

MINUTES OF THE HOUSE ENERGY AND UTILITIES COMMITTEE

The meeting was called to order by Chairman Carl Holmes at 9:15 A.M. on January 16, 2008 in Room 783 DSOB of the Capitol.

All members were present except:

Dan Johnson- excused

Vaughn Flora-excused

Committee staff present:

Mary Galligan, Kansas Legislative Research

Carol Toland, Kansas Legislative Research

Mary Torrence, Revisor's Office

Melissa Doeblin, Revisor's Office

Renae Hansen, Committee Administrative Assistant

Conferees appearing before the committee:

Lyle Peterson, Department of Commerce

Others attending:

Forty three including the attached list.

The committee and staff members each made a guess at what the price of gas would be at 6th and Quincy on February 1, 2008. Today's price was \$2.79 per gallon.

Representative Rob Olson moved to introduce the list of bills (Attachment 1), seconded by Representative Joshua Svaty. Motion carried.

Lyle Peterson, Department of Commerce, (Attachment 2), spoke to the committee on existing BioFuel incentives in the state of Kansas. His report included information about these programs: Ethyl Alcohol Production Incentive, Bio-diesel Fuel Producer Incentive, Alternative Fuel Tax Credit, Storage and Blending Equipment Tax Credit, Renewable Electric Co-generation Facility Tax Credit, Biomass to Energy Plant Tax Credit, Kansas Retail Dealers Incentive Fund, Waste Heat Utilization System, and Coal or Coke Gasification Nitrogen Fertilizer Plant. It was noted there is a sunset of 2013 on the Ethyl Alcohol Production Incentive. The Federal incentive currently will expire in 2010 according to Representative Holmes. It was also noted that the state offers \$.30 per gallon rebate for Bio-diesel, with no limitations, and \$1.00 per gallon from the federal system, which has been taken out of the current energy plan. These are tax credits to the first blender of the fuel. On the state level the refund is for per gallon sold for the B-100 product. Chairman Holmes noted that there are currently 3 blenders that will be taking advantage of the blending equipment tax credit offered through legislation in 2007, making the blended fuels available in closer proximity to the users. Though no one currently is using the biomass to energy plant tax credit it was noted that the incentive was broadened to include all bio-mass production facilities. It was noted that there are currently no applicants for the incentives, but there is activity out there for the future use of these incentive funds. It was requested that the amount or rate of the incentive and requirements to receive the incentive be given to the committee members.

Questions were asked and comments made by Representatives: Tom Sloan, Don Myers, Carl Holmes, Tom Moxley, Tom Hawk, Forrest Knox, and Vern Swanson.

A discussion ensued on the process of coal gasification to nitrogen fertilizer.

Mary Galligan introduced the new committee staff person from the research office, Carol Tolland.

The next meeting is scheduled for January 17, 2008.

The meeting was adjourned at 10:14 am.

HOUSE ENERGY AND UTILITIES COMMITTEE GUEST LIST

DATE: January 16, 2008

NAME	REPRESENTING
MARK SCHREIBER	WESTAR ENERGY
Lindsey Douglas	Hein Law Firm
David Spryng	Cubs
Dave Holman	KEC
TOM DAY	KCC
DAN WAGGS	KEPCO
JOHN C. BOTTEMBERG	Bottenberg Assoc
Bill Sneed	ATT
LOW STANTON	NORTHERN NATURAL GAS
MIKE REECH	GBBA
Joe Dick	KCBPU
Mark Urban	Kansas Gas Service
Frank	Oman Ethanol
Shirley Bon-Jill	CUK Energy (Coffeyville Reg.)
JUDY BADD	EMBARQ
P. Sue Dunbar	EMBARQ
Randy Knox	Embarq
Carolyn Guston	EMBARQ
Claudia Sands	Embarq

House Energy and Utilities Committee

Bill Introductions

January 16, 2008

1. Pricing flexibility/Lifeline services program
2. Rules and Regulations for KDHE – underground crude oil storage
3. Energy efficiency bill, KCPL
4. Location and mapping of underground water and wastewater facilities
5. Broadband deployment assistance program, establishment of
6. Approval of wind power generation facilities
7. Urging development of electric transmission lines for energy security and economic development
8. Establishment and implementation of water sustainability review process
9. Treatment of non-potable waters in Kansas
10. Energy resources commission, establishment of
11. Provider of last resort
12. Clean coal technology, funding and resolution, including survey of electric utilities by KCC
13. Electric generation, transmission and efficiency and air emissions
14. Embarq
15. Interconnection agreements on wind farms

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ATTACHMENT

1

Kansas State House of Representatives Energy and Utilities Committee

KANSAS DEPARTMENT OF COMMERCE

Lyle E. Peterson BioProducts Specialist, Agriculture Marketing Division

Testimony Regarding Internal Review of Existing BioFuel Incentives

January 16, 2008

Good morning Chairman Homes and members of the Committee. I am Lyle Peterson of the Agriculture Marketing Division, Department of Commerce.

