

MINUTES OF THE HOUSE ENERGY AND UTILITIES COMMITTEE

The meeting was called to order by Chairman Carl Holmes at 9:00 A.M. on February 13, 2007 in Room 241-N of the Capitol.

All members were present except:

Margaret Long-excused
Peggy Mast-excused
Judy Morrison-excused
Tom Sloan-excused

Committee staff present:

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

Conferees appearing before the committee:

Kimberly Winn, League of Kansas Municipalities
Trevor McKeeman, NISTAC and Sunflower
Mary Jane Stankiewicz, Kansas Association of Ethanol Processors
Mark Schreiber, Westar

Others attending:

Sixteen including the attached list.

Hearing On:

HB 2485: Energy Conservation; design standards for public buildings; L.E.D. traffic signals.

Proponents:

Trudi Aron, American Institute of Architects, (Attachment 1), presented testimony in favor of **HB 2485** noting that this legislation would help in buildings, the environment, and our pocketbooks.

Questions were asked by Representatives: Annie Kuether, and Forrest Knox.

Opponents:

Kimberly Winn, League of Kansas Municipalities, (Attachment 2), presented written testimony in opposition to **HB 2485**.

Questions were asked and comments made by Representative Vern Swanson, and Carl Holmes.

Hearing closed on **HB 2485**.

HB 2405 Incentives for production of energy from renewable resources and use of waste energy from electric generation; sunset of certain tax credits.

Proponents:

Mary Jane Stankiewicz, Kansas Association of Ethanol Processors, (Attachment 3), presented testimony in support of **HB 2405** noting some questions the Association had with the language of the bill, giving specifics of which portions of the grain plant were to be included and excluded from the bill.

Mark Schreiber, Westar, (Attachment 4), offered testimony in favor of **HB 2405**, noting Westar is specifically

CONTINUATION SHEET

MINUTES OF THE House Energy and Utilities Committee at 9:00 A.M. on February 13, 2007 in Room 241-N of the Capitol.

interested in utilizing the waste heat from electric generating plants.

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

Trevor McKeeman, NISTAC and Sunflower Energy Bio-Energy Center, (Attachment 5), presented testimony in support of **HB 2405**, noting some specific items of expansion of the legislation that would enhance what **HB 2405** could do.

Representative Carl Holmes conversed with Mr. McKeeman about the specifics of the intent of **HB 2405**.

Other questions were asked by Representatives: Bill Light, and Carl Holmes.

Written Fiscal note:

Richard Cram, Department of Revenue, (Attachment 6), presented the fiscal impact that this bill could generate.

Hearing closed on **HB 2405**.

Chairman Holmes noted that the Senate has not moved a lot of legislation to the House Energy and Utilities and therefore asked the committee to think of areas of interest for background information and possible tours.

The next meeting is scheduled for February 14, 2007.

Meeting adjourned.

February 13, 2007



TO:

TO: House Committee on Energy and Natural Resources

FROM: Trudy Aron, Executive Director

RE: Support of HB 2485

Good Morning Chairman Holmes and Members of the Committee, I am Trudy Aron, Executive Director of the American Institute of Architects in Kansas (AIA Kansas.) I am here to testify in support of HB 2485.

AIA Kansas is a statewide association of architects and intern architects. Most of our 700 members work in over 120 private practice architectural firms designing a variety of project types for both public and private clients. The rest of our members work in industry, government and education where many manage the facilities of their employers and hire private practice firms to design new buildings and to renovate or remodel existing buildings.

HB 2485 requires that the design of any public building construction shall conform to the International Energy Conservation Code 2006 (IECC 2006) or shall be made using life cycle cost methods and procedures. AIA Kansas believes that this bill is a good first step to sustainable design and, more specifically, high-performance buildings.

Brad Nies testified before your committee on January 17th that there was an immediate need to strengthen the State of Kansas' commitment to high-performance buildings. As he told the committee sustainable design is a holistic design and decision-making process which considers all three elements of the triple bottom line equally and concurrently when designing a high-performance building, community, or landscape. The **health and productivity of the user, the impact on our natural resources and environment, and the distinct and quantifiable fiscal advantages** resulting from this balanced approach are interdependent from the beginning of the design process, and continuing on through the **lifetime operation of the building**.

