

MINUTES OF THE HOUSE ENERGY AND UTILITIES COMMITTEE

The meeting was called to order by Chairman Carl Holmes at 9:00 A.M. on January 22, 2007 in Room 241-N of the Capitol.

All members were present.

Committee staff present:

Mary Galligan, Kansas Legislative Research
Dennis Hodgins, Kansas Legislative Research
Jason Long, Revisor's Office
Rena Hansen, Committee Assistant

Conferees appearing before the committee:

Others attending:

See attached list.

Hearing on:

HB 2039: Definition of "renewable energy resources or technologies".

Mary Galligan, gave a staff briefing, to the committee on **HB 2039** explaining where the definitions pertaining to this legislation are found in the bill.

Comments were made by Representative Tom Sloan noting that this is merely a housekeeping bill to clean up the definition.

Questions were asked by Representative: Forrest Knox.

Hearing on **HB 2039** was closed.

Hearing on:

HB 2037: Income tax credits and deductions for certain energy efficiency improvements.

Proponents:

Bruce Snead, K-State, (Attachment 1), gave testimony in favor of **HB 2037**. There are no current credits in federal regulations for rental property unless the building is over 4 stories high and has a commercial classification Energy Efficiency is still the least cost resource for energy. In addition, he covered a printed Power point with the committee, in favor of energy efficiency over new energy production, to meet the increasing demands for energy.

Questions were asked by : Representative: Forrest Knox, Tom Sloan.

Tom Hawk, Representative 67th District, (Attachment 2), explained the background of **HB 2037** and told of the specifics for tax credits to landlords for rental property allowed in this bill. It was noted that we could go with additional tax incentives to single family home owners, but that the fiscal note might be more than we want to see.

Questions were asked by Representative: Vaughn Flora.

Chairman Holmes noted the particulars of the path of this bill in the legislative process last year.

Tom Thompson, Sierra Club, (Attachment 3), spoke in support of **HB 2037**, noting that this bill is a "win/win" bill for all involved.

CONTINUATION SHEET

MINUTES OF THE House Energy and Utilities Committee at 9:00 A.M. on January 22, 2007 in Room 241-N of the Capitol.

George Phillips, KCPL, (Attachment 4), gave testimony in support of **HB 2037** and noted that they projected great energy savings if this bill should be implemented.

Questions were asked by Representative: Josh Svaty.

Ed Jaskinia, Landlords, (Attachment 5), spoke in support of **HB 2037**. He noted this would allow there to be more dollars in the tenants' pockets to spend in other ways.

Questions were asked by Representative: Tom Hawk, Josh Svaty, and Tom Sloan.

Hearing on **HB 2037** was closed.

Chairman Holmes opened up **HB 2039** for debate.

HB 2039: Definition of "renewable energy resources or technologies".

Representative Forrest Knox moved the removal of "photovoltaic" in the language. Representative Josh Svaty seconded the motion.

Discussion ensued with comments by Representative Don Myers.

Representative Knox closed on the motion.

Motion failed.

Representative Tom Sloan moved to support **HB 2039** favorable for passage. Representative Rob Olson Seconded the motion. Motion passed unanimously.

Representative Vern Swanson will carry **HB 2039**.

Bill introductions.

Representative Rob Olson moved to introduce a bill that would help the electric utilities recovering certain transmission costs. Second by Representative Annie Kuether. Motion passed.

Representative Dan Johnson asked a question regarding the rules of the committee having to do with an amendment being required to be drafted beforehand by a revisor. Chairman Holmes gave clarification to the committee that any amendment a revisor drafts, has to be considered before moving it out because of the time spent by the revisor on the amendment.

Representative Rob Olson moved to introduce a KETA clean up bill. Seconded by Representative Annie Kuether. Motion carried.

The next meeting is scheduled for Jan 23, 2007,

Meeting adjourned.

