

## 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 30, 2007 in Room 241-N of the Capitol.

All members were present.

Committee staff present:

Dennis Hodgins, Kansas Legislative Research  
Jason Long, Revisor's Office  
Renaë Hansen, Committee Assistant

Conferees appearing before the committee:

Craig Sloan, Larned Kansas  
Steve Miller, Burdett Kansas  
Dr. Scott Brantley Great Bend, Kansas  
Tom Thompson, Sierra Club  
Les Evans, VP of Power Supply for KEPCo  
Tom Sloan, State Representative  
Rebecca Floyd, KDFFA  
Marilyn Jacobson, Director of Division of Facilities Management  
Paul Johnson, Kansas Catholic Coalition

Others attending:

There were twenty-six attending including the attached list.

Hearing on:

**HB 2127: Electric generation facilities, parallel generation contracts.**

Proponents:

Craig Sloan, Larned Kansas, (Attachment 1), spoke in favor of **HB 2127**, because the increase in the KW generation proposed would allow them to use wind energy for irrigation.

Questions were asked and comments made by Representatives: Tom Sloan, Bill Light, Carl Holmes, and Forrest Knox.

Steve Miller, Burdett Kansas, (Attachment 2), spoke in favor of **HB 2127**. As an irrigator, he would like to be able to offset his costs for irrigating by producing his own wind energy to fuel his irrigation system.

Dr. Scott Brantley, Great Bend, Kansas, (Attachment 3), spoke in favor of **HB 2127** talking about the fact that Kansas is ranked number ten in wind production with actual production potential of being number three. Additionally, he noted that the small farmers in Kansas would have a resource to add to their farming business.

Tom Thompson, Sierra Club, (Attachment 4), offered testimony in support of **HB 2127** as the Sierra Club continues to encourage more wind power production with irrigators and schools involved in the production. Sierra Club also supports the concept of net metering.

Questions were asked by Representative: Forrest Knox.

Neutral:

Les Evans, Vice President of Power Supply for KEPCo, (Attachment 5), offered testimony with a neutral position on **HB 2127** with some technical additions offered to help clean up the legislation.

Questions were asked and comments made by Representatives: Josh Svaty, Tom Sloan, Peggy Mast, Oletha Faust-Goudeau, Tom Moxley, Carl Holmes, and Vaughn Flora.

CONTINUATION SHEET

MINUTES OF THE House Energy and Utilities Committee at 9:00 A.M. on January 30, 2007 in Room 241-N of the Capitol.

Discussion ensued that pertained to the clarification of the language of the bill in several different areas.

Hearing on **HB 2127** was closed.

Hearing on:

**HB 2169: K DFA issuance of bonds for energy conservation measures.**

Proponents:

Tom Sloan, State Representative, (Attachment 6), spoke in favor of **HB 2169** giving background information on the bill, noting how and why the military would benefit from this energy conservation and efficiency bill.

Rebecca Floyd, K DFA, (Attachment 7), spoke in favor of **HB 2169** noting a more broad application of this bill.

Marilyn Jacobson, Director of Division of Facilities Management, (Attachment 8), offered testimony in support of **HB 2169**. The Division of Facilities are asking that the bill be amended to reflect that the KCC oversee this.

Paul Johnson, Kansas Catholic Coalition, (Attachment 9), offered testimony in favor of **HB 2169** giving specific use of current Low Income Housing Tax Credit programs. They offered some specific changes that would be recommended for the legislation.

Questions were asked and comments made by Representatives: Vaughn Flora, and Margaret Long,

Hearing on **HB 2109** was closed.

Representative Rob Olson moved to submit legislation for siting of utility owned wind farms. Seconded by Representative Cindy Neighbor. Motion passed.

The next meeting is scheduled for January 31, 2007.

Meeting Adjourned.

