

MINUTES OF THE SENATE UTILITIES COMMITTEE

The joint meeting of the House and Senate Utilities Committees was called to order by Chairman Carl Dean Holmes at 9:15 a.m. on January 13, 2005 in Room 526-S of the Capitol.

Committee members absent:

Committee staff present: Athena Andaya, Kansas Legislative Research Department
Raney Gilliland, Kansas Legislative Research Department
Bruce Kinzie, Revisor of Statutes' Office
Ann McMorris, Committee Secretary

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

Others present: See attached list

Kansas Energy Council Briefing

Lee Allison, Chair of the Kansas Energy Council, presented the 2005 Kansas Energy Report. (Attachment 1) Mr. Allison noted the Council goals included energy self-reliance, restoration of Kansas energy exports and low-cost reliable, sustainable energy produced in Kansas where possible. The council policy is a balanced approach: reduce demand by conservation and efficiency and increase supply by extending life of existing energy sources and developing new energy sources. He described the progress of a current pilot project in Russell County to recover additional oil by carbon dioxide flooding and the potential of recovering millions of gallons of oil that would otherwise be lost. Other sources of energy are wind and electric generation by fuel.

FutureGen is a one billion dollar, 10 year project to create the world's first coal-based, zero-emission electricity and hydrogen plant with sequestration and Kansas is one of the bidders for this project Dr. Allison covered various areas of this project including site selection issues, competition, the Industrial Alliance membership, why Kansas would be a good location, KEC action items, Executive Branch recommendations and KEC Legislative recommendations. Following Dr. Allison's presentation, there was a brief question and answer session.

Kan-Ed Executive Summary

Hal Gardner, executive director of Kan-ed, presented the Vision and Mission Statement and the primary objectives of Kan-ed. (Attachment 2) Mr. Gardner noted the legislative act that created Kan-ed includes a sunset provision effective June 30, 2005 and their recommendation to the legislature would be to extend the support from Kansas Universal Service Fund (KUSF) for three years in order to guarantee progress of this program. Following his presentation, Mr. Gardner was questioned on the length of contracts with industry providers and the extent of redundancy. He will send a written response to the committee on these two questions.

Adjournment.

Respectfully submitted,

Ann McMorris, Secretary

Attachments - 2

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 Lencer	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	KANSAS ELEC COOPERATIVES
DAVE HOLTANIS	KS Elec Co-ops
Bruce GIZAHAM	KEPCO
SWAN MURPHY	KCC
Anne Spiess	KITA
Angie King	Emler - Intern
Jennifer Lyon	Emler - Intern
Ron Seiber	Hein Law Firm

