Approved: March 17, 2008
Date

MINUTES OF THE HOUSE ENERGY AND UTILITIES COMMITTEE

The meeting was called to order by Chairman Carl Holmes at 9:15 A.M. on February 5, 2008 in Room 783 of the Docking State Office Building.

All members were present except:
Dan Johnson- 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:
Earnie Lehman, Sunflower Electric
Robert McLennan, Tri-State
Wayne Penrod, Sunflower Electric
Duane Simpson, Ethanol Producers
Cory Peterson, Associated General Contractors of Kansas, Inc.
Jarrod Forbes, Orion Ethanol
Rich Taylor, Central and Western Kansas Building and Construction Trades Council
Amy Blankenbiller, Kansas Chamber of Commerce
Bill Smalley, Smalley Heating and Cooling

Others attending:
Sixty including the attached list.

(Attachment 1) A map of the coal plants, and wind plants, in the state of Kansas was passed out to committee members.

(Attachment 2) Annual projected impact of the project that would be created if the plants are built.

Continued hearing on:

HB 2711-Electric generation, transmission and efficiency and air emissions.

Earnie Lehman - (Attachments 3) presented testimony in support of **HB 2711**. He noted the long range time frame involved to make a project like Sunflower's Holcomb plant, come to fruition. Additionally included in his testimony is a report produced by the Kansas Research Department, (Attachment 4) comparing the price of electricity between eastern and western Kansas. Also included is a chart showing (Attachment 5) the price differential between the east and the west parts of the state.

Robert McLennan, Senior Vice president, External Affairs, Tri-State, (Attachment 6) presented testimony in support of **HB 2711** noting why Tri-State has been involved in this issue and the legislation.

Wayne Penrod, Executive Manager Environmental Policy, Sunflower Electric, (Attachment 7), presented testimony in support of **HB 2711** noting the ways in which it is possible to increase coal base-load generation and still provide environmentally cleaner coal electric energy production than has previously been ever possible. He noted that the transmission lines that would be built to carry the energy from the plant would be large enough to carry renewable energy to the east and west parts of the United States.

Duane Simpson, Ethanol Producers, (Attachment 8), offered testimony in favor of **HB 2711** noting that the bill helps to make clear that the regulations for air quality permits are followed, and not allowed to be changed at the discretion of some Kansas state agency. In his testimony were instances in which they have some

disagreements with the details of the legislation.

Cory Peterson, Executive Vice-President , Associated General Contractors of Kansas, Inc., (Attachment 9), presented testimony in support of **HB 2711** noting a minor suggested amendment to the bill.

Jarrod Forbes, Orion Ethanol, (Attachment 10), offered testimony in support of **HB 2711**, noting that their project and projects like the Sunflower plant will help to revitalize the economy of small rural communities.

Rich Taylor, Central and Western Kansas Building and Construction Trades Council, (Attachment 11), presented testimony in support of **HB 2711** noting the number of jobs this facility will produce for western Kansas.

Amy Blankenbiller, Kansas Chamber of Commerce, (Attachment 12), presented testimony in support of **HB 2711** specifically supporting sections 30, 31, 32, and 33. She noted that the Chamber is opposed to the KDHE's ruling on the air permit based on the CO_2 emissions that were not defined as pollution by Federal or State regulations. They support businesses being treated fairly in the regulatory process in the State of Kansas and the regulatory framework of existing regulations. She also noted they have issues with: the legislature creating an emission limit for a specific environmental constituent (i.e. carbon dioxide) through statue instead of by regulation, and the carbon tax, which would make Kansas the first state in the nation to adopt a carbon tax by statute instead of going through a well-established regulatory framework.

Bill Smalley, Smalley Heating and Cooling, (Attachment 13), noted his support of **HB 2711** noting specific suggestions for improvement of the net metering portion of the bill.

Written testimony in support of **HB 2711** was submitted.

Coffey County Commissioners (Attachment 14) submitted testimony in support of **HB 2711** noting their continued support of Sunflower Electric Power Corporation's proposal to construct two coal-fired electric generation facilities in Finney County.

Paul Beck, President, Kansas Legislative Policy Group, (Attachment 15), submitted testimony in support of **HB 2711.**

Questions were asked and comments made by Representatives: Tom Hawk, Peggy Mast, Cindy Neighbor, Josh Svaty, Vaughn Flora, Carl Holmes, Terry McLachlan, Oletha Faust-Goudeau, Vern Swanson, Richard Proehl, Tom Sloan, Bill Light, and Tom Moxley.

One legislator questioned the means of using legislation to stop the opinion of one appointed State administrator as opposed to using litigation. It was noted that many felt that legislation as well as litigation needed to be pursued in this matter. It was noted that there have been ethanol facilities that have been in the plans that have left the state due to the denial of the permit due to CO_2 emissions. One person noted that they felt the Secretary should not make a decision based on emission standards that are more stringent than federally established regulations.

The next meeting is scheduled for February 6, 2008.

The chairman handed out an article (Attachment 16) from online from Citigroup, Inc entitled, "Leading Wall Street Banks Establish The Carbon Principles: Guidelines to strengthen environmental and economic risk management in the financing and construction of electricity generation."

The meeting was adjourned at 11:00 a.m.

HOUSE ENERGY AND UTILITIES COMMITTEE
GUEST LIST

DATE: February 5, 2008

NAME	REPRESENTING
Mark Schreiber	Sunflower
Wayne Penrod	Sunflower
Jamie Jones	Omni Ethanol
Lindsey Douglas	Hein Law Firm
Earnie Lehman	Midwest Energy
Dave Holthaus	KEC
Jeff Glendening	KS Chamber
Amy Blankenbiller	KS Chamber
Bill Smalley	Smalley Heating & Cooling
Tom Day	KCC
Joe Dick	KCBPU
Woody Moses	Ks Cement Council
Mark Schreiber	Westar
Larry Berg	Midwest Energy

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ATTACHMENT 1

ENERGY AND HOUSE UTILITIE
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ATTACHMENT 1

Total Annual Project Impacts, Two Units

	Jobs	Earnings	Local & State Sales Taxes
Temporary Impacts			
Western Kansas	1,501	$42,349,442	$1,161,301
Eastern Kansas	967	$35,951,022	$453,799
Kansas	2,466	$78,300,464	$9,334,256
Out-of-State	11,857	$321,905,176	NA
Permanent Impacts			
Western Kansas	274	$14,822,980	$299,919
Eastern Kansas	53	$1,362,918	$54,311
Kansas	329	$16,157,450	$683,971
Out-of-State	280	$7,396,847	NA

* Study conducted by Dr. Ralph Gamble, FHSU Professor of Economics and Finance

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Earnest A. Lehman, President and General Manager

Testimony Submitted by Earnie Lehman
To the House Energy and Utilities Committee
In Support of HB 2711

February 4, 2008

Mr. Chairman and members of the Committee, thank you for the opportunity to appear before you today. I am Earnie Lehman, President and General Manager of Midwest Energy, Inc., a customer-owned gas and electric utility serving 90,000 customers in 41 counties of central and western Kansas. We also provide wholesale electricity to 8 municipalities. I support this legislation as essential to meeting the future energy needs of virtually every Kansan west of Salina and Hutchinson. My testimony will focus on the relatively high rates paid by Sunflower member cooperative customers and Midwest Energy customers. I'll also highlight the relatively low average incomes of western Kansans, and their relatively greater age. I'll discuss the lack of new baseload energy alternatives to serve Midwest Energy customers, who (like Sunflower) nevertheless have made much larger relative commitments to wind energy (capacity equivalent to 16% of our peak load) than other, much larger Kansas utilities.