HOUSE ENERGY AND UTILITIES COMMITTEE GUEST LIST

DATE: January 22, 2007

NAME	REPRESENTING
Paul Snider	KCP&L
George Phillips	KLPL
LARRY BERG	MIDWEST ENERGY
BOWEN SNEAD	KSU
Tom Thompson	Sierra Club
PHIL WAGES	KEPCO
TOM DAY	KCC
Kimberly Scherer	ITC Great Plains
Patti Huggel	Polsinelli Law
BRANDON BOHNING (DAMIRON P.A.)	KS GAS / EMPIRE ELECTRIC
Lindsey Douglas	Hein Law Firm
Steve Johnson	Kansas Gas Service / ONEOK
David Dring	Curbs
Mark Schreiber	Westar Energy

Utilities Committee
Kansas House
Written Testimony of Bruce Snead
State Extension Specialist in Residential Energy

Engineering Extension at K-State

Manhattan, Kansas

January 22, 2007

HB 2037

Mr. Chair and members of the committee, thank you for the opportunity to testify on this bill. I support the bill, have a few comments, and would like to offer some supporting information in the form of the attached power point.

I participated last year in the formulation of the criteria for energy efficiency components in Section 1. (a) 2, and 1. (a) 3 of the bill and believe they are still appropriate to assure meeting Energy Star thresholds. There may be some adjustments in a few criteria that could be amended later in the legislative process if it is advantageous for the improvements to meet pending or future federal energy efficiency tax credits criteria. I will work with resource people in our state to address this possibility.

There are no significant federal tax credits in the 2005 EPact for energy efficiency related to rental property unless the rental property is equal or greater than four stories in height, and those credits fall under the commercial category. I believe this bill will help motivate landlords and rental property owners to evaluate and take advantage of the financial benefits from efficiency upgrades, and is worth implementing in the three year time frame indicated. This is the least time I would recommend for almost any energy efficiency program to be able to achieve results that can be reasonably evaluated. I think it will also be important for any utility energy conservation programs envisioned in the Kansas Energy Council recommended programs yet to come before you to promote and market the items in this legislation if it is passed into law. Thank you for your attention and I will try to answer any questions.

Bruce Snead
810 Pierre St.
Manhattan, KS 66502

785-537-7260 Home 785-532-4992 Work email bsnead@ksu.edu

ENERGY AND HOUSE UTIL

DATE: 1-22-2007

ATTACHMENT 1-1

Presentation to House Energy and Utilities on HB 2037

Presentation to House Energy and Utilities Committee HB 2037 and Energy Efficiency

Bruce Snead

Credentials

State Extension Specialist – Residential Energy

Engineering Extension – Kansas State University – since 1982

January 22, 2007



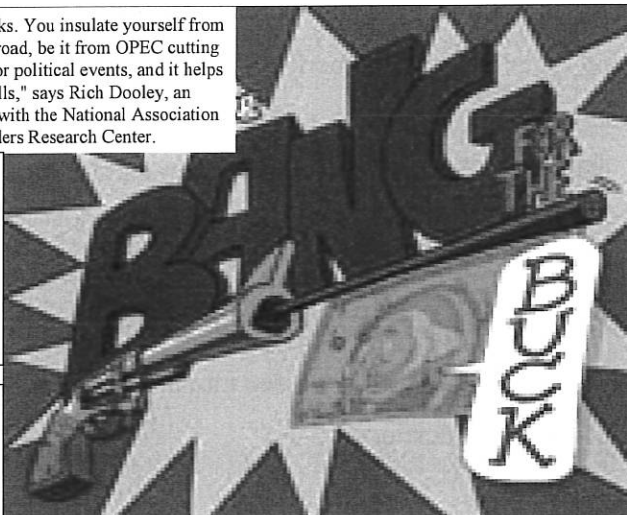
1

Getting the Best Bang for the Buck! – In Energy, it's Efficiency!

"Energy efficiency works. You insulate yourself from price spikes down the road, be it from OPEC cutting supply, rising demand or political events, and it helps to even out your bills," says Rich Dooley, an environmental analyst with the National Association of Home Builders Research Center.