# HOUSE ENERGY AND UTILITIES COMMITTEE GUEST LIST

DATE: January 30, 2007

NAME	REPRESENTING
Phie WAGES	KEPCO
LES EVANS	KEPCO
REBECCA FIELD	KDFA
TOM DAY	KCC
Joe Dick	KCBPU
LARRY BERG	MIDWEST ENERGY
Paul Snider	KCP
Tom Thompson	Sierra Club
Mark Schreiber	Westar Energy
Marilyn Jacobson	DOA
Lindsay Douglas	Hein Law Firm
Patti Krugger	Polsinelle law
Kimberly Grewer	ITC, Great Plains
Steve Johnson	Kansas Gas Service / ONEOK
Whitby Damm	KS Gas Service
Wes Ashton	Aquila
Allison Green	Intun

Testimony in Support of HB 2127

By: Craig Sloan

January 30, 2007

Mr. Chairman and members of the committee, I am pleased to be here today to present my statement supporting this bill. My name is Craig Sloan. I am not related to Representative Tom Sloan, but we are friends. I am a life-long Kansas resident and was raised near Weskan, in Wallace county, so I am quite familiar with the power packed by Kansas winds. One of my memories from earliest childhood features my father checking the array of 32 volt batteries in the "wind charger shed". Of course, REA arrived soon thereafter and the wind charger was retired. But not forgotten...

I support this bill in general, and in particular the increase to 200 KW for commercial wind. This increase will create a better opportunity for irrigators to utilize wind-turbine power to drive their irrigation wells. While many of the shallower wells in Kansas could be driven by wind turbines up to 100 KW, as you move west in the state the wells are deeper and require more power to lift the water to the surface. Increasing to 200 KW will allow more farmers to adapt wind power to their irrigation needs at a time when fossil fuels are becoming a major cost concern. The wind turbine will also provide "wind harvesting" capabilities for the farmer-owner beyond that time when irrigation is no longer feasible.

Included is a table showing irrigation well and wind power relationships.

Thank you.

*ENERGY AND HOUSE UTILITIES*

DATE: 1/30/2007

ATTACHMENT 1-1

Assumptions:

Pump is 85 percent efficient.  
 Relationship of Amps to Nameplate Horsepower is: 1.26 to 1  
 480 is voltage to electric motor  
 30 pounds water pressure at well  
 Wind Turbine needs to be 150 percent capacity of Kw needed.

GPM = Gallons per Minute  
 TDH = Total Dynamic Head  
 WHP = Water Horsepower  
 BHP = Brake Horsepower

Well Depth	GPM	TDH	WHP	BHP	Kw Power needed	TurbineKw Needed
60	600	129.3	19.59091	23.04813	26.79483	40.19
80	600	149.3	22.62121	26.61319	30.93943	46.41
100	600	169.3	25.65152	30.17825	35.08403	52.63
120	600	189.3	28.68182	33.74332	39.22863	58.84
140	600	209.3	31.71212	37.30838	43.37323	65.06
160	600	229.3	34.74242	40.87344	47.51783	71.28
180	600	249.3	37.77273	44.4385	51.66243	77.49
200	600	269.3	40.80303	48.00357	55.80702	83.71
220	600	289.3	43.83333	51.56863	59.95162	89.93
240	600	309.3	46.86364	55.13369	64.09622	96.14
260	600	329.3	49.89394	58.69875	68.24082	102.36
280	600	349.3	52.92424	62.26381	72.38542	108.58
300	600	369.3	55.95455	65.82888	76.53002	114.80
320	600	389.3	58.98485	69.39394	80.67462	121.01
340	600	409.3	62.01515	72.959	84.81922	127.23
360	600	429.3	65.04545	76.52406	88.96382	133.45
380	600	449.3	68.07576	80.08913	93.10841	139.66
400	600	469.3	71.10606	83.65419	97.25301	145.88
420	600	489.3	74.13636	87.21925	101.3976	152.10
440	600	509.3	77.16667	90.78431	105.5422	158.31
460	600	529.3	80.19697	94.34938	109.6868	164.53
480	600	549.3	83.22727	97.91444	113.8314	170.75
500	600	569.3	86.25758	101.4795	117.976	176.96
520	600	589.3	89.28788	105.0446	122.1206	183.18
540	600	609.3	92.31818	108.6096	126.2652	189.40
560	600	629.3	95.34848	112.1747	130.4098	195.61
580	600	649.3	98.37879	115.7398	134.5544	201.83
600	600	669.3	101.4091	119.3048	138.699	208.05