JOINT MEETING HOUSE & SENATE UTILITIES COMMITTEE GUEST LIST

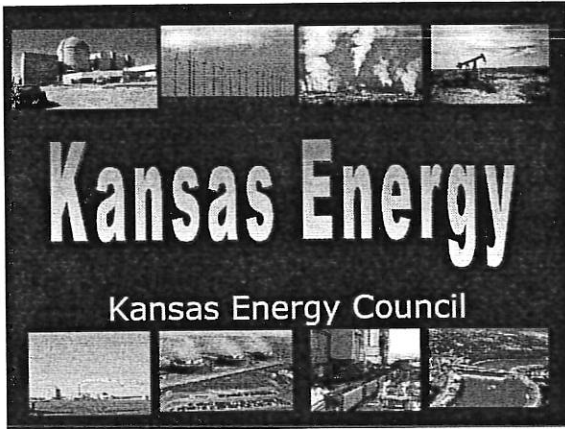
DATE: January 13, 2005

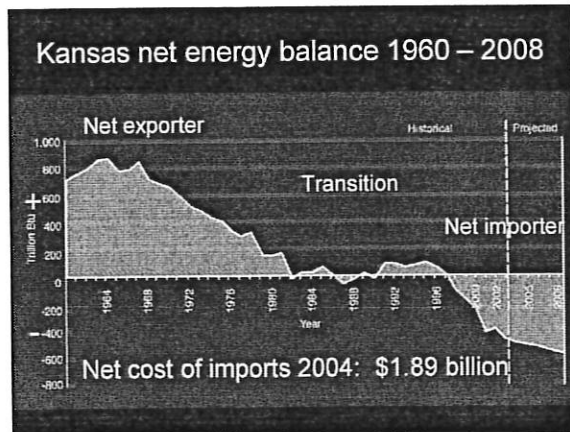
NAME	REPRESENTING
Hal Gardner	Kan-ed, ks Board of Regents
Mark Schreiber	Westar Energy
John Peterson	Ks Governmental Consulting
Steve Johnson	Kansas Gas Service
Joe Dick	KC BPII
Dan Murray	Federico Consulting
Tom Day	KCC
Lee Allison	Ks Energy Council
Pam Spyr	Curbs
Tom Gleason	Independent Telecom Group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

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 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:

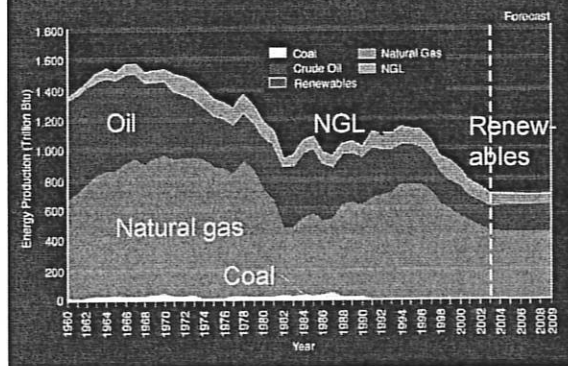
REDUCE DEMAND - increased conservation and efficiency

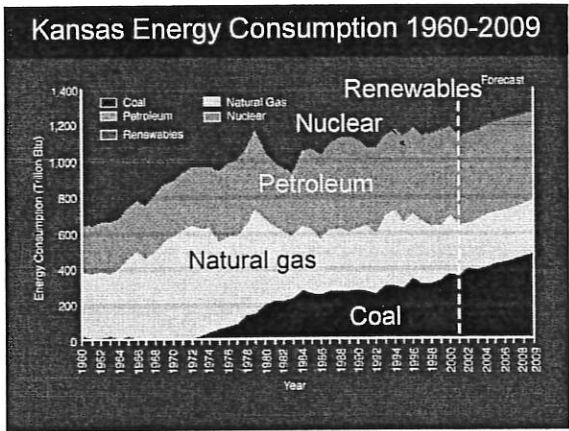
INCREASE SUPPLY - Extend the life of existing energy sources (oil and gas fields)

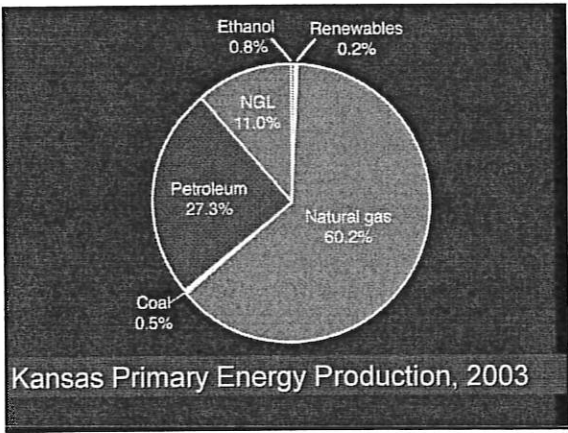
INCREASE SUPPLY - Develop new energy sources (e.g. wind, ethanol, coalbed methane)