We'd find more energy in the attics of American homes (through energy conservation measures) than in all the oil buried in Alaska—Amory Lovins, energy expert

"There are lots of energy programs," DOE Secretary Abraham said, "but none that do as much good in the day to day lives of families as the weatherization one."



2

Bruce Snead

January 22, 2007

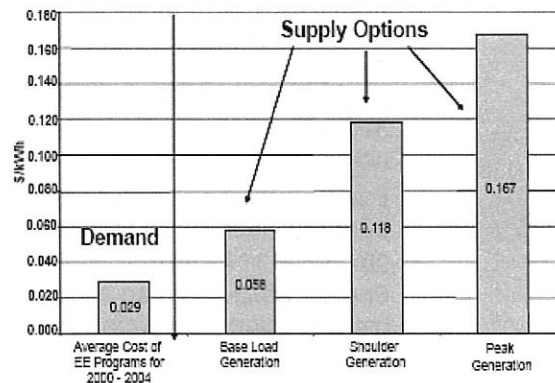
1-2

Presentation to House Energy and Utilities on HB 2037

You Get the Biggest Bang for the Buck With Energy Efficiency!

- Costs for energy efficiency programs produce energy at 67% of the cost of new supply!

Comparison of CA EE Program Costs to Supply Generation Costs



Why Energy Efficiency is Even More Important Today

- Energy efficiency is still the least-cost resource
- Growing risks associated with new power plant construction
 - Construction costs
 - Fuel price risks
 - Future environmental costs
- Increasing evidence of climate change; energy efficiency is a proven, cost-effective means to reduce emissions of green house gases (along with other pollutants)

4

Bruce Snead

January 22, 2007

1-3

Presentation to House Energy and Utilities on HB 2037

Lessons Learned from States

- There is significant cost-effective potential for energy efficiency to help meet electricity and natural gas demand;
- Significant savings are being achieved through well-designed programs and policies;
- Energy efficiency can be cost-competitive with new supply to meet growing electricity demand, often delivering savings at a cost of 2 to 4 cents per kilowatt-hour;
- Energy efficiency can be targeted to reduce peak demand, leading to significant cost savings and natural gas savings at a time when supply is constrained; and
- Energy efficiency can reduce electricity demand in transmission-constrained areas, deferring investments for transmission upgrades.

5

Federal Designated Bangs and Bucks Have a Two Year Life

- **Federal Energy Policy Act of 2005**
- Manufacturer and consumer tax incentives for advanced energy saving technologies and practices
- Minimum energy standards on 16 products
- **States and utilities should gear their programs to complement incentives:**
 - **Efficient new homes,**
 - **New commercial bldgs,**
 - **Appliances,**
 - **Heating, air conditioning and water heating equipment,**
 - **Existing home retrofits**
- ***Time is critical if these are not extended***



6

Bruce Snead

January 22, 2007

B
1-4

Presentation to House Energy and Utilities on HB 2037

Where to Put the Bucks to Get the Bang!

- The **cost of purchasing the equipment** itself –credits, loans
- The **cost of educating consumers** about availability and maintenance of EE products – technical assistance
- **Energy Star** Program promotion can build on existing system/items
- Facility managers/operator **training to sustain the savings**

7

Tax Incentives – Provide Some Ammo



- To lessen upfront costs
- To speed market acceptance
- To increase market share for EE products and services
- Options–*Sales, Corporate, Income, Property*
- **Questions** –
How Much?
How Long?
How to Evaluate Effect?
What Will Complement the Program?
How Match to Federal Credits?