I'll begin by talking about rates. Cindy Lash of the Legislative Research Department analyzed the 2005 residential, commercial and industrial rates of all

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Kansas utilities last December. She prepared a report I have included with this testimony. Ms. Lash's research speaks for itself. I note that her analysis shows the following differences between average rates paid in 2005 by eastern and western Kansans.

Class	East	West	Premium	%
Residential	**7.6 cents**	**10.2 cents**	**2.6 cents**	**34.2%**
Commercial	**6.6 cents**	**9.4 cents**	**2.8 cents**	**42.4%**
Industrial	**5.2 cents**	**10.4 cents**	**5.2 cents**	**100%**

I located 2006 information for residential customers compiled by the Kansas Electric Cooperatives, Inc., an association to which all Kansas and several non-Kansas cooperatives belong, from reports filed at the Federal Energy Regulatory Commission and the Rural Utilities Service. We calculated the weighted average rates and usage for Sunflower member cooperatives, Aquila customers now served by those cooperatives and Midwest Energy. Then we calculated similar weighted averages for Westar (north and south) and Kansas City Power & Light.

Sunflower/Midwest average revenue/kWh	**10.01 cents**
Westar/KCPL average revenue/kWh	**7.34 cents**
Sunflower/Midwest premium and %	**2.67 cents (36.4%)**

Fortunately, our residential customers use less energy.

Sunflower/Midwest average monthly residential usage	**819 kWh**

Westar/KCPL average monthly residential usage	**989 kWh**
Westar/KCPL extra usage (%)	**180 kWh** **20.8%**

It's good that our customers use less energy because they have a lot less money to pay for it. We use income and demographic data in preparing annual and long-range energy usage forecasts for Midwest Energy. Our most recent Average Median Household Income reflects 2004 data.

Midwest Energy Service Area	**$33,854**
Kansas Average	**$41,664**
Populous Counties (Douglas, Johnson, Leavenworth, Saline, Sedgwick, Shawnee and Wyandotte)	**$45,751**
MWE as a proportion of Kansas Average	**81.3%**
MWE as a proportion of populous counties	**74.0%**

We are not only poorer, we are older. One out of six residents in counties served by Midwest Energy (16.65%) is older than 65. For Kansas as a whole, the ratio (13.25%) is closer to one out of eight residents older than 65.

There is an ironic silver lining. Only 10.8% of persons in our service territory were in poverty in 2004 versus 11.1% for Kansas as a whole. But that is still 10.8% of the population that is already having trouble paying its utility bill.

Now I'll shift our attention to the lack of alternatives currently available to Midwest Energy and Sunflower for new baseload energy supplies. Midwest

Energy conducted two RFP processes (requests for proposals) in early 2006. One RFP was issued to replace expiring contracts under which Westar supplies most of our energy needs. The other RFP was issued to secure additional renewable energy resources. Our renewable energy RFP was successful. We currently have 25 MW of wind resources, equivalent to about 8% of our retail peak load. **By the end of 2008 we will have 25 more MW for a total of 50 MW, equivalent to 16% of our retail peak load. We will have half the wind energy resources of KCPL, although their 2006 energy sales were more than 14 times greater than Midwest Energy's.**

We have been far less successful in securing the baseload energy resources needed to serve our customers "around the clock". Except for our Letter of Intent with Sunflower to purchase 75 MW from one of the new Holcomb units, we have been unable to obtain any commitment from any utility operating in Kansas to provide any baseload resources. It may happen, but it hasn't happened yet, forcing Midwest Energy to operate under short-term agreements that expose its customers to considerable risks.

Midwest Energy has located other sources of baseload energy outside Kansas. I hope we will not be forced to go to Arkansas, Illinois or Nebraska to serve the needs of our customers. Even if we are, it will take several years before we know whether transmission service will be available to deliver those new

resources and at what cost. My experience with Midwest Energy and the knowledge I have gained as Vice Chair of the Kansas Electric Transmission Authority have taught me the virtue of trying to meet the needs of our customers as close to home as possible.

I do not believe it is sound policy to drive more and more of our electric generation to natural gas. Over the last decade or so electric utilities relied almost entirely on natural gas fired generation to meet the growth in their summertime needs for power. Natural gas prices no longer remain low through the summer as they used to. I fear for the future heating bills of Midwest Energy's (and all other utilities') gas customers should electric utilities have to burn large quantities of gas year around.

There are many other aspects of the bill that deserve praise, particularly the carbon mitigation requirements and strategies. I have chosen to focus on power supplies because, without reliable and affordable electric service, I have failed in my responsibility to our customer-owners. We look forward to a balanced future of renewable energy, energy efficiency, and clean gas and coal-fired energy resources which will allow our customers to share in the dream of a better future.

Mr. Chairman, Midwest Energy supports HB 2711 and urges its favorable passage out of Committee. I will stand for questions at the appropriate time. Thank you.

KANSAS LEGISLATIVE RESEARCH DEPARTMENT

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Revised
December 17, 2007

Comparison of Electricity Rates for Eastern and Western Kansas

This memorandum compares the electricity rates for eastern and western Kansas. The table below shows that, on average, rates for consumers in eastern Kansas are lower than rates in western Kansas in the three major categories of use - residential, commercial, and industrial. Questions have been raised about summer and winter rates; however, the data available from the U.S. Department of Energy provided only average annual rates for the major categories of use. KCC officials thought the difference between summer and winter rates was not significant.

To conduct this analysis, we divided the State east and west along a line beginning with the boundary between Jewell and Republic counties and dropping south (the three counties bisected by the line–Reno, Kingman, and Harper–were included in the western Kansas category). For utilities whose service area crossed the dividing line, we placed the utility in the area where it had the greatest geographic coverage. There are two things to note about this data:

- The rates reported are all-inclusive. They can be characterized as the average price customers pay per kilowatt hour (kWh).
- The categories for commercial and industrial users are not based on standard definitions, so there are likely to be differences between utilities on how they categorize non-residential customers.