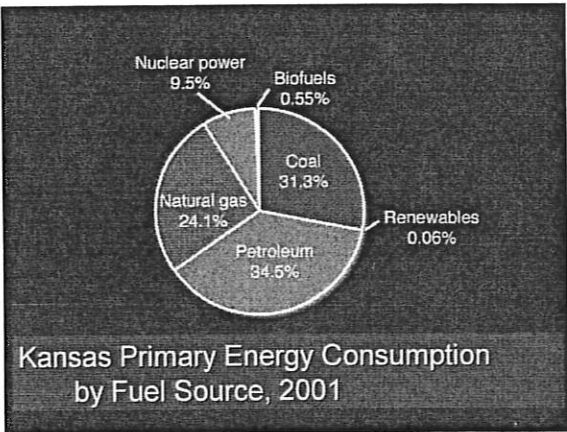


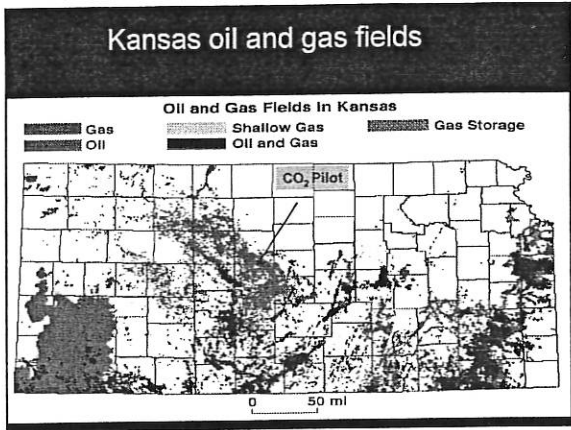
Kansas energy production by fuel

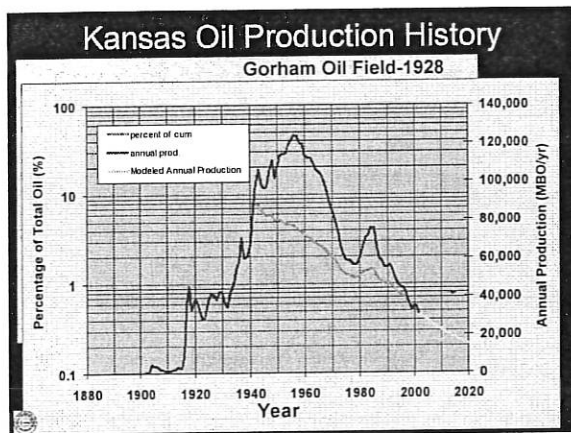


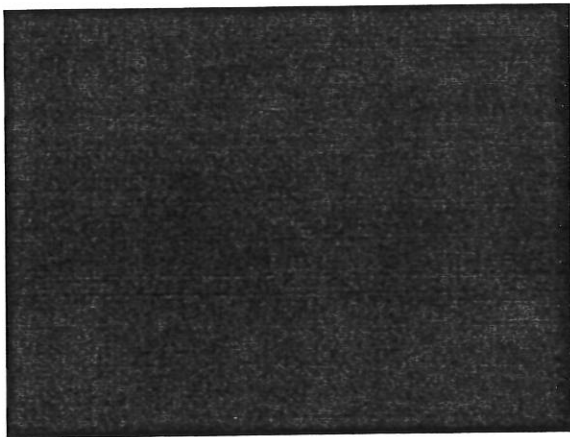


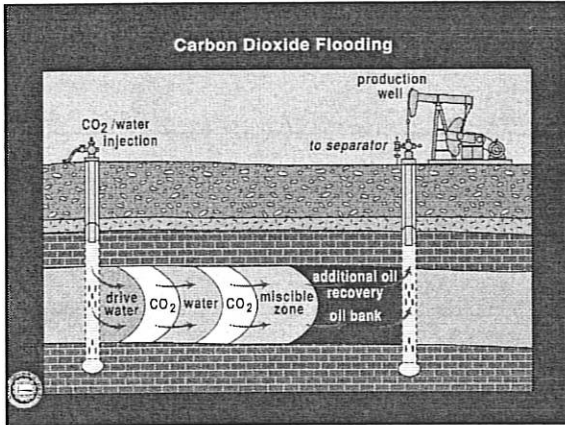


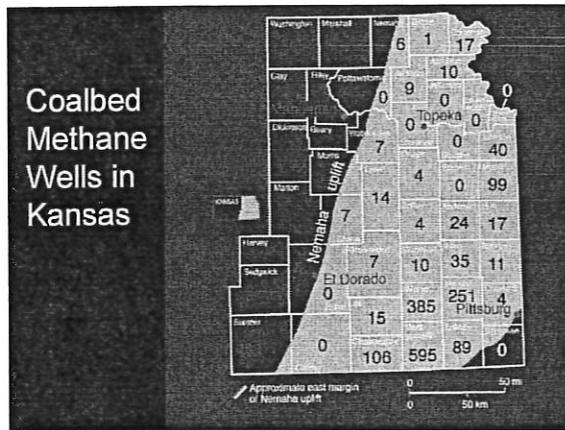


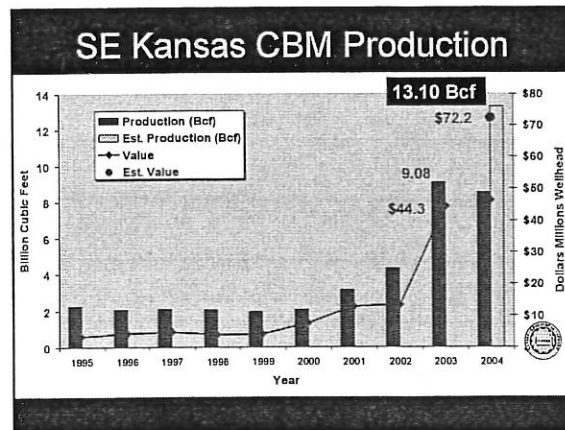




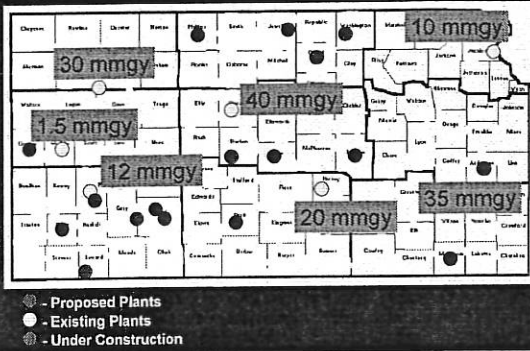








Kansas Ethanol Production

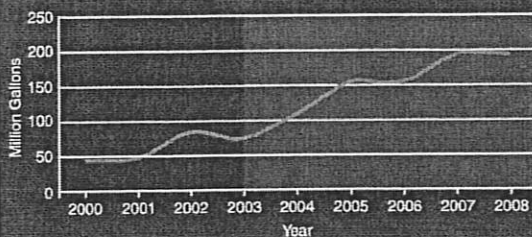


Ethanol is Good For the Economy and Kansas Agriculture

- 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

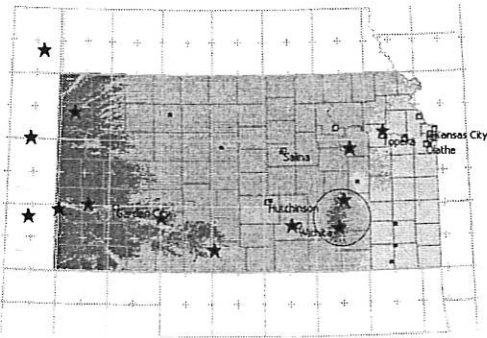
www.kansasenergy.org

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, 51MGPY – 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.