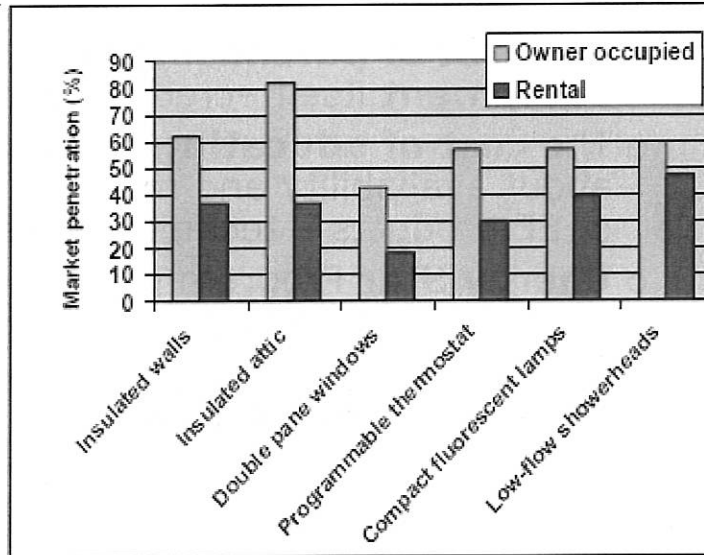
8

Bruce Snead

January 22, 2007

Presentation to House Energy and Utilities on HB 2037

Comparison of Energy Efficiency Measures in Owner-Occupied and Rental Housing in California -CEC 2004



9

Advancing EE in the States

- Tax Incentives are Effective Tools
- Strategies and examples include:
 - - Green building tax credits (NY, OR, MD)
 - - State tax deduction for efficiency improvements (IN)
 - - Sales tax exemptions for efficient products (MD, MN)
 - - Residential and business tax credits (OR)

10

Bruce Snead

January 22, 2007

1-6

STATE OF KANSAS

TOM HAWK
REPRESENTATIVE, 67TH DISTRICT
3115 HARAHEY RIDGE
MANHATTAN, KANSAS 66502
(785) 537-1225
tom@tomhawk.com

STATE CAPITOL
300 SW 10TH AVE.
ROOM 322-S
TOPEKA, KANSAS 66612
(785) 296-7665
(1-800) 432-3924
hawk@house.state.ks.us



TOPEKA
HOUSE OF
REPRESENTATIVES

COMMITTEE ASSIGNMENTS

FEDERAL AND STATE AFFAIRS
ENERGY AND UTILITIES
SOCIAL SERVICE BUDGET

Written Testimony on HB2037—House Energy and Utilities Committee **Proponent**

Mr. Chairman, Committee Members: HB2037 is a resurrection and update of last year's SB70 that passed the House at the end of the session but did not make it out of Conference Committee. That bill was a compromise that evolved in our committee and was fine-tuned in the Joint House Tax and Utilities Subcommittee. HB2037 would create tax incentives for energy efficiency improvements of non-owner occupied housing units. Those tax incentives would be available for tax years 2007, 2008, and 2009.

Tax credits would be created for the following improvements:

- *\$100 per dwelling unit for each six inches of ceiling insulation installed;
- *\$300 for a newly installed heating, ventilation or air conditioning system that replaces an existing system in a single family dwelling if the new system meets the energy efficiency standards established by the bill; and
- *\$300 per dwelling unit served by a replacement heating, ventilation or air conditioning system for multi-family residences, if the new system meets the energy efficiency standards established by the bill, and if there are separate temperature controls in each unit.

If the amount of the tax credit exceeds the taxpayer's income tax liability for the year in which the expenditures were made, the excess amount of credit could be carried forward. The entire tax credit for expenditures made in a single year would have to be taken within five years of the expenditure.

The bill would create an accelerated depreciation schedule for heating, ventilation, and air conditioning equipment described in the bill. Depreciation of the equipment would be taken over five years: 60 percent the first year; and ten percent each of the following years.

The Department of Revenue would be required to report to the Legislature at the start of the 2008 Session regarding the number of taxpayers who claimed tax credits created by the bill and the amount of those credits claimed. (We may want to change this date to 2009.)