Comparison of 2005 Electric Utility Rates

	Eastern Kansas	Western Kansas
Residential		
Weighted Average Price (cents/kWh)	7.6	10.2
Range of Prices (cents/kWh)	4.6-15.1	7.7-13.6
Number of Consumers	1,015,110	175,135
Commercial		
Weighted Average Price (cents/kWh)	6.6	9.4
Range of Prices (cents/kWh)	1.0-24.3	6.6-22.5
Number of Consumers	139,789	72,509
Industrial		
Weighted Average Price (cents/kWh)	5.2	10.4
Range of Prices (cents/kWh)	1.9 -175.0	5.0-17.1
Number of Consumers	6,858	10,143

The attached spreadsheet contains detailed information for each utility, and shows the east-west categorization. For further information or questions, please contact Cindy Lash at the Legislative Research Department, 785-296-3181.

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Average Retail Price of Electricity by Utility, 2005
Comparison of Eastern and Western Kansas

Area of Service	Entity	Class of Ownership	Residential		Commercial		Industrial	
			Number of Consumers	Average Price (cents/kWh)	Number of Consumers	Average Price (cents/kWh)	Number of Consumers	Average Price (cents/kWh)
East	City of Arcadia	Public	174	15.1	3	1.0		
East	Sumner-Cowley Elec Coop, Inc	Cooperative	3,751	13.5	516	11.0		
East	City of Arma	Public	775	13.5	73	11.7	2	1.9
East	City of Blue Mound	Public	175	13.1				
East	City of Belleville	Public	1,119	12.6	272	9.5		
East	Caney Valley El Coop Assn, Inc	Cooperative	3,662	12.5	1,580	12.2		
East	Bluestem Electric Coop Inc	Cooperative	5,195	12.2	1,254	9.5	150	16.6
East	Flint Hills Rural E C A, Inc	Cooperative	5,323	12.0	721	10.0	18	17.1
East	Heartland Rural Elec Coop, Inc	Cooperative	9,341	11.7	1,538	10.0		
East	Leavenworth-Jefferson E C, Inc	Cooperative	7,370	11.6	589	8.1		
East	City of Baldwin City	Public	1,468	11.6	310	10.6		
East	Lyon-Coffey Electric Coop, Inc	Cooperative	5,565	11.3	1,644	12.0	2	10.4
East	Butler Rural El Coop Assn, Inc	Cooperative	5,896	11.1	681	10.2	1	175.0
East	Girard City of	Public	1,387	11.0	273	10.5	33	7.0
East	Twin Valley Electric Coop Inc	Cooperative	2,199	10.9	382	13.4		
East	Radiant Electric Coop, Inc	Cooperative	2,804	10.9	1,623	10.9		
East	City of Chetopa	Public	657	10.8	129	9.1		
East	City of Mulberry	Public	251	10.7	19	9.5		
East	City of Herington	Public	1,171	10.6	171	10.6		
East	City of Wathena	Public	572	10.4	95	7.8		
East	City of Toronto	Public	233	10.2	23	10.1		
East	City of Augusta	Public	3,760	10.1	498	9.7		
East	D S & O Rural E C A, Inc	Cooperative	6,318	10.0	1,017	9.9	3	7.6
East	City of Winfield	Public	6,650	9.9	1,460	8.7	120	5.4
East	Erie City of	Public	531	9.9	168	8.7	1	10.0
East	City of Elwood	Public	515	9.9	20	9.3	1	6.6
East	City of Hillsboro	Public	1,183	9.7	251	9.2		
East	Washington City of	Public	583	9.7	190	7.2		
East	City of Chanute	Public	4,661	9.7	882	9.1	89	6.2
East	City of Fredonia	Public	1,409	9.7	301	9.4		
East	City of Prescott	Public	109	9.7	23	6.1		
East	City of Muscotah	Public	94	9.6	8	9.8		
East	Sedgwick Cnty El Coop Assn Inc	Cooperative	4,421	9.6	896	9.0	3	6.5
East	City of Wellington	Public	3,879	9.6	689	8.0	32	7.9
East	City of St Marys	Public	846	9.6	164	9.1		
East	City of Osage City	Public	1,319	9.6	287	8.4	7	4.4

Average Retail Price of Electricity by Utility, 2005
Comparison of Eastern and Western Kansas

Area of Service	Entity	Class of Ownership	Residential		Commercial		Industrial	
			Number of Consumers	Average Price (cents/kWh)	Number of Consumers	Average Price (cents/kWh)	Number of Consumers	Average Price (cents/kWh)
East	City of Neodesha	Public	1,342	9.5	246	8.1	51	8.1
East	City of Gardner	Public	5,254	9.5	283	7.7		
East	City of Horton	Public	910	9.5	154	10.0	2	10.0
East	City of Savonburg	Public	50	9.4	7	10.0		
East	City of Marion	Public	946	9.4	255	8.5	2	9.5
East	Osawatomie City of	Public	1,939	9.4	229	8.4	1	10.5
East	City of Mulvane	Public	2,127	9.3	316	8.4		
East	City of Garnett	Public	1,584	9.3	272	9.1	49	7.9
East	Mount Hope City of	Public	335	9.3	37	7.2		
East	City of Vermillion	Public	86	9.2	16	9.8		
East	City of Pomona	Public	513	9.2	47	7.0		
East	City of Coffeyville	Public	5,737	9.2	1,002	8.5	8	4.0
East	City of La Harpe	Public	320	9.1	8	7.8		
East	City of Wamego	Public	1,819	9.1	267	8.4	20	6.9
East	City of Clay Center	Public	2,241	9.1	471	8.3	54	11.6
East	Doniphan Elec Coop Assn, Inc	Cooperative	1,536	9.0	118	8.8	2	3.6
East	City of Troy	Public	517	8.8	91	7.9		
East	City of Scranton	Public	304	8.8	24	11.0		
East	City of Moran	Public	246	8.8	58	8.0		
East	Ottawa City of	Public	5,592	8.7	441	5.1	105	6.9
East	City of Elsmore	Public	57	8.7	2	12.0		
East	City of Centralia	Public	252	8.7	56	9.3		
East	City of Eudora	Public	2,341	8.7	68	8.2	3	4.8
East	City of Chapman	Public	562	8.7	70	11.6		
East	City of Burlingame	Public	564	8.6	72	8.0	1	6.2
East	City of Glasco	Public	340	8.5	40	24.3		
East	City of Morrill	Public	102	8.5	46	10.6	8	13.3
East	City of Moundridge	Public	730	8.5	120	4.0	27	5.1
East	City of Sabetha	Public	1,479	8.4	503	7.7	69	7.1
East	City of Alma	Public	366	8.4	122	8.1	3	5.6
East	City of Minneapolis	Public	892	8.4	214	7.1	13	7.0
East	City of Kansas City	Public	57,486	8.4	6,871	7.3	99	4.7
East	City of Waterville	Public	395	8.3	49	9.4	11	9.8
East	City of Holton	Public	1,944	8.3	435	7.0	19	5.9
East	Kaw Valley Electric Coop Inc	Cooperative	8,077	8.3	693	8.4	19	6.2
East	City of Bronson	Public	148	8.3	18	7.5		
East	City of Galva	Public	361	8.2	51	8.4		

Average Retail Price of Electricity by Utility, 2005
Comparison of Eastern and Western Kansas