Well Depth	GPM	TDH	WHP	BHP	Kw Power needed	TurbineKw Needed
60	800	129.3	26.12121	30.73084	35.72644	53.59
80	800	149.3	30.16162	35.48425	41.25257	61.88
100	800	169.3	34.20202	40.23767	46.77871	70.17
120	800	189.3	38.24242	44.99109	52.30484	78.46
140	800	209.3	42.28283	49.7445	57.83097	86.75
160	800	229.3	46.32323	54.49792	63.3571	95.04
180	800	249.3	50.36364	59.25134	68.88323	103.32
200	800	269.3	54.40404	64.00475	74.40937	111.61
220	800	289.3	58.44444	68.75817	79.9355	119.90
240	800	309.3	62.48485	73.51159	85.46163	128.19
260	800	329.3	66.52525	78.265	90.98776	136.48
280	800	349.3	70.56566	83.01842	96.51389	144.77
300	800	369.3	74.60606	87.77184	102.04	153.06
320	800	389.3	78.64646	92.52525	107.5662	161.35
340	800	409.3	82.68687	97.27867	113.0923	169.64
360	800	429.3	86.72727	102.0321	118.6184	177.93
380	800	449.3	90.76768	106.7855	124.1446	186.22
400	800	469.3	94.80808	111.5389	129.6707	194.51
420	800	489.3	98.84848	116.2923	135.1968	202.80
440	800	509.3	102.8889	121.0458	140.7229	211.08
460	800	529.3	106.9293	125.7992	146.2491	219.37
480	800	549.3	110.9697	130.5526	151.7752	227.66
500	800	569.3	115.0101	135.306	157.3013	235.95
520	800	589.3	119.0505	140.0594	162.8275	244.24
540	800	609.3	123.0909	144.8128	168.3536	252.53
560	800	629.3	127.1313	149.5663	173.8797	260.82
580	800	649.3	131.1717	154.3197	179.4059	269.11
600	800	669.3	135.2121	159.0731	184.932	277.40

Well Depth	GPM	TDH	WHP	BHP	Kw Power needed	TurbineKw Needed
60	850	129.3	27.75379	32.65152	37.95935	56.94
80	850	149.3	32.04672	37.70202	43.83086	65.75
100	850	169.3	36.33965	42.75253	49.70238	74.55
120	850	189.3	40.63258	47.80303	55.57389	83.36
140	850	209.3	44.92551	52.85354	61.44541	92.17
160	850	229.3	49.21843	57.90404	67.31692	100.98
180	850	249.3	53.51136	62.95455	73.18844	109.78
200	850	269.3	57.80429	68.00505	79.05995	118.59
220	850	289.3	62.09722	73.05556	84.93147	127.40
240	850	309.3	66.39015	78.10606	90.80298	136.20
260	850	329.3	70.68308	83.15657	96.6745	145.01
280	850	349.3	74.97601	88.20707	102.546	153.82
300	850	369.3	79.26894	93.25758	108.4175	162.63
320	850	389.3	83.56187	98.30808	114.289	171.43
340	850	409.3	87.8548	103.3586	120.1606	180.24
360	850	429.3	92.14773	108.4091	126.0321	189.05
380	850	449.3	96.44066	113.4596	131.9036	197.86
400	850	469.3	100.7336	118.5101	137.7751	206.66
420	850	489.3	105.0265	123.5606	143.6466	215.47
440	850	509.3	109.3194	128.6111	149.5181	224.28
460	850	529.3	113.6124	133.6616	155.3896	233.08
480	850	549.3	117.9053	138.7121	161.2612	241.89
500	850	569.3	122.1982	143.7626	167.1327	250.70
520	850	589.3	126.4912	148.8131	173.0042	259.51
540	850	609.3	130.7841	153.8636	178.8757	268.31
560	850	629.3	135.077	158.9141	184.7472	277.12
580	850	649.3	139.3699	163.9646	190.6187	285.93
600	850	669.3	143.6629	169.0152	196.4903	294.74