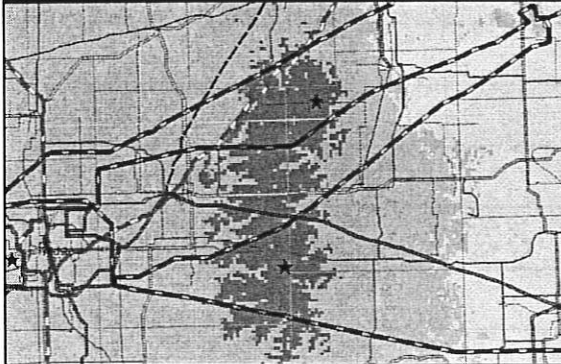
**New potential
300+ MGPY**

Kansas Wind Resources

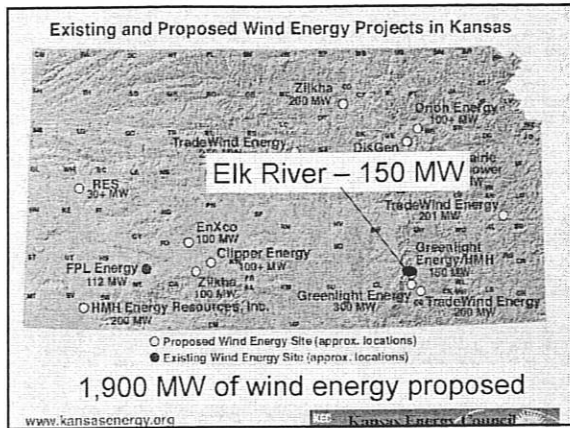


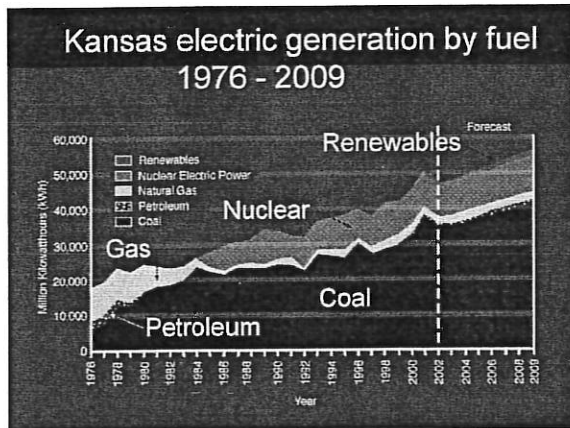
Coriolis AE Powered by manifold.net

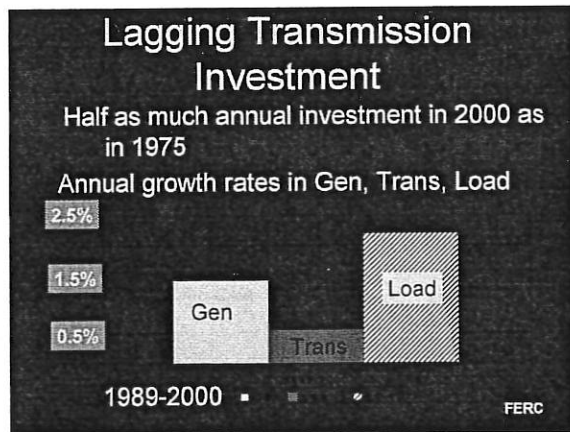
Wind Resources - Southern Flint Hills



Coriolis AE Powered by manifold.net







The Electric Power Grids of North America



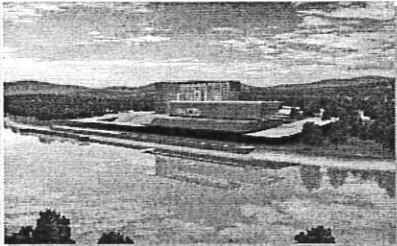
Interconnection Request Queue

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

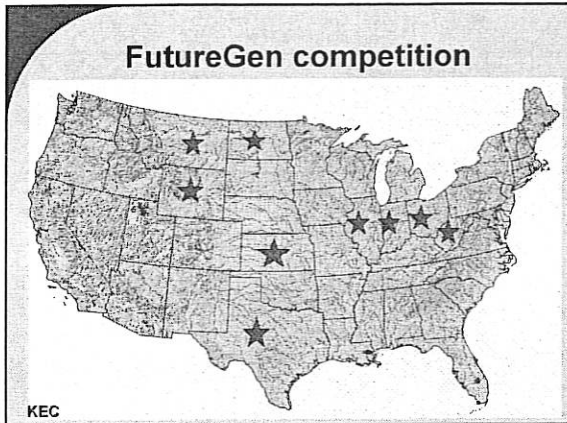
What



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



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

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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 in Kansas