Area of Service	Entity	Class of Ownership	Residential Number of Consumers	Residential Average Price (cents/kWh)	Commercial Number of Consumers	Commercial Average Price (cents/kWh)	Industrial Number of Consumers	Industrial Average Price (cents/kWh)
East	City of Udall	Public	334	8.2	41	15.7		
East	City of Altamont	Public	547	8.2				
East	City of Lindsborg	Public	1,416	8.2	225	8.2		
East	Brown-Atchison E C A Inc	Cooperative	2,799	8.1	339	10.3		
East	Kansas Gas & Electric Co	Investor Owned	269,070	7.7	31,590	6.4	3,447	4.3
East	City of Enterprise	Public	359	7.7	7	8.9	2	6.4
East	Town of Summerfield	Public	115	7.5	28	6.0		
East	City of Oxford	Public	514	7.4	63	7.3	27	8.4
East	Nemaha-Marshall E C A, Inc	Cooperative	2,971	7.3	359	8.1	9	17.6
East	City of Seneca	Public	970	7.3	206	6.6	50	7.2
East	City of Burlington	Public	1,265	7.2	308	6.9		
East	City of Axtell	Public	196	7.1	39	8.6		
East	Empire District Electric Co	Investor Owned	8,820	7.1	1,447	7.4	46	5.0
East	Kansas City Power & Light Co	Investor Owned	202,770	6.9	25,268	6.0	1,052	5.2
East	Westar Energy Inc	Investor Owned	307,582	6.7	45,497	5.3	1,179	4.4
East	City of Robinson	Public	115	6.6	20	7.8		
East	City of Iola	Public	3,300	6.6	551	6.1	3	4.1
East	McPherson City of	Public	7,107	4.6	1,279	4.8	15	3.2
				Residential		Commercial		Industrial
	Eastern Kansas Summary	Number of Consumers		1,015,110		139,789		6,858
		High Price (cents)		15.1		24.3		175.0
		Low Price (cents)		4.6		1.0		1.9
		Weighted Average Price (cents)		7.6		6.6		5.2

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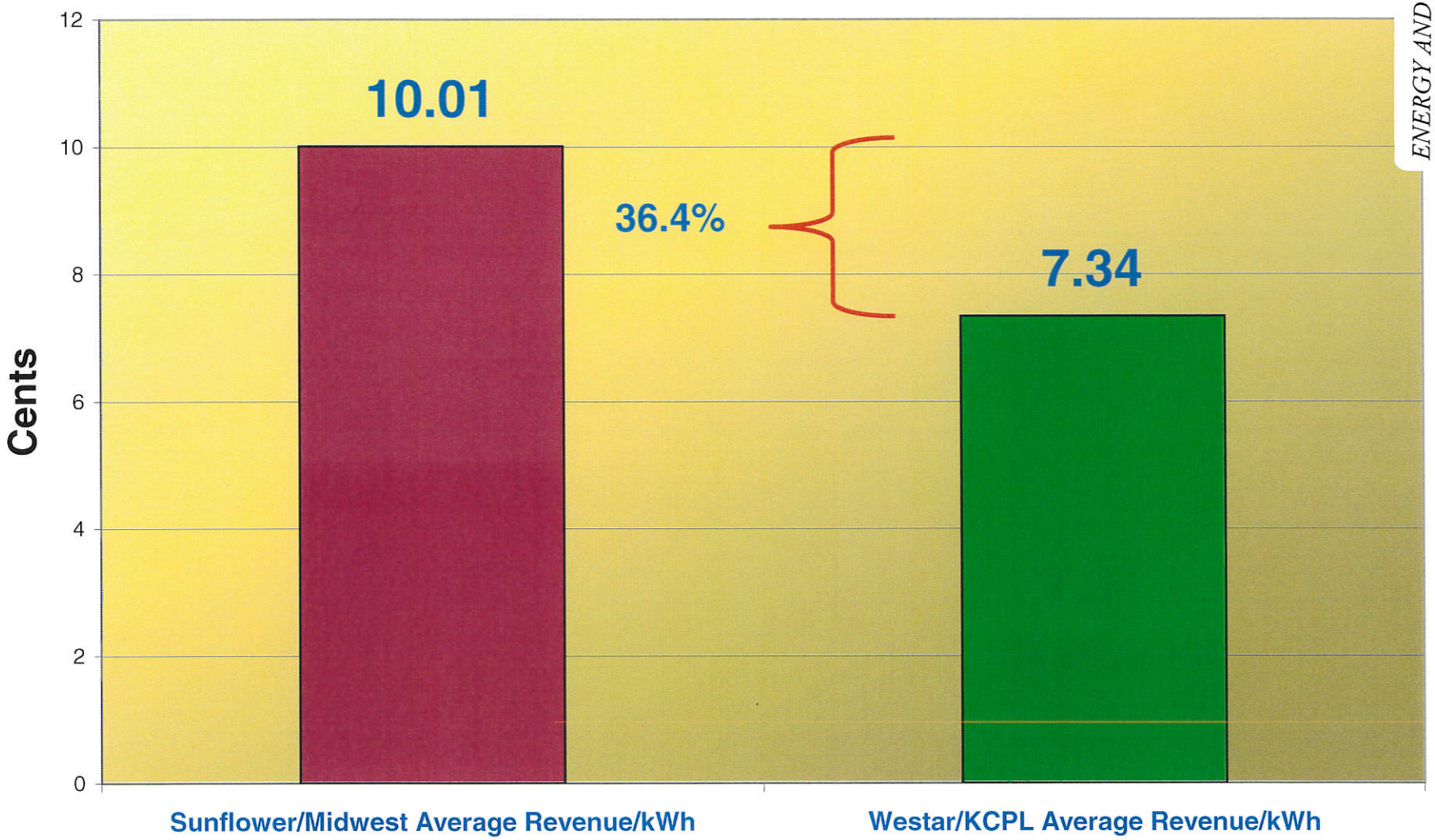
Average Retail Price of Electricity by Utility, 2005
Comparison of Eastern and Western Kansas