Some other notes on the intent of last year's bill appearing in the supplemental notes were:

ENERGY AND HOUSE UTILITIES

DATE: 1/22/07

ATTACHMENT 2-1

*Treat duplexes like other multi-family dwellings for purposes of the tax credits that would be created by the bill;

*Allow a multi-year deduction for installation costs; and

*Require multi-dwelling heating, ventilation, and air conditioning systems to have individual temperature controls for each unit in order to qualify for the tax credit.

A fiscal impact estimate was prepared by the Department of Revenue last year on a similar bill that indicated a potential expected reduction in state revenue of \$2.5 million for the first year. That figure would need to be adjusted for this bill and take into account potential increases in sales tax with the purchase of installation and new HVAC systems.

Our committee should also consider the length these tax credits should be available as the bill was amended by the House Committee of the Whole last year to have a three year limit.

The global intent of this bill is to provide incentives for energy efficiency that might reach those Kansans who are renters and often are most in need of assistance to lower their utility bills. Since they are not the owners and may not have the capital to make insulation or HVAC improvements, this bill would give incentives to landlords and ultimately help with overall energy conservation.

Testimony before the House Energy and Utility Committee January 22, 2007

Chairperson Holmes and Honorable Members of the Committee:

My name is Tom Thompson and I represent the Kansas Chapter of the Sierra Club. I have come today to speak in support of H.B. 2037.

H.B. 2037 provides for many ideas supported by the Sierra Club and its members. It is hoped that we will be seeing other bills encouraging energy efficiency in the coming months.

There is little question that there are many things a homeowner can do to become energy efficient. Putting in additional insulation and energy efficient windows and replacing old heating and cooling with newer efficient equipment allows them to save money in the long run. It also decreases the need to rely on energy production that adds CO₂, mercury and other pollutants to the air that effect the health of people throughout the state and country.

The importance of this bill is that it extends this opportunity to landlords and those who rent. It gives landlords an incentive to be more efficient. This will save money for all ratepayers by decreasing the need for expensive additional electrical capacity and allow renters to save money.

Energy efficiency and conservation have been shown to be the most cost effective ways to help consumers meet their energy needs. The Sierra Club supports H.B. 2037 and hopes to see additional bills of this nature in the future.

Sincerely,
Tom Thompson

ENERGY AND HOUSE UTILITIES
DATE: 1/22/07
ATTACHMENT 3

**Testimony of George Phillips
Before the House Energy and Utilities Committee
In Support of House Bill 2037
January 22, 2007**

Kansas City Power & Light supports the passage and implementation of House Bill 2037.

This bill has the potential to reduce air conditioning energy use where high efficiency equipment is installed by as much as 40 to 50 percent. With about 33 percent of our customers living in rental occupied housing, the energy savings can be quite substantial.

KCP&L has spent the last several years strongly advocating the promotion of energy efficiency, as evidenced by its Comprehensive Energy Plan that includes a variety of affordability, energy efficiency and demand response programs. Since approval of KCP&L's Comprehensive Energy Plan by the Kansas Corporation Commission in 2005, energy efficiency has received an increased level of attention and national focus. This increased focus and attention can be seen in initiatives sponsored by several renowned industry groups including the Edison Electric Institute (EEI), the Electric Power Research Institute (EPRI), and the National Association of Regulatory Utility Commissioners (NARUC) in such documents as the National Action Plan for Energy Efficiency (NAPEE). A confluence of factors has led to the increasing focus on energy efficiency. These factors, as highlighted by NAPEE, include high and volatile energy prices, global climate change, concerns over energy security and energy independence, and environmental concerns.

KCP&L supports the development of comprehensive energy efficiency programs for our customers and a regulatory environment in which energy efficiency resources will be considered a preferred resource option. KCP&L sees a unique opportunity to develop energy efficiency in a way that benefits customers, regulators, the environment, the state economy and the company.

ENERGY AND HOUSE UTILITIES
DATE: 1/22/2007
ATTACHMENT 4-1

Passage of HB 2037 represents a significant step forward in helping Kansas citizens become more energy efficient and secure our energy future.