Well Depth	GPM	TDH	WHP	BHP	Kw Power needed	TurbineKw Needed
60	1000	129.3	32.65152	38.41355	44.65805	66.99
80	1000	149.3	37.70202	44.35532	51.56572	77.35
100	1000	169.3	42.75253	50.29709	58.47338	87.71
120	1000	189.3	47.80303	56.23886	65.38105	98.07
140	1000	209.3	52.85354	62.18063	72.28871	108.43
160	1000	229.3	57.90404	68.1224	79.19638	118.79
180	1000	249.3	62.95455	74.06417	86.10404	129.16
200	1000	269.3	68.00505	80.00594	93.01171	139.52
220	1000	289.3	73.05556	85.94771	99.91937	149.88
240	1000	309.3	78.10606	91.88948	106.827	160.24
260	1000	329.3	83.15657	97.83125	113.7347	170.60
280	1000	349.3	88.20707	103.773	120.6424	180.96
300	1000	369.3	93.25758	109.7148	127.55	191.33
320	1000	389.3	98.30808	115.6566	134.4577	201.69
340	1000	409.3	103.3586	121.5983	141.3654	212.05
360	1000	429.3	108.4091	127.5401	148.273	222.41
380	1000	449.3	113.4596	133.4819	155.1807	232.77
400	1000	469.3	118.5101	139.4236	162.0884	243.13
420	1000	489.3	123.5606	145.3654	168.996	253.49
440	1000	509.3	128.6111	151.3072	175.9037	263.86
460	1000	529.3	133.6616	157.249	182.8114	274.22
480	1000	549.3	138.7121	163.1907	189.719	284.58
500	1000	569.3	143.7626	169.1325	196.6267	294.94
520	1000	589.3	148.8131	175.0743	203.5343	305.30
540	1000	609.3	153.8636	181.016	210.442	315.66
560	1000	629.3	158.9141	186.9578	217.3497	326.02
580	1000	649.3	163.9646	192.8996	224.2573	336.39
600	1000	669.3	169.0152	198.8414	231.165	346.75



Well Depth	GPM	TDH	WHP	BHP	Kw Power needed	TurbineKw Needed
60	1200	129.3	39.18182	46.09626	53.58966	80.38
80	1200	149.3	45.24242	53.22638	61.87886	92.82
100	1200	169.3	51.30303	60.35651	70.16806	105.25
120	1200	189.3	57.36364	67.48663	78.45726	117.69
140	1200	209.3	63.42424	74.61676	86.74646	130.12
160	1200	229.3	69.48485	81.74688	95.03565	142.55
180	1200	249.3	75.54545	88.87701	103.3249	154.99
200	1200	269.3	81.60606	96.00713	111.614	167.42
220	1200	289.3	87.66667	103.1373	119.9032	179.85
240	1200	309.3	93.72727	110.2674	128.1924	192.29
260	1200	329.3	99.78788	117.3975	136.4816	204.72
280	1200	349.3	105.8485	124.5276	144.7708	217.16
300	1200	369.3	111.9091	131.6578	153.06	229.59
320	1200	389.3	117.9697	138.7879	161.3492	242.02
340	1200	409.3	124.0303	145.918	169.6384	254.46
360	1200	429.3	130.0909	153.0481	177.9276	266.89
380	1200	449.3	136.1515	160.1783	186.2168	279.33
400	1200	469.3	142.2121	167.3084	194.506	291.76
420	1200	489.3	148.2727	174.4385	202.7952	304.19
440	1200	509.3	154.3333	181.5686	211.0844	316.63
460	1200	529.3	160.3939	188.6988	219.3736	329.06
480	1200	549.3	166.4545	195.8289	227.6628	341.49
500	1200	569.3	172.5152	202.959	235.952	353.93
520	1200	589.3	178.5758	210.0891	244.2412	366.36
540	1200	609.3	184.6364	217.2193	252.5304	378.80
560	1200	629.3	190.697	224.3494	260.8196	391.23
580	1200	649.3	196.7576	231.4795	269.1088	403.66
600	1200	669.3	202.8182	238.6096	277.398	416.10

Mr. Chairman, and members of the committee.

Thank you for allowing me to speak to you this morning concerning the bill you are considering. My name is Steve Miller. I am a lifelong resident of Pawnee County. My family had a 32 volt wind charger for many years until electric power came to our area in 1951 as a result of REA legislation. We still have some of the glass batteries and the connections in the basement. Many neighbors maintained their wind charger systems for years as a back-up after they had converted to commercial electricity, even though their houses and appliances had been converted to 110 volt. Residents in my area appreciate the sight of windmills and the value of large wind turbines.