Area of Service	Entity	Class of Ownership	Residential		Commercial		Industrial	
			Number of Consumers	Average Price (cents/kWh)	Number of Consumers	Average Price (cents/kWh)	Number of Consumers	Average Price (cents/kWh)
West	City of Pratt	Public	3,329	13.6	608	9.9	43	10.6
West	Kingman City of	Public	1,557	13.2	310	16.1	14	11.1
West	Ninnescah Rural E C A Inc	Cooperative	2,638	12.9	975	12.1	1	6.8
West	Rolling Hills Electric Coop	Cooperative	8,876	12.3	1,370	10.5	498	15.3
West	CMS Electric Coop Inc	Cooperative	1,967	12.1	1,362	9.8	2,108	17.1
West	City of Sharon Springs	Public	444	12.0	109	11.4	16	11.2
West	City of Montezuma	Public	421	12.0	103	11.4		
West	City of Lucas	Public	264	12.0	49	11.7	2	11.2
West	City of Ashland	Public	544	12.0	163	11.2		
West	City of Lakin	Public	872	11.9	145	11.9		
West	City of Hoisington	Public	1,210	11.6	248	11.0		
West	Ark Valley Elec Coop Assn, Inc	Cooperative	4,191	11.6	731	10.9	21	8.7
West	City of Meade	Public	732	11.5	201	10.4	19	11.6
West	City of Stockton	Public	722	11.4	231	10.7	30	9.8
West	City of Cimarron	Public	881	11.4	142	22.5	8	8.8
West	Tri-County Electric Coop, Inc	Cooperative	7	11.3	8	14.7		
West	City of Iuka	Public	85	11.2	11	11.6		
West	City of Greensburg	Public	792	11.2	132	11.1		
West	Wheatland Electric Coop, Inc	Cooperative	9,722	11.0	7,462	10.0	44	6.0
West	City of Johnson	Public	539	10.9	276	10.8	4	8.9
West	Victory Electric Coop Assn Inc	Cooperative	2,555	10.9	610	7.1	1,276	10.6
West	City of Norton	Public	1,456	10.8	317	10.0	1	8.6
West	City of Holyrood	Public	284	10.8	25	10.8	-	
West	City of St Francis	Public	763	10.8	262	11.3		
West	City of Hill City	Public	829	10.6	273	9.9		
West	City of Goodland	Public	2,165	10.6	545	9.9	56	8.1
West	City of Sterling	Public	986	10.6	141	10.4		
West	Aquila Inc	Investor Owned	52,259	10.5	16,462	9.7	72	6.1
West	City of La Crosse	Public	682	10.4	188	10.0	12	9.1
West	City of Oberlin	Public	982	10.4	300	9.6		
West	City of Ellinwood	Public	1,050	10.4	210	10.4		
West	City of Dighton	Public	638	10.3	127	9.6		
West	City of Hugoton	Public	1,616	10.3	508	10.9		
West	Prairie Land Electric Coop Inc	Cooperative	3,198	10.3	4,746	10.4	698	8.7
West	Western Coop Electric Assn Inc	Cooperative	3,140	10.3	1,457	8.7	319	9.2
West	City of Russell	Public	2,334	10.2	713	10.3	252	7.6
West	Lane-Scott Electric Coop, Inc	Cooperative	962	9.9	871	9.2	939	11.2

Average Retail Price of Electricity by Utility, 2005
Comparison of Eastern and Western Kansas

			Residential			Commercial			Industrial	
Area of Service	Entity	Class of Ownership	Number of Consumers	Average Price (cents/kWh)		Number of Consumers	Average Price (cents/kWh)		Number of Consumers	Average Price (cents/kWh)
West	City of Kiowa	Public	580	9.9		147	9.4		31	10.4
West	City of Oakley	Public	985	9.9		258	9.7		70	8.0
West	St John City of	Public	721	9.6		167	9.2			
West	City of Herndon	Public	125	9.5		35	12.4			
West	City of Osborne	Public	904	9.5		133	12.0		40	8.8
West	City of Garden City	Public	9,734	9.5		934	7.9		422	6.7
West	Pioneer Electric Coop, Inc	Cooperative	4,896	9.5		10,162	9.1		39	5.0
West	City of Lincoln Center	Public	698	9.4		185	10.3		8	9.3
West	City of Luray	Public	126	9.3		31	9.6			
West	City of Anthony	Public	1,262	9.2		708	9.2			
West	City of Beloit	Public	1,807	9.2		454	9.2		24	6.2
West	Alfalfa Electric Coop, Inc	Cooperative	239	9.0		568	10.4			
West	City of Seward	Public	38	9.0		7	8.9			
West	City of Attica	Public	369	9.0		86	10.0		9	10.8
West	Southwestern Public Service Co	Investor Owned	1,036	8.9		425	8.1			
West	City of Glen Elder	Public	294	8.9		72	8.9			
West	City of Larned	Public	2,198	8.8		407	8.6		12	10.2
West	City of Stafford	Public	659	8.7		108	7.5			
West	City of Colby	Public	1,997	8.6		497	6.7		57	7.1
West	City of Radium	Public	23	8.4						
West	City of Haven	Public	527	8.4		102	7.5			
West	City of Cawker City	Public	374	8.4		54	11.9			
West	Mankato City of	Public	493	8.3		132	9.3		7	7.0
West	Midwest Energy Inc	Cooperative	28,856	8.1		14,252	8.1		2,991	6.2
West	City of Isabel	Public	59	8.0		16	10.9			
West	City of Jetmore	Public	443	7.7		178	6.6			
				Residential			Commercial			Industrial
	Western Kansas Summary	Number of Consumers		175,135			72,509			10,143
		High Price (cents)		13.6			22.5			17.1
		Low Price (cents)		7.7			6.6			5.0
		Weighted Average Price (cents)		10.2			9.4			10.4
Note:	The federal Western Area Power Administration was not included in this analysis. It is reported to have 7 commercial consumers who pay an average price of 2.41 c/kWh.									
Source:	U.S. Department of Energy, Energy Information Administration http://www.eia.doe.gov/cneaf/electricity/esr/tables6,7,8.xls 10/31/07									

