

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 15, 2007 in Room 241-N of the Capitol.

All members were present except:
Annie Kuether-excused
Margaret Long-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:
Jere White, Corn and Grain Sorghum
Terry Holdren, Kansas Farm Bureau
Duane Simpson, Association of Ethanol Producers

Others attending:
Fifteen including the attached list.

Hearing On:

HB 2476: Incentives for purchase and installation of equipment for blending and storing bio-fuel.

Proponents:

Jere White, Corn and Grain Sorghum, (Attachment 1), offered testimony in favor of **HB 2476**. He noted this bill will provide incentives to expand bio-fuels facilities in Kansas.

Terry Holdren, Kansas Farm Bureau, (Attachment 2), gave support of the concept of **HB 2476**, commenting that this bill continues the growth of the expansion of bio-fuels.

Duane Simpson, Association of Ethanol Producers, (Attachment 3), offered testimony in favor of **HB 2476**. He commented this would help the terminals in Kansas that do not currently offer ethanol.

Chairman Holmes gave background on why this legislation was introduced. He noted many of the distribution facilities in Kansas often run out of ethanol by mid afternoon each day. Additionally, there are not many of the facilities throughout Kansas, making the logistics of distribution cumbersome. This bill would offer incentives to help spur the growth of blending plants.

Questions were asked by Representatives: Tom Moxley, Carl Holmes, and Tom Hawk.

Hearing on **HB 2476** was closed.

The next meeting is scheduled for February 16, 2007.

Meeting adjourned.

HOUSE ENERGY AND UTILITIES COMMITTEE GUEST LIST

DATE: February 15, 2007

NAME	REPRESENTING
PHIL WAGGS	KEPCO
TOM DAY	KCC



WRITTEN STATEMENT

TO: House Energy and Utilities Committee
FROM: Jere White, Executive Director
DATE: February 15, 2007
SUBJECT: House Bill 2476

The Kansas Corn Growers Association and Kansas Grain Sorghum Producers wish to submit this brief testimony in regards to HB 2476, a bill that would provide incentives to expand biofuels blending facilities in Kansas.

Ethanol today enjoys the opportunity of being generally available at most, but not all, of our state's nineteen terminal facilities. That is not to say that HB 2476 won't be of value in completing the further availability of ethanol blends for all Kansas terminals, it will. Clearly, biodiesel will benefit greatly from this proposal.

We have seen a keen interest in expanded biofuels use in Kansas. Clearly, expanded use is dependent upon competitive, readily available product for retailers to offer. By helping ensure the availability of all biofuels in Kansas, we are helping to minimize our reliance on foreign oil while also minimizing the cost of such fuels by having them available in more locations. There is another bill that has been introduced this session that would require the use of ethanol blends. Getting this fuel into all terminals will make it more readily available to all Kansas consumers...and a carrot is always easier to swallow than a stick. Thank you.

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PUBLIC POLICY STATEMENT

HOUSE COMMITTEE ON ENERGY AND UTILITIES

RE: HB 2476, an act concerning energy; relating to certain fuel storage and blending equipment; concerning certain income tax credits, income tax deductions and property tax exemptions.

February 15, 2007
Topeka, Kansas

Testimony provided by:
Terry D. Holdren
National Director
KFB Governmental Relations

Chairman Holmes and members of the House Committee on Energy and Utilities, thank you for the opportunity to appear today and offer testimony in support of HB 2476. I am Terry Holdren, National Director—Governmental Relations for Kansas Farm Bureau. KFB is the state's largest general farm organization representing more than 40,000 farm and ranch families through our 105 county Farm Bureau Associations.

On behalf of Kansas Farm Bureau I would like to extend our appreciation to the committee and the Legislature for its past support for bio-fuels. You undoubtedly share our firm commitment to this valuable, renewable energy resource. We at KFB stand ready to assist you in your mission to promote these alternative fuels.

Biofuels have tremendous upside not only for ag producers, but also fuel consumers. Consumption of alternative fuel reduces our dependence on foreign oil and enhances market demand for corn, soybeans and other crops, which is good for Kansas agriculture, and the rural Kansas economy.

As you know, our members consume large quantities of fuel, oil and fertilizer in a variety of uses ranging from running the tractor or combine, to the irrigation engine, to

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the application of nitrogen fertilizers that are petroleum derived products. In fact, within their communities, many of them purchase larger quantities of fuel than their local school district. Regularly, fuel expense is the largest input cost in overall production outlay. Farmers, as you know, operate their business without the opportunity to pass costs on to others. They are subject to receiving only what the market will pay for their commodities without regard for the costs of production. For these reasons, proactive programs that potentially lower future fuel costs are of vital importance.

Therefore, producing fuel from Kansas corn and soybeans is better long-term than continuing to rely on imported foreign oil. That's why putting new biofuel incentives in place are important to Kansas Farm Bureau. These incentives would help us build infrastructure for the industry and local demand for Kansas crops, while at the same time lowering the long-term cost of biofuel production. It is a win-win for Kansas farmers and consumers. For these reasons, KFB supports the proposal contained in HB 2476, which is a positive step and viable commitment by the state that should be seriously considered.

In conclusion, thank you for your consideration, your support of bio-fuels and Kansas agricultural producers. We stand ready to assist as you consider these important measures. Thank you.



Ethanol - *Made in Kansas*

Association Of Ethanol Processors

Statement in Support of HB 2476
House Energy and Utilities Committee
Carl Holmes, Chair
February 15, 2007

Thank you, Mr. Chairman and Members, my name is Duane Simpson; I am the Vice President of Government Affairs for the Kansas Association of Ethanol Processors. KAEP is the trade association that represents ethanol plants and their affiliated industries in the state. On behalf of the members of KAEP I am testifying in support of HB 2476.

HB 2476 gives a tax credit of 10% on the first \$10,000,000 invested and 5% thereafter on investments for blending and storage equipment to blend renewable fuels into petroleum products. KAEP supports this bill for two basic reasons. First of all, our members qualify for the credit if they choose to build the blending facilities at the ethanol plant. Some plants throughout the country have started doing this in order to help promote the sell of E-85 and a tax credit will help Kansas ethanol plants if they choose to do so. Secondly, regardless if our members actually take the tax credit, the incentive for other businesses will help build the badly needed supply chain for E-85. Today, it is very difficult for a retailer that wants to sell E-85 to find a fuel terminal that provides ethanol. This type of credit will make it easier for retailers that want to provide E-85 to get the fuel. As more Kansas consumers purchase Flex Fuel Vehicles, we're going to need more than 16 E-85 gas stations in the state. This bill helps alleviate the supply chain problems. I urge the committee to support the bill and will stand for questions at the appropriate time.

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