I have been fascinated with wind energy since the 80's when I saw a picture of a wind farm in California with hundreds of wind turbines lining valleys, taking advantage of incoming ocean winds. I enthusiastically support this bill. For over 5 years I have been researching wind energy and its application in my part of Kansas. I have held informational meetings in Pawnee and Rush counties and met with individuals and the boards of several local companies to discuss the development of wind energy. A reliable market for the power has been the major holdup in allowing us to progress with development of wind energy. Dan Juhl, an individual from Southwest Minnesota who is famous in the wind community, has successfully developed and instituted a model of building wind systems of 1 or 2 large turbines on individual farms in that area. I have visited his wind projects and seen the success stories first hand. I have also contracted his services as a consultant in attempting to develop the same type of systems here. The major road block we have encountered is refusal or uncertainty from electric companies to offer a contract to buy energy. Without a contract, financing can not be obtained and the projects have been stalled.

Kansas is a great wind state and could be a leader in wind energy. Every day millions of dollars of potential energy goes over our heads for lack of a harvesting mechanism, while we stay dependent on foreign oil. The legislation you are considering, particularly the provision for irrigation and schools, is necessary to jump start the small system wind energy program in Kansas. The owners of the large mega wind farms have the resources to build or contract transmission systems to deliver their energy to distant markets. Small individual wind systems, which will provide economic benefits locally to individuals and small businesses, are dependent on legislation to help develop markets for their excess energy. Legislation such as you are considering will also help keep irrigation viable in face of rising energy prices. This legislation can begin to make as much difference to the future of Kansas as a wind energy leader as the REA act made to Kansas residents in the 50's. I urge your support.

*ENERGY AND HOUSE UTILITIES*

DATE: 1/30/2007

ATTACHMENT 2

Tuesday, January 30, 2007

Members of the committee, Mr. Chairman, thank you for allowing me the opportunity to show my support house bill 2127 increasing renewable energy here in Kansas. My name is Scott Brantley I am a chiropractor and small wind developer from Great Bend. I have been a life long resident in Kansas and one fact that has not escaped me is the wind blows. For years I have searched the state fair grounds for wind turbines for the average citizen but to no avail. Small wind energy development in Kansas is way behind, we have several large windfarms but indirectly the power is not staying in Kansas to help Kansas's residents. This bill will help energize small wind development for residential as well as small commercial. By supporting this bill you are supporting residents, farmers and small businesses here in Kansas.

As we all are aware, our electrical bills are rising here in Kansas. Support for this bill will allow Kansas's residents' additional ways to generate electricity to be more self-sufficient.

A great addition to this bill is the support for school systems to create their own supplemental power as well as having an additional source of revenue.

Farmers need the ability to farm more than just the land. By adding the provision for wind power at irrigation wells you are allowing them this opportunity. Not only will this decrease the consumption of fossil fuels it will allow an outlet for the sale of electricity over generated at these wells. In communications with some electric companies, their response to the PPA's (purchase power agreements) for farmers is they will only do what they are legislated to do.

In closing we have a natural resource that has yet to be utilized for the small guy here in Kansas, I support this bill and I hope you will to.

Dr. Scott Brantley  
Great Bend, Kansas

*ENERGY AND HOUSE UTILITIES*

DATE: 1/30/2007

ATTACHMENT 3

**Testimony before the House Energy and Utility Committee  
January 29, 2007  
Supporting H.B. 2127**

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. 2127.

H.B. 2127 makes it more cost effective for schools and irrigators to use renewable generators to meet their energy needs. This is a step in the right direction and encourages at least two types of users to benefit from cleaner sources of energy.

It would be even better if this were opened up to more energy users. It would even be more beneficial if this bill allowed for the concept of Net Metering. Net metering is available to energy customers in over 35 states. It is time for Kansas to have it too.

Because of the added incentive for using renewable electric generation, Sierra Club supports H.B. 2127.

Thank you for this opportunity and your time.

Sincerely

Tom Thompson  
Sierra Club

*ENERGY AND HOUSE UTILITIES*  
DATE: 1/30/2007  
ATTACHMENT 4



# Kansas Electric Power Cooperative, Inc.

## HOUSE ENERGY AND UTILITIES COMMITTEE H.B. 2127

Testimony on behalf of Kansas Electric Power Cooperative, Inc. (KEPCo)  
and  
Kansas Electric Cooperatives (KEC)

Mr. Chairman and Members of the Committee:

I am Les Evans, Vice President, Power Supply, for Kansas Electric Power Cooperative, Inc. KEPCo is a not-for-profit generation and transmission utility, providing electricity to nineteen member rural electric cooperatives serving the eastern two-thirds of the state.