Weighted Average 2006 Residential Rates



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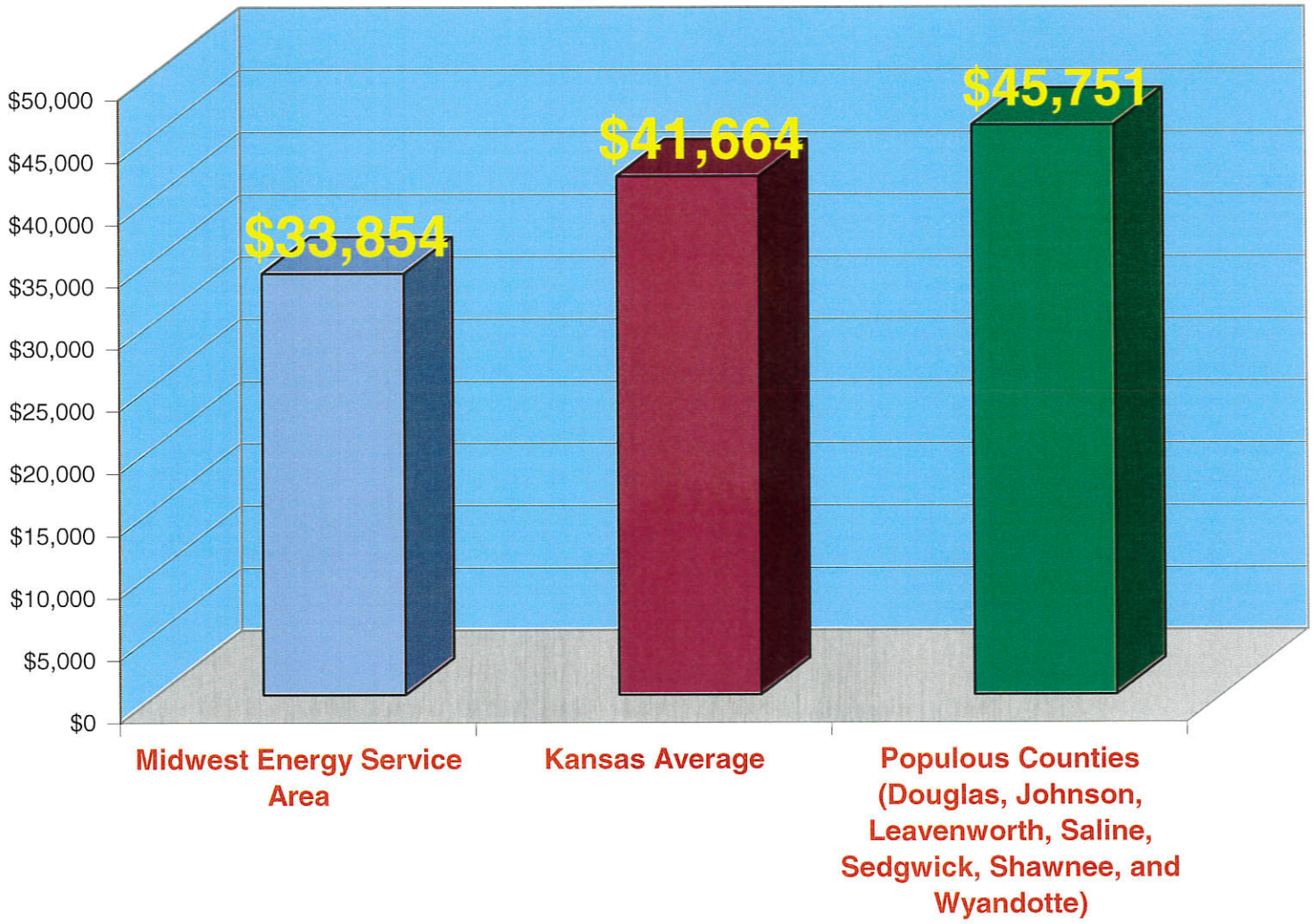
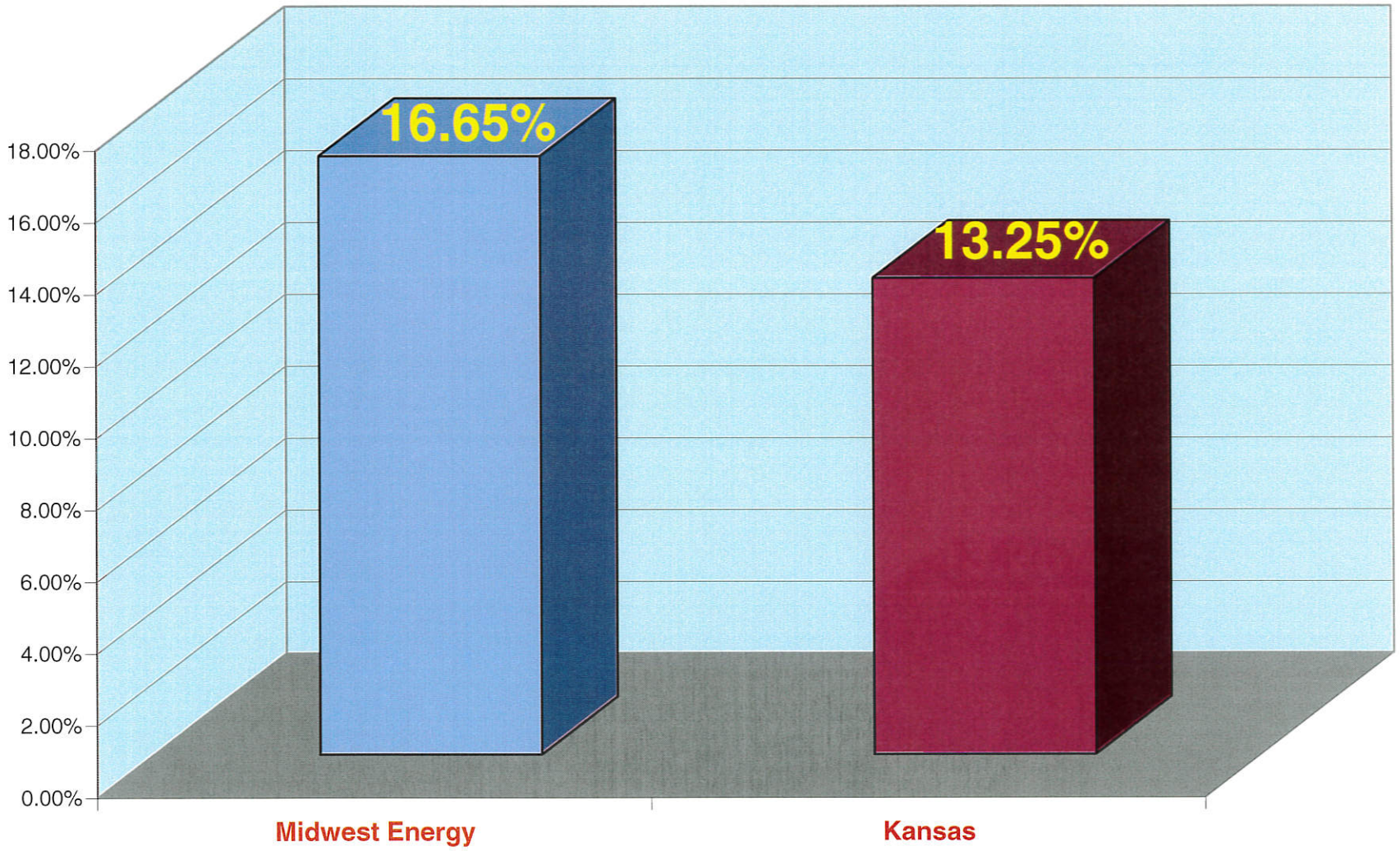
2004 Average Median Household Income



Age Greater Than 65



Testimony of
Mr. Robert "Mac" McLennan, Senior Vice President, External Affairs
Tri-State Generation and Transmission Association, Inc.
on House Bill 2711
before the House Committee on Energy and Utilities
February 5, 2008

Chairman Holmes, Ranking Member Kuether and Members of the Committee:

My name is Mac McLennan. I serve as Senior Vice President of External Affairs and Member Relations for Tri-State Generation and Transmission Association, Inc. I am testifying in support of House Bill 2711, which is of vital importance to our cooperative's 1.4 million consumer-owners, as well as to the consumer-owners of electric cooperatives across western and central Kansas.

I am the senior executive responsible for developing Tri-State's legislative and policy strategies and guiding its partnerships and external association activities. I started my career in government relations with U.S. Senator Byron Dorgan (ND) but have spent the last 15 years in the rural electric cooperative industry.