Since 2001, the Kansas Legislature has passed various incentives to promote the state's production and use of biofuels. The Kansas Energy Council is encouraging State agencies currently administering biofuel incentives to coordinate an internal program review of existing biofuel incentives and report to Legislative Committees on both the effectiveness and potential problems or inefficiencies. The programs that this report focuses on are Biomass-to-Energy Plant, Coal or Coke Gasification Nitrogen Fertilizer Plant, Renewable Electric Cogeneration Facility and Storage and Blending Equipment Tax Credit programs administered by the Department of Commerce. Also included is Ethyl Alcohol Production Incentive, Biodiesel Fuel Producer Incentive, Alternative-Fuel Fueling Station Tax Credit, Kansas Retail Dealers Incentive Fund and Waste Heat Utilization System Tax Credit and Deduction programs administered by the Department of Revenue. The Kansas Department of Commerce and the Kansas Department of Revenue were tasked with establishing rules and regulations associated with each program and then implementing these various programs.

The Kansas Energy Council has requested that this review be conducted by the Department of Commerce and reported to the Kansas Legislature at the beginning of each session. The expected results are that the dialogue between the Legislature and agencies will provide essential information of the effectiveness of these incentives, and if necessary, allow for needed improvements.

Ethyl Alcohol Production Incentive (KDOR)

Since inception of this program in 1988 there have been 1,172,533,985 reported gallons produced. The total gallons paid on were 736,073,572 for a total distribution of \$58,913,545.18 in incentives to producers.

The most recent year of fiscal 2007 shows reported production of 205,202,723 gallons. Of these gallons 66,756,991 were paid on for a total distribution of \$4,597,935.75. According to the Kansas Department of Health and Environment in December of 2007, existing Ethyl Alcohol Plants have been issued permits that allowed for 480,000,000 gallons of production.

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ATTACHMENT 2 -1

Fiscal year 2006 shows reported production of 142,776,486 gallons. Of these gallons 51,890,954 were paid on for a total distribution of \$3,891,821.56. According to the Kansas Department of Health and Environment in 2006, existing Ethyl Alcohol Plants were issued permits that allowed for 244,000,000 gallons of production.

There are not any apparent problems associated with administration of the Ethyl Alcohol Production Incentive that the Department of Revenue has brought to my attention. There does seem to be a level of discomfort by some producers about the proration of the funds and how it affects some more than others based on when they meet their 15 million gallon per year production level.

Biodiesel Fuel Producer Incentive (KDOR)

Since inception of this program in 2007 there have been 82,753 reported gallons produced. The total gallons paid on were 82,260 for a total distribution of \$24,678.00 in incentives to producers. At this point in time there are only two small producers participating in the program. A third has indicated they would be filing for the 4th quarter of 2007. Another large producer that will be coming into the program is scheduled to go on line late 2008 or early 2009 and is projected to produce 60,000,000 gallons per year.

Alternative Fuel Tax Credit (KDOR)

To date there have been 159 filers beginning in tax year 2003 thru tax year-to-date 2006 with total tax credits of \$421,310 allowed. These numbers include taxpayers making expenditures for qualified alternative fuel fueling stations as well as expenditures for a qualified alternative fuel motor vehicle. There are less than 5 filers making expenditures for alternative fuel fueling stations for tax years 2003-2006, the remaining expenditures being for alternative fuel motor vehicles. The Department of Revenue reports no problems or inefficiencies associated with this program.

Storage and Blending Equipment Tax Credit (KDOC)

The first application for this program is now in my office and I am ready to begin the certification process. A sales and marketing plan for this program is being developed in Commerce at this time. With the proper marketing of this program I would expect the participation in this program to grow which will lead to the increased availability of alternative fuels on the wholesale level. This will play a key role in the success of the Kansas Retail Dealers Incentive Fund which begins in 2009. More detailed information will be available on this program at the beginning of the 2009 legislative session.

Renewable Electric Cogeneration Facility Tax Credit (KDOC)

To date there has been no activity in the program. This success of this program will also depend on sales and marketing of the program to persons involved in industrial, commercial or agricultural processes, which is why a plan is being devised at this time. More detailed information will be available on this program at the beginning of the 2009 legislative session.

Biomass-To-Energy Plant Tax Credit (KDOC)

There has been no activity to date in this program.

Kansas Retail Dealers Incentive Fund (KDOR)

This program does not go into effect until January 1, 2009. Therefore there will be no data to report pertaining to this program until the beginning of the 2010 legislative session.

Waste Heat Utilization System (KDOR)

There has been no activity to date in this program.

Coal or Coke Gasification Nitrogen Fertilizer Plant (KDOC)

There has been no activity to date in this program due to severe flooding that occurred in South East Kansas this past year. I plan on meeting with the management from Coffeyville Resources early this year to market this program to them. I anticipate having something to report on this program at the beginning of the 2009 legislative session.