I am testifying today on behalf of KEPCo and KEC as neutral on HB 2127. The purpose of my testimony is to propose certain clarifying additions to the language in the bill, as well as provide additional technical information that the Committee may wish to address as it considers the final language for this bill.

The first proposed addition would be on **Page 2, Line 8**, after the word "system" insert, **"at the customer's delivery point on the customer's side of the retail meter"**.

This clarifies that the generator is primarily off-setting its own load behind the meter and selling any excess electricity back to the utility.

The next proposed addition would be inserted on **Page 3, Line 1**, before the first complete sentence. The addition is, **"Upon notification by the customer of the customer's intent to construct and install parallel generation, the utility shall provide the customer a written estimate of all costs that will be incurred by the utility and billed to the customer to accommodate the interconnection."**

The intent of this addition is to inform the customer, while the customer is performing its due diligence, of the costs to be incurred by the utility to

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A Touchstone Energy Cooperative 

ENERGY AND HOUSE UTILITIES

DATE: 1/30/2007

ATTACHMENT 5-1

accommodate the interconnection so that these costs are included in the feasibility study of the project by the customer.

The next proposed addition is on **Page 3, Line 13**, inserting the word **“either”** between the words “to” and “the”. This word is needed to facilitate our next proposed addition which is to insert the following language on **Page 3, Line 15**, after the word “system”. This language is, **“or the current FERC interconnection procedures and regulations.”**

The purpose of this language is to address the issue that most rural electric cooperatives are not under KCC jurisdiction and therefore do not have on file with the KCC a standard interconnection agreement. The FERC procedures and regulations are a national standard.

I would like to conclude my testimony by pointing out to the Committee the potential financial impact this legislation may have on KEPCo and its member rural electric cooperatives. Using reasonable assumptions regarding customer energy generation and the corresponding load that would be off-set vs. the excess amount of energy that would be generated and sold back to the member rural electric cooperative, KEPCo estimates that the impact of a typical school installing a 1.5 MW wind turbine would be to increase costs by approximately \$50,000 to \$75,000 per year, per unit.

Due to the nature of the electric cooperative structure, any increased costs of service are ultimately recovered directly from all the cooperative members through their monthly electric bill. In a cooperative structure the cooperative owner and the customer are the same entity.

Mr. Chairman, this concludes my testimony and I stand for questions.

STATE OF KANSAS

COMMITTEE ASSIGNMENTS  
MEMBER: ENERGY AND UTILITIES  
TRANSPORTATION  
GOVERNMENT EFFICIENCY  
AND TECHNOLOGY

TOM SLOAN  
REPRESENTATIVE, 45TH DISTRICT  
DOUGLAS COUNTY

STATE CAPITOL BUILDING  
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TOPEKA  
HOUSE OF  
REPRESENTATIVES

Testimony on HB 2169 - KDFA Financing Option - Energy & Utilities Committee 1/30/07

Mr. Chairman, Members of the Committee: On December 20, 2006, the Chairman of this Committee, the Chairman of the Senate Utilities Committee, and I met with Ft. Riley's Commanding General, Installation Commander, and staff on the following topic:

How the State and Dept. of Defense can best partner to help Ft. Riley, Ft. Leavenworth, and McConnell Airbase meet requirements of the Federal Energy Act of 2005 for: a) investments in energy conservation and efficiency, and b) to use renewable energy. Both requirements also were included in Executive Orders issued by Presidents Clinton and Bush.

The three legislators reported on the State's program by which the Kansas Development Finance Authority (KDFA) sells bonds for agencies to purchase energy saving equipment and technologies with the guaranteed savings in utility bills used to pay-off the bonds. This Committee received a briefing on the program from Susan Duffy from the Kansas Corporation Commission. During our meeting with the Ft. Riley Command Staff, we also discussed the probability that construction costs, coal and natural gas prices, rail and pipeline charges, and emissions taxes will increase the cost of electricity; while contracts for wind energy can include price stability guarantees.

The Commanding General, General Carter Ham, indicated that he is very interested in pursuing both goals, but is limited in his ability to take such actions. However, after discussing the state's programs he committed to inviting the Installation Management Command Staff (IMCS) to Kansas to develop the support within the Pentagon necessary to pursue the expanded partnerships with Kansas.