Tri-State is a not-for-profit, wholesale power supply cooperative that generates, purchases and transmits electricity to forty-four member distribution cooperatives and public power systems in Colorado, Nebraska, New Mexico and Wyoming. Tri-State serves a 250,000 square-mile service territory and employs more than one thousand people who, each day, ensure that our consumer-owners will receive the electricity they need to run their businesses, irrigate their farms, provide water for cattle and live their daily lives.

Our collaboration with Sunflower Electric Power Corporation to expand Holcomb Station represents the strength of our Nation's electric cooperative system. Irrespective of state boundaries, rural Americans come together through their cooperatives. Our cooperative principles bring consumers together to own and run their local distribution cooperative. Distribution cooperatives from many states collaborate to own and operate their generation and transmission cooperatives, and these G&Ts often collaborate to share regional facilities. Yet even at the G&T, we are always working for the consumer-owner at the end of the line, no matter which state they reside.

Tri-State shares a special kinship with our Kansas partner and fellow cooperative Sunflower Electric Power Corporation. We are both generation and transmission cooperatives created in the 1950's by our respective member distribution cooperatives. We share a mission to ensure reliable, low-cost electric service to rural communities. And most important to the matter the Committee is considering today, we share real challenges to fulfilling our mission as our rural communities and industries grow, electricity demand rises, and electricity supplies become scarce.

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Our cooperatives also share a unique opportunity to invest in the future of western Kansas while best serving our consumer-owners' energy needs. Our collective $3.6 billion investment in Kansas will be among the cleanest and most efficient coal-fired generating units in the U.S. In partnership with Kansas State University, our investment will drive the development of an innovative integrated bioenergy center in Finney County that could mitigate carbon emissions and create new rural industries. Our high-voltage transmission infrastructure investments in Kansas will create significant opportunities for wind energy export to eastern and western markets. Together, these investments can transform the western Kansas economy while serving growing rural communities with much needed power.

As a major partner in the Holcomb Station expansion, it is important that the Committee understand how and why Tri-State came to participate in the project. Tri-State's existing generation resources — those facilities that we own and the power that we purchase under firm, long-term contracts — are insufficient to meet our rural communities' growing demand for power. At its 2007 annual meeting, our 44-member board of directors endorsed a responsible and balanced plan to secure additional supply-side and demand-side resources. In the near-term, Tri-State's plans include additional demand-side management and energy efficiency programs for our member cooperatives, acquisition of intermediate resources to meet near-term load growth and support the integration of more renewable energy in our system, and achieving a renewable portfolio standard of 10 percent by 2020 for member cooperatives in Colorado and New Mexico.

For the long-term, Tri-State, as well as Sunflower, must develop additional baseload facilities. Baseload facilities, almost by definition, have long lead times for development and high capital costs, but are the preferred option for ensuring low, stable rates for our consumer-owners. This is particularly true for rural electric cooperatives, which tend to have higher load factors than urban utilities. After a thorough review of all supply options, Tri-State issued a request for proposals for baseload power supply in August 2004.

Tri-State reviewed numerous proposals, including one submitted by Sunflower to expand their Holcomb Station facility. The Sunflower proposal, with the G&T's excellent record for operating and environmental performance at Holcomb Station, as well as the cost savings associated with expanding an existing site and sharing joint facilities and access to rail lines, was preferred. Sunflower had previously received an air permit for the expansion of Holcomb Station and we were confident that we could build a project that would comply with clearly understood Kansas and Federal standards.

In August 2005, Tri-State's board of directors made the decision to expand Holcomb Station by two units to be owned by Tri-State, and to build a high-voltage transmission network to serve our member cooperatives' loads in eastern Colorado, with a two-line, 500-kilovolt extension of the western interconnected electrical grid into Kansas and to Holcomb Station. The board of directors also decided to develop a site for a future power plant in southeastern Colorado.

Tri-State's acquisition of additional intermediate and renewable resources, in advance of the anticipated in-service date of the two Holcomb Station units, allowed Tri-State to develop just one of the two originally proposed units. With the addition of a unit to serve Sunflower, Midwest Energy and Golden Spread Electric Cooperative, Tri-State's action reduced the overall Holcomb Station expansion proposal from three 700-megawatt units to two, with a corresponding reduction in air emissions.

Participating in joint project development and ownership of facilities is a common practice for Tri-State, electric cooperatives and utilities in general. Many Kansas power plants, including Jeffrey Energy Center and Wolf Creek Nuclear Generating Station, are jointly owned by numerous utilities and send energy outside Kansas. Tri-State's largest owned and contracted baseload generation facilities are operated with other utilities. Joint operation of facilities reduces operational and financial risk while improving regional system reliability. Collaborating through jointly owned facilities allows utilities to enjoy the economies of scale that larger, more efficient facilities bring, while limiting the reliance individual utilities have on any one generating unit. This "shaft diversity" allows utilities to better manage the reliability of their system.

Tri-State also collaborates on new transmission infrastructure. The Eastern Plains Transmission Project, a proposed joint project between Tri-State and the U.S. Department of Energy's Western Area Power Administration, would construct new transmission lines and new or expanded substations in eastern Colorado and western Kansas. Preparation of the environmental impact statement, engineering, route selection and preliminary land work have already begun on the project. These facilities will assist Tri-State to serve its member cooperatives and Western to serve its hydropower customers. The project would also enhance power delivery system reliability in the region, relieve existing constraints and provide opportunities for additional interconnections, including renewable energy projects.

The value of Tri-State's transmission investment to Kansas renewable energy developers cannot be overstated. Western Kansas and eastern Colorado are similar in that both regions lie on the boundary between the electrically-separated eastern and western interconnected electrical grids. With relatively small load serving requirements in these regions, there has been little need for utilities to develop robust transmission infrastructure. However, both western Kansas and eastern Colorado boast plentiful wind energy resources. A lack of transmission infrastructure has delayed the development of wind energy resources in both eastern Colorado and western Kansas, and the development of significant infrastructure to serve only wind energy projects makes many of these projects economically unfeasible. With the proposed development of EPTP, Tri-State has seen numerous wind energy project transmission interconnection requests in eastern Colorado that are tied directly to or supported by the availability of the EPTP. We would expect that the extension of the EPTP, and the western interconnected electrical grid, into Kansas would open western U.S. markets to Kansas wind energy developers and provide an economically feasible transmission path.

Tri-State is also a partner in the High Plains Express Transmission Project, which is a consortium of western electric transmission owners, state transmission authorities and an independent transmission company. The consortium is jointly exploring opportunities to expand the electric transmission grid in Wyoming, Colorado, New Mexico and Arizona to reliably meet growing electricity needs by increasing access to renewable and other diverse resources within regional energy resource zones. The EPTP could be integrated into the HPX, further opening Kansas wind energy zones for export to the western U.S. market.

The cooperatives have developed a project that meets all of the stated environmental requirements of the State of Kansas and the U.S. Environmental Protection Agency. In addition, the cooperatives propose to mitigate a portion of the project's carbon dioxide emissions through the development of an integrated bioenergy center at Holcomb Station, which will use carbon dioxide to grow algae for renewable fuels production. The cooperatives have already completed phase I testing with Cambridge, Mass.-based GreenFuel Technologies.

