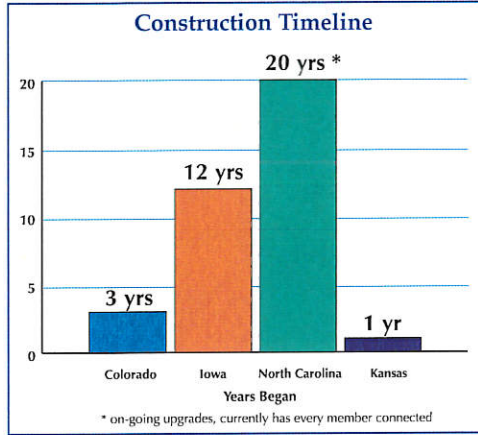
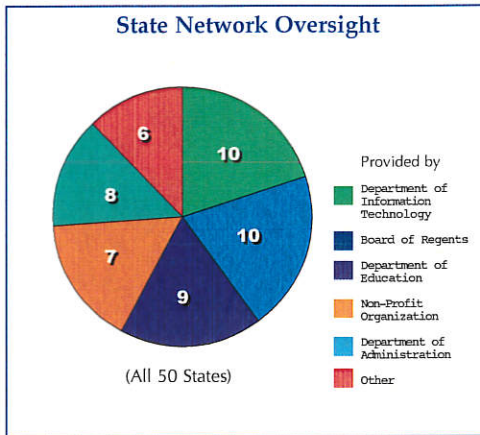
Future Plans

Kan-ed will respond to the Legislative mandate by: 1) building and maintaining a *network* to connect to and serve its constituents, 2) acquiring, developing or aiding in the provision of *content & services* and 3) assuring *access to and input* concerning its operations and services.

Kan-ed - Stretching the Kansas Dollar

Kan-ed has actively tapped the federal E-rate program so that Kansas taxpayer dollars can be stretched as far as possible. Kan-ed has applied for and has received confirmation that it is eligible for federal funding discounts in the amount of \$1.7 million dollars for fiscal year 2005. This equates to a 65% discount on leased circuits and equipment . . . and will allow Kan-ed to extend the network further into the state.

State Comparisons



Primary Stakeholders

- Kansas Library Association
- Kansas State Library
- Kansas Board of Regents
- Kansas Hospital Association
- Kansas State Department of Education
- Kansas Association of School Librarians

Industry Providers

- Blue Valley Telecommunications Inc.
- CISCO
- Cox Communications
- Craw-Kan Telephone Cooperative Inc.
- Division of Information Systems & Communication (DISC)
- Haviland Telephone Co. Inc.
- JBN Telephone
- Juniper Networks
- KanOkla
- Network Tool & Dye
- Pioneer Telephone Association, Inc.
- Rainbow Telephone
- Rural Telephone Service Co., Inc.
- S & A Telephone
- S & T Telephone
- SBC
- SC
- SKT
- Sprint
- Sunflower Broadband
- Telcove
- United Telephone

Partners

- KanREN - Kansas Research and Education Network
- GPN - Great Plains Network
- Telenet 2 (Kansas Regents Network - Teleconferencing)
- KTCN - Kansas Technology Coordinators Network
- TAKE - Technology Assistance for Kansas Educators
- KAECT - Kansas Assn. for Ed. Communications & Technology
- KAIDE - Kansas Association of Interactive Distance Education
- MACE - Mid-America Assn. for Computers in Education
- Kansas Digital Library
- Colleague to Colleague
- KUMC Rural Health
- Kansas Department of Health & Environment - Rural Health
- Kansas Education Resource Center (KSDE)
- HPR* TEC (High Plains Regional Technology in Education Consortium)

Kan-ed Staff

- | | |
|-------------------|---|
| Hal Gardner | Executive Director of Kan-ed |
| Charmine Chambers | Technical Operations Assistant |
| Michael Grobe | Video Applications Specialist |
| Leanne Houser | Accounting Specialist |
| Chrisy Madden | Portal & Membership Services Coordinator |
| Eldon Rightmeier | Director of Technical Operations and Planning |
| Linda Rucker | Senior Administrative Assistant |
| Randy Stout | Research & Development Coordinator |
| Brad Williams | Director of Business Operations and Planning |



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