HB 2169 is permissive in that the KDFA is authorized to sell bonds on behalf of federal agencies. Please note that the State of Kansas does not incur any indebtedness or obligation to repay the bonds. We act as an agent only between purchasers of the bonds and the agency responsible for repayment. General Ham is very interested in this program because he does not have the capitol budget to make the required improvements in energy use, but can use his existing utility budget to repay the bonds.

Because General Ham does not have approval from the Installation Management Command Staff to participate in such a program, no one from Ft. Riley may testify. Because of the short duration

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of the Kansas Legislative Session, the bill was introduced and is being pursued so that when he receives permission, the partnership discussions can proceed. The U.S. Army's Central Region Environment Office staff (CREO) have received permission from the Pentagon to offer testimony in support of HB 2169. However, the CREO staff are at the Pentagon this week and will provide written support in the near future.

Please remember that the legislation is permissive, if the military facilities choose not to use the opportunity, nothing happens. If KDFRA and the energy auditors during their due diligence find that the risks or benefits are inappropriate, nothing happens. And, finally, that the State of Kansas incurs no risk or financial obligation if the military and KDFRA actually partner.

Before responding to questions, I wish to leave you with one final thought. All of the military facilities in Kansas have survived two BRAC (base reduction and closure) rounds. There will be more closings in the future. A financial partnership between the State of Kansas and Ft. Riley would be the first of its kind in the country; it would not only set a precedent, but would commit Ft. Riley to remain open and growing for at least the length of the bond repayment schedule.

I ask you to support HB 2169. Thank you for your attention and I will be pleased to respond to questions.



**TESTIMONY OF KANSAS DEVELOPMENT FINANCE AUTHORITY  
PRESENTED BY  
K DFA EXECUTIVE VICE PRESIDENT & GENERAL COUNSEL REBECCA FLOYD  
TO THE HOUSE ENERGY AND UTILITIES COMMITTEE  
REGARDING HOUSE BILL 2169 OF THE 2007 LEGISLATIVE SESSION**

**January 30, 2007**

Mr. Chairman and Honorable Members of the Committee, Kansas Development Finance Authority ("K DFA") appreciates this opportunity to testify before you concerning proposed House Bill ("H.B.") 2169.

- House Bill 2169 seeks to amend several statutes to authorize the Authority to develop and promote a statewide comprehensive energy conservation program which would be accessible to state agencies, including the Board of Regents institutions, political subdivisions, including municipalities and school districts, community and technical colleges, and federal entities.
- The authorization is sought based on ongoing discussions by and between K DFA and certain client borrowers, including the Board of Regents, representatives of the State Energy Office, and individual legislators regarding existing energy conservation improvement authorization, as well as K DFA's observations about utilization of energy conservation measures pursuant to current law.
- Statutory authorization for energy conservation improvements by various entities may currently be found scattered about in various locations, including authorization in K.S.A. 75-37,111 *et seq.*, for certain energy improvements for state agencies with an annual cost cap of \$5,000,000; authorization found in the 2005 Session Laws of Kansas, Chapter 174, Section 128(e)(1), pertaining to Board of Regents institutions, and authorization is given to community and technical colleges to implement energy conservation measures pursuant to 2006 Session Laws of Kansas, Chapter 88.
- K DFA has identified the following issues regarding the current state of energy conservation authorizations:
  - The various authorizations empowering various entities to seek financing for energy conservation improvements are scattered and somewhat confusing.
  - The cost cap limitation of \$5,000,000 set forth in K.S.A. 75-37,114, applicable to energy conservation improvements for state agencies, renders this particular act virtually obsolete. The threshold is far too low to be meaningful, especially for bond financing.