We believe that requiring lifecycle analysis is a great way to "prove" that the building meets a high performance standard. However, IECC won't get us there alone. And, without some guideline that public owners can use, we will not be able to compare one building to another to see what decisions made during the design and construction make the most sense to a particular building type.

We want to work with the committee during the remainder of the year to enhance this legislation to really make a difference in the health of our buildings, our environment and our pocket books.

We ask that you pass HB2485 out of the committee favorable and come back next year to make it even better. Thank you.

President
Douglas R. Cook, AIA
Olathe
President Elect
C. Stan Peterson, FAIA
Topeka
Secretary
David S. Heit, AIA
Topeka
Treasurer
J. Michael Vieux, AIA
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Wichita
Craig W. Lofton, AIA
Lindsborg
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Manhattan
Hans Nettelblad, AIA
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Wendy Ornelas, FAIA
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Associate AIA
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Daniel (Terry) Tevis, AIA
Lenexa
Jerry E. Volesky, AIA
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DATE: 2-13-2007
ATTACHMENT 1



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League of Kansas Municipalities

To: House Energy and Utilities Committee
From: Kimberly Winn, Director of Policy Development & Communications
Date: February 13, 2007
Re: HB 2485

On behalf of the 576 member cities of the League of Kansas Municipalities (LKM), thank you for the opportunity to offer our comments with regard to HB 2485. At the outset, we believe that it is important to note that we support energy conservation measures and the general concept of this legislation. Our only concern with this legislation as written is that it is an unfunded mandate.

Conforming to the energy conservation standards set out in HB 2485 will increase the cost of new public buildings and the cost of traffic signals in the state. The increased cost with respect to public buildings would vary based upon the type of building being proposed. The cost of converting traffic signals to LED lighting would be approximately \$200 per traffic head.

We understand that these additional costs may be offset by energy savings. However, we believe that such cost/benefit analysis should be done at the local level by locally elected officials.

LKM stands ready and willing to promote energy conservation measures and to encourage city officials to consider this very important issue when developing new public facilities. We cannot, however, support HB 2485 at this time because it is an unfunded mandate.

Again, thank you for the opportunity to share our concerns. I would be happy to stand for questions at the appropriate time.

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DATE: 2/13/2007
ATTACHMENT 2



Ethanol - *Made in Kansas*

Association Of Ethanol Processors

HOUSE ENERGY AND UTILITIES COMMITTEE

HB 2405 – Incentives for Production of Energy from Renewable Resources and Use of Waste Energy from Electric Generation

FEBRUARY 13, 2007

Good morning Chairman Holmes and members of the House Energy and Utilities Committee. I am Mary Jane Stankiewicz, Vice President and General Counsel for the Kansas Association of Ethanol Processors (KAEP). KAEP is the trade association that represents ethanol plants and their affiliated industries in the state.

KAEP appears in support of HB 2405 and simply raises one question for clarification purposes. On page 19 of the bill, line 27, the term biomass is defined as “any organic matter, including solid and liquid organic waste, but excluding (1) Oil, natural gas, coal and lignite, and any products thereof; and (2) corn or sorghum. Our hope is that the term “corn or sorghum” is meant to only refer to the actual grain and does not include the cob and husk and other parts commonly known as stover. These byproducts of the corn and sorghum plant are actually being used currently in projects that are deemed to be biomass projects and we would hope that these projects would still qualify as a biomass project under the provisions of this bill.

We thank you for your attention to this matter.

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ATTACHMENT 3

Testimony of Mark Schreiber
Director Government Affairs, Westar Energy
On House Bill 2405
February 13, 2007

Chairman Holmes and members of the committee, my name is Mark Schreiber. I am the Director Government Affairs for Westar Energy. Westar Energy supports HB 2405.

House Bill 2405 provides incentives for utilization of waste heat from electric generating plants for further electric generation. The use of waste heat from our plants to generate more electricity increases the overall efficiency of the plant by creating more megawatts per unit of fuel. In addition the bill provides incentives for new integrated coal gasification plants. Currently there are only two IGCC plants in the country. Both could be characterized as demonstration projects. However, Duke Energy and AEP have both indicated interest in building commercially viable IGCC plants within the next few years. Indiana passed incentive legislation to assist siting an IGCC plant in their state.