FUTUREGEN
A Prototype of Tomorrow's

- Centrally located – easy access to western & eastern coals
- Property tax exemption
- KDFA revenue bonds
- CO2 sequestration leadership
- Many good sites, strong support

Banette

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.

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).

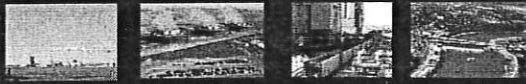
KEC Legislative Recommendations

- 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.

Kansas Energy Council



www.kansasenergy.org



Vision Statement

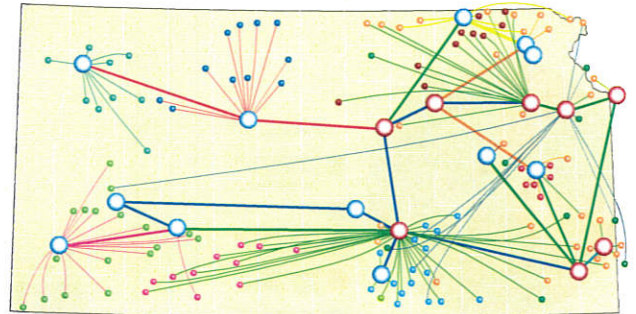
Kan-ed will work to enhance human and professional relationships through the utilization and promotion of efficient and appropriate use of network technologies.

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.

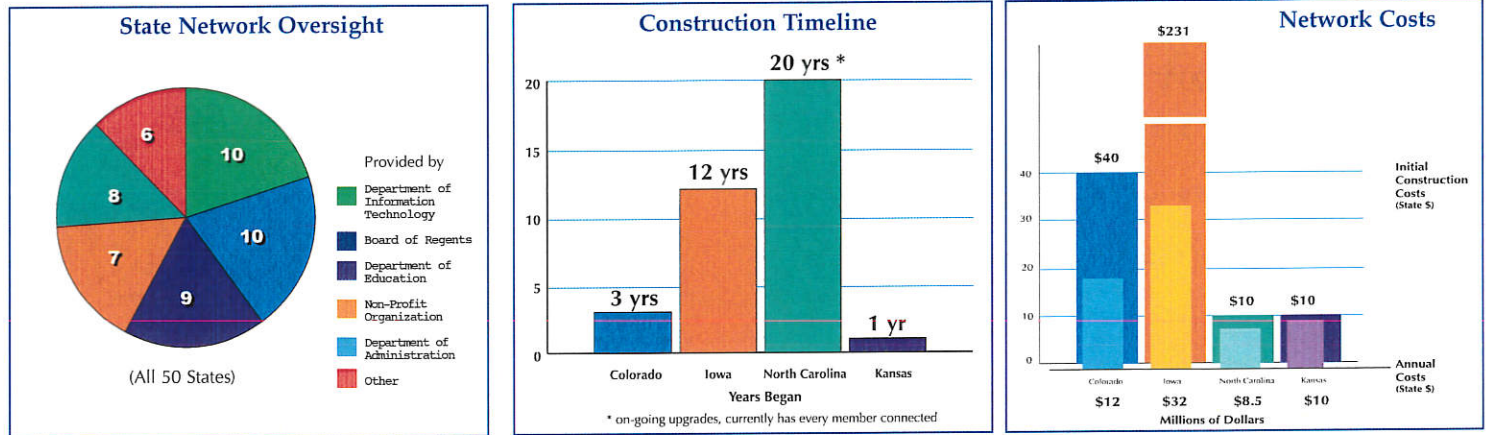
Future Plans

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