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- The Board of Regents Institutions have advised that they do not take advantage of the program utilizing lower cost bond financing as often as they might because of the requirement that they receive approval from the State Finance Council. The universities explain that when they are ready to proceed with the improvements, a vendor will typically offer a lease rate, which, while higher than a typical bond rate, allows them to move forward with the improvements without waiting for a State Finance Council meeting. We believe it would be more efficient to require only the approval of the Secretary of Administration in these instances as well, because anytime a capital improvement project costs, e.g. \$5--\$10 million or more, tax-exempt bonds will offer the lowest cost of borrowing.
- Pursuant to the proposed legislation and the KDFA act, any obligations issued by KDFA on behalf of entities other than state agencies would be the sole obligation of the borrowing entity, e.g., a political subdivision or federal entity, and no recourse for their payment could ever be made to the state. This is analogous to the scenario whereby KDFA issues bonds on behalf of a hospital or housing project. The hospital or housing borrower accesses the capital markets through KDFA, and hospital or housing revenues are pledged as the sole source of debt service repayment for the bonds. Bonds KDFA issues on behalf of entities other than the State are never obligations of the State of Kansas.
- KDFA believes it can achieve economies of scale similar to those attained in other pool and revolving fund finance programs the Authority currently offers, providing the advantages of a central finance administration department, pooling of multiple smaller financings, and consolidated cost of issuance efficiencies and reduced borrowing costs attributable to using tax-exempt bonds, typically representing the lowest cost of borrowing.
- KDFA very much appreciates the opportunity to assist in the development of legislation which would authorize development of a statewide multi-entity energy conservation program.

**Kansas Department of Administration  
Duane A. Goossen, Secretary  
Carol L. Foreman, Deputy Secretary  
1000 S.W. Jackson, Suite 500  
(785) 296-3011**

**House Energy and Utilities Committee  
HB 2169**

**Marilyn L. Jacobson, Interim Director  
Division of Facilities Management  
January 30, 2007**

HB 2169 relates to energy conservation improvements and energy conservation measures and the financing of such improvements through the Kansas Development Finance Authority (KDFA). The Facilities Conservation Improvement Program was transferred from the Department of Administration (DOA) to the Kansas Corporation Commission (KCC) through a Memorandum of Agreement with an effective date of July 1, 2004. The funding and an FTE were transferred in the 2005 Legislative Session.

The duties of the Secretary of Administration mentioned in HB 2169 were also transferred to the KCC through the Memorandum of Agreement. The Governor's Executive Directive 07-373 refers to the work of the Facilities Conservation Improvement Program within the KCC. DOA proposes that HB 2169 be amended to reflect the transfer of duties from the Secretary of Administration to the Executive Director of the Kansas Corporation Commission.

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**KANSAS HOUSE ENERGY AND UTILITIES COMMITTEE  
PAUL JOHNSON – KANSAS CATHOLIC CONFERENCE  
PROPONENT FOR HB 2169 – JANUARY 30, 2007**

Thank you for this opportunity to testify in support of HB 2169. My name is Paul Johnson and I am testifying for the Kansas Catholic Conference. The Conference supports the most efficient use of energy by encouraging "innovative ways to reduce the environmental impact of production and consumption of goods". Energy efficiency improvements can also improve the affordability of housing.

For over ten years, the Low Income Housing Tax Credit program has utilized energy efficiency standards in the selection of multi-family rental housing developments. This last fiscal year, the Kansas Housing Resources Corporation (the housing subsidiary of the Kansas Development Finance Authority) financed the construction of 518 rental units and the acquisition & rehabilitation of 384 rental units, generating \$82 million in capital investment in 20 counties. \$56 million in Housing Tax Credits and \$5 million in Private Activity Bonds were used in these rental properties. KHRC loaned \$3.23 million in downpayment assistance to 217 first-time homebuyers in 41 counties, which in turn leveraged \$13.6 million in private mortgage funds. The website is [www.kshousingcorp.org](http://www.kshousingcorp.org).

The Conference would support an amendment to HB 2169 that would require KDFA to report in person annually to the House Utilities and Senate Utilities Committees on the progress made with energy conservation bonding and funding technical assistance (lines 39-42, page 4). This report would include an update on the energy conservation bonds sold for the energy improvements at the various regent universities, state agencies and political subdivisions. The progress with the energy standards for the construction or rehabilitation of rental units could be reviewed for further improvement.

Might it be possible to finance energy efficiency improvements into the homes that KHRC assists with downpayment costs in the first-time homebuyer program? Last year \$200 million of Kansas' \$250 million in Private Activity Bonds (that carry special federal tax advantages) were sent to Sedgwick and Shawnee Counties to operate first-time homebuyer programs in several counties. Might it be possible to build energy audits and energy improvements into these first-time homebuyer loans? In terms of economic development, could a portion of the Private Activity Bonds dedicated to energy efficiency improvements and promoted by KDFA help assist existing businesses in cutting costs and lure new businesses to Kansas with lower operating costs? These projects would have to meet the same energy conservation standards to finance the energy bonds.

Thank you for considering these changes to HB 2169 and new energy ideas.

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