KCP&L is a founding member of the Heartland Utilities for Energy Efficiency (HUEE) and supports their initiatives for the promotion of energy efficiency. The purpose of HUEE is to promote energy efficiency in the Greater Kansas City area through energy education, resources and actions to help assure a secure energy future for area residents. HUEE members include Aquila, Atmos Energy, Independence Power & Light, KC Board of Public Utilities, Kansas City Power & Light, Kansas Gas Service, Missouri Gas Energy and Platte-Clay Electric Coop.

Kansas City Power & Light also supports the Metropolitan Energy Center both directly with a board member and through our participation in HUEE and supports their energy efficiency efforts. The Metropolitan Energy Center is currently working with the State of Kansas to implement Energy Star and other energy efficiency programs for homeowners of all income levels. Robert Housh, their executive director, has indicated to me that HB 2037 could be an important incentive to help owners of rental properties to take action through these programs.

KCP&L believes customers should be encouraged to become more energy efficient. For the customer, energy efficiency programs should demonstrate significant economic and societal benefits. Customers need to realize more influence and control over their own energy and demand usage.

KCP&L supports the passage HB 2037 and the positive impact it will have on energy use.

George Phillips, P.E.
Manager of Commercial and Industrial Markets
Kansas City Power & Light
816-556-2648; george.phillips@kcpl.com

Ed Jaskinia
President
(913) 207-0567

James Dunn
Vice President (Zone 1)
(785) 843-5272

The Associated Landlords of Kansas



Doris Nel
Vice President (Zone 2)
(785) 223-7226

Gary Hefley
Vice President (Zone 3)
(316) 722-7107

P.O. Box 4221 • Topeka, Kansas 66604-0221

The Associated Landlords of Kansas (TALK) was created in 1981 by a group of people from across Kansas to "Promote a strong voice in the legislature, a high standard of ethics, and provide educational opportunities for landlords." Some of our members helped create The Residential Landlord-Tenant Act of 1975, a model of fair law for both landlords and tenants. Our organization consists of members in 18 chapters across the state, and new chapters are in the process of being formed.

In this 2007 legislative session, we continue to work for fair and decent housing for all. We have listed below some of the issues that are of interest to us in this legislative session.

TESTIMONY IN FAVOR OF HB 2037

This bill would offer a small financial incentive in the form of a tax credit to the owners of non-owner occupied residential property for doing any of the following:

- 1) Replace existing heating systems or air conditioners with a high efficiency system (\$300.00 per unit).
- 2) Add ceiling insulation (\$100.00 for each 6")
- 3) Offers an accelerated depreciation schedule for these improvements.

This law is NOT a mandate, and it expires in 3 years. The financial incentive to the property owner may allow them to help justify the additional costs of the more expensive high efficiency models.

The tenants of these properties will see lower energy costs, and the environment will be healthier.

The State will benefit by additional tax revenue from the installers of these improvements, the additional sales taxes generated by the improvements, and additional sales taxes from the tenants spending their energy savings.

If we can be of help to you in these or any other areas concerning property, tenants, or landlords, please feel free to contact us.

Ed Jaskinia, President

ZONE 1
Landlords of Lawrence Inc.
Landlords of Johnson County, KS Inc.
K.C.KS. Landlords Inc., serving Wyandotte Co.
Eastern Kansas Landlords Assc., serving Miami Co.
Franklin Co. Landlords Assc.
Osage Co. Landlords Assc.

ZONE 2
Landlords of Manhattan Inc.
Labette County Landlords Assc.
Geary County Landlords Inc.
Shawnee County Landlords Assc.
Salina Rental Property Providers Inc.
South Central Kansas Landlord Assc.
Serving Sumner County

ZONE 3
Central Kansas Landlords Assc.
Bourbon County Landlords Assc.

ENERGY AND HOUSE UTILITIES

DATE: 1/22/2007

ATTACHMENT 3 5