Bringing new technology to commercial operation is expensive. Incentives provide some relief to the companies bringing this technology forward. The fiscal impact of these incentives must also be considered. However, the nation will continue to need a baseload fuel such as coal for the foreseeable future. The use of waste heat that makes coal plants more efficient or the commercial use of IGCC technology to use coal with less emissions appears to be sound use of incentives.

Thank you for the opportunity to provide these comments to the committee today. I will be glad to stand for questions at the appropriate time.

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ATTACHMENT 4

**TESTIMONY SUBMITTED TO
HOUSE ENERGY & UTILITIES COMMITTEE
IN SUPPORT OF HB2405**

Presented by
Trevor McKeeman,

February 29, 2007

Chairman Holmes and members of the Committee good morning and thank you for the opportunity to testify before you today on HB2405. My name is Trevor McKeeman and I serve as the Business Development Manager for National Institute for Strategic Technology Acquisition and Commercialization (NISTAC).

Support for HB2405

Before addressing specific components of the bill, I would first like to commend the Chairman and Committee for their efforts in developing this legislation. Clearly this committee is taking action to position the state toward greater energy efficiency and renewable energy. As I alluded to yesterday in my testimony, Kansas has many of the natural resources to take advantage of these new industries. With the support of the state legislature, I believe, we can create an environment that will allow these entrepreneurial activities to flourish.

Sunflower Integrated Bioenergy Center

Beyond the broader conversation of promoting renewable energy within the state, today I again approach this legislation from the standpoint of the Sunflower Integrated Bioenergy Center. As you know this project is targeting a number of renewable energy facilities to colocate and create synergies between the systems. Again I will say, NISTAC has been very fortunate to partner with the Kansas Bioscience Authority and Sunflower Electric Power Corporation in this endeavor.

Promoting a Broader Range of Renewable Energy

The legislation we are reviewing today is important because it works to promote renewable energy and waste energy utilization in areas that have not receive as much support as say ethanol. Effectively this bill is saying there are a number of technologies in the market related to biomass and industrial production that should be encouraged. While the Federal Government has not identified some of these opportunities, the state can and should.

Further Enhancing the Legislation

While the broad scope of this bill is greater than my available speaking time today, I would like to touch on a few areas of the legislation that I feel could be adjusted to further enhance its effectiveness. I will briefly address these points by their corresponding section in the bill.

Sec 1-6 New Renewable Electric Cogeneration Facility

- The qualified investment in this section is 10% for the first 50,000,000 vs. other sections with 250,000,000. There are utilities around the country that currently burn

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items such as orchard clipping and certainly these investments can be very large. This may be an area to normalize with the rest of the bill.

- I would also ask whether this section includes large power plants and sites not tied to an existing industrial facility.
- Another important question is if solar and small scale wind would qualify under this provision.

Sec 7-9 Waste Heat Utilization System at an Electric Generation Facility

- I believe this section could be expanded to promote the use of residual heat in other applications beyond electricity generation. It is my understanding the most of the remaining heat in a large power plant is at a temperature that could not produce steam, but that it could be used to improve efficiencies in things like biofuels production.
- Also I would not mention that many of these tax provisions might need modification to allow cooperatives and municipal companies to qualify.

Sec 10-11 Biomass-to-energy Amendment

- I briefly wanted to mention that the amendments to include biomass to energy an excellent addition. The inclusion of coproducts in this definition was very appropriate as well.

Sec 15 New Refinery or Expansion

- One trend that may occur in the future is the use of existing refineries to create fuels such as biodiesel. This may be a consideration for this section.

Sec 16 New Pipeline

- One consideration for this committee on the pipeline incentives could be the expansion of this definition to include CO2 pipelines that would compliment the provisions in the carbon sequestration bill that we heard yesterday.

Sec 18-21 Biomass Expansion from "Cellulosic Alcohol Plant"

- Certainly the amendments proposed in this section create very positive opportunities for renewables such as bio-methane.
- However the definition of a biofuel on the basis of its BTU value of "equal or greater" to that of cellulosic alcohol could cause unintended consequences that might eliminate methane or other new fuels. Modifications might also be needed to compare gaseous fuels to the definition of liquid fuel based on gallons.
- I would also encourage the committee to leave open the option of excluding oil from corn or grain sorghum for biodiesel production which may be excluded in this section.

Sec 22 Integrated Coal Gasification Power Plant

- Again I would ask how these tax incentives could be used by cooperatives and other entities.

Thank you again for allowing me to speak here today.

To: House Committee on Energy & Utilities
 From: Kansas Department of Revenue
 Date: February 13, 2007
 Re: Fiscal Note House Bill 2405

1). Fiscal impact from the renewable electric cogeneration facility tax incentives: unknown.
 The department does not have any information to indicate that any such facility would be built in the near future.

2). Fiscal impact from the waste heat utilization system tax incentives: unknown.
 The department does not have any information to indicate that any such system would be built in the near future.

3). The amendments made in Sections 11 and 18 would expand the cellulosic alcohol plant tax incentives from what it was previously. The amendments would provide income tax credits, income tax deductions and property tax exemptions for all biomass-to-energy plant.

The department of revenue assumes that two new biodiesel plants will be built. We expect the construction will start after June 1, 2007, with completion and operation in early 2008 and with total biodiesel production capacity of 50 million gallon per year (MGY). The total project cost for the new plants is assumed to be \$62.5 million. The returns on investment on both projects are assumed to be about 10% of initial book value before depreciation. Assuming a 15-year average depreciation schedule for the real and personal property and that the amortizable assets over total assets is about 90%, the fiscal impact (in \$ millions) can be found in the table below:

FY	2009	2010	2011	2012	2013	2014
Kansas AGI at Current Depreciation Schedule	\$6.25	\$6.25	\$6.25	\$6.25	\$6.25	\$6.25
Total Kansas Tax Under Current Law	\$0.46	\$0.46	\$0.46	\$0.46	\$0.46	\$0.46
Kansas AGI Under Accelerated Depreciation Schedule	-\$20.94	\$7.19	\$7.19	\$7.19	\$7.19	\$7.19
NOL Carryforward		-\$20.94	-\$13.75	-\$6.56	\$0.00	\$0.00
AGI with NOL Carryforward	-\$20.94	-\$13.75	-\$6.56	\$0.62	\$7.19	\$7.19
Kanas Tax	\$0.00	\$0.00	\$0.00	\$0.04	\$0.53	\$0.53
Credit Allowed	\$0.00	\$0.00	\$0.00	\$0.04	\$0.53	\$0.53
Fiscal Impact on SGF	-\$0.46	-\$0.46	-\$0.46	-\$0.46	-\$0.46	-\$0.46
Exempt Real and Property Assessed Value	\$14.69	\$13.75	\$12.81	\$11.88	\$10.94	\$10.00
Reduction in School Finance Fund	-\$0.29	-\$0.28	-\$0.26	-\$0.24	-\$0.22	-\$0.20
Reduction in State Building Funds	-\$0.02	-\$0.02	-\$0.02	-\$0.02	-\$0.02	-\$0.02

Passage of the bill would reduce the state general fund by \$0.46 million for FY 2009, and reduce the state school finance fund and state building funds by \$0.29 million and \$0.02 million, respectively.

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Administrative Impact

The department needs to add a new special credit schedule; add a new line to K40 and K120; add a new line on schedule S for addback modification for the amortization cost; update Channel E-File and ATP E-File for the new credit schedule; update ATP credit database for the new credit and add new line items for Telefile and Webfile.

The estimated IS resources necessary to implement this bill are 2314 hours of in-house APA time. The estimated user testing resources necessary to implement the bill are 1008 hours of MSAI time. The total printing cost is \$525. At \$80/hour contract rate, the total administrative costs is \$266,258.

Concerning the property tax exemption in New Section 8 for waste heat utilization system property, most if not all property that would qualify for the exemption would be state assessed property. As such, our staff would be involved in reviewing the exemption applications and making sure that any property that is exempted is not included in the unit valuation for taxation purposes. All such procedures would be handled with current staff and budget. We would notify and work with counties about any changes that are made. All such procedures would be handled with current staff and budget. Taxpayers wanting to take advantage of the new exemption set forth in Section 8 will have to file an application with the Board of Tax Appeals.