Tri-State came to Kansas with an expectation that we would be treated fairly, just as we have come to expect in the other states in which we serve consumers and operate facilities. The professional staff at the Kansas Department of Health and Environment's Bureau of Air and Radiation competently reviewed the project's air permit application to ensure that public health was protected, citizen concerns were addressed and strict federal and state standards were met. On October 17, 2007, the Bureau "recommended the issuance of an Air Quality Construction Permit to Sunflower Electric Power Corporation."[1]

On October 18, 2007, KDHE Secretary Roderick Bremby rejected his professional staff's recommendation and denied the air permit for the Holcomb Station expansion based on his finding that "carbon dioxide presents a substantial endangerment to the health of persons or the environment." We believe the denial was arbitrary and capricious, as neither the State of Kansas nor the Federal government has any rule, regulation or statute governing the emission of carbon dioxide.

Tri-State supports HB 2711 and believes the provisions in the bill address the KDHE Secretary's unlawful actions. The bill ensures that the KDHE regulatory process is fair and impartial to all applicants by requiring the Secretary to issue an air permit when the application complies with all rules and regulations required for issuance. The bill restates current law that KDHE emergency powers are limited to emissions from existing facilities and do not apply to the air quality permitting process. The bill allows air quality permit applicants who filed after January 1, 2006 to request the Secretary reconsider their permit application under current law, as amended. The bill also allows, with the approval of the legislature, KDHE to establish rules and regulations that are

[1] Responsiveness Summary, Sunflower Electric Power Corporation, Holcomb Expansion, Air Quality Construction Permit Application; Kansas Department of Health and Environment, Bureau of Air and Radiation, Air Permitting Section; October 17, 2007

more restrictive than rules and regulations established by the U.S. Environmental Protection Agency.

The bill is also groundbreaking in that recognizes a path to reduce or mitigate carbon dioxide emissions. The bill mandates the reduction or mitigation of carbon dioxide emissions from new facilities and provides a framework that advances new technologies and innovations that will lead to carbon dioxide reduction while encouraging the development of renewable resources and energy efficiency deployment.

Tri-State has invested approximately $40 million in Kansas, based on the reasonable expectation that the rule of law would be followed and that if all requirements were met, an air permit would be issued. The Secretary's actions were wrong, and we believe it imperative that the Kansas Legislature act to check his unlawful action.

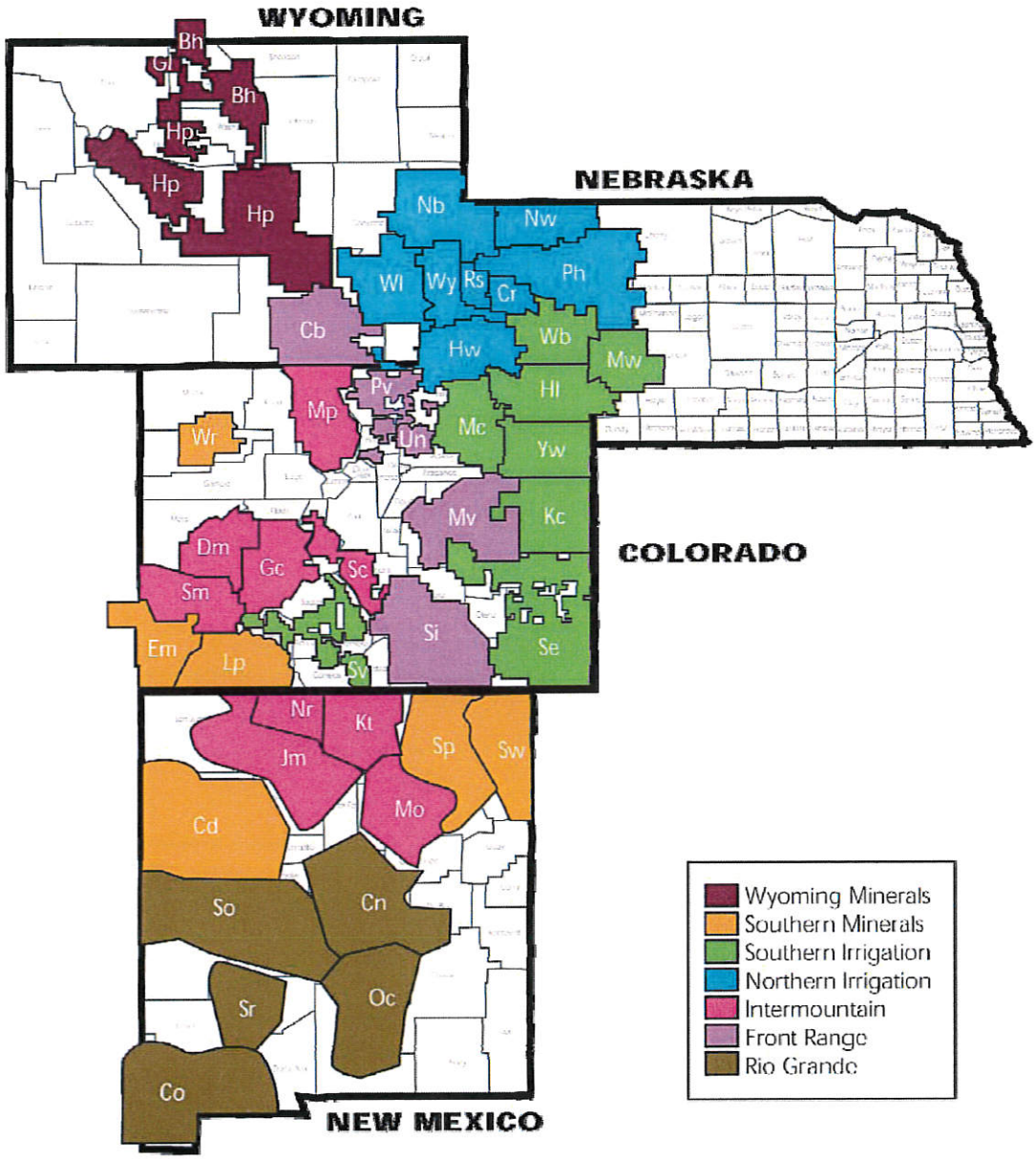
Chairman Holmes, Ranking Member Kuether and Members of the Committee, thank you for conducting this hearing today. This issue is of grave importance to our 44 member cooperatives and their 1.4 million consumer-owners, to the consumer-owners of Kansas electric cooperatives depending on the Holcomb Station expansion for their baseload power needs, and to the Kansas economy.

I have the following attachments be included in the hearing record.

Attachments:
Service Territory
EPTP Map

Tri-State Generation and Transmission Association Service Territory

Tri-State is a not-for-profit, wholesale power supply cooperative that generates, purchases and transmits electricity to forty-four member distribution cooperatives and public power systems in Colorado, Nebraska, New Mexico and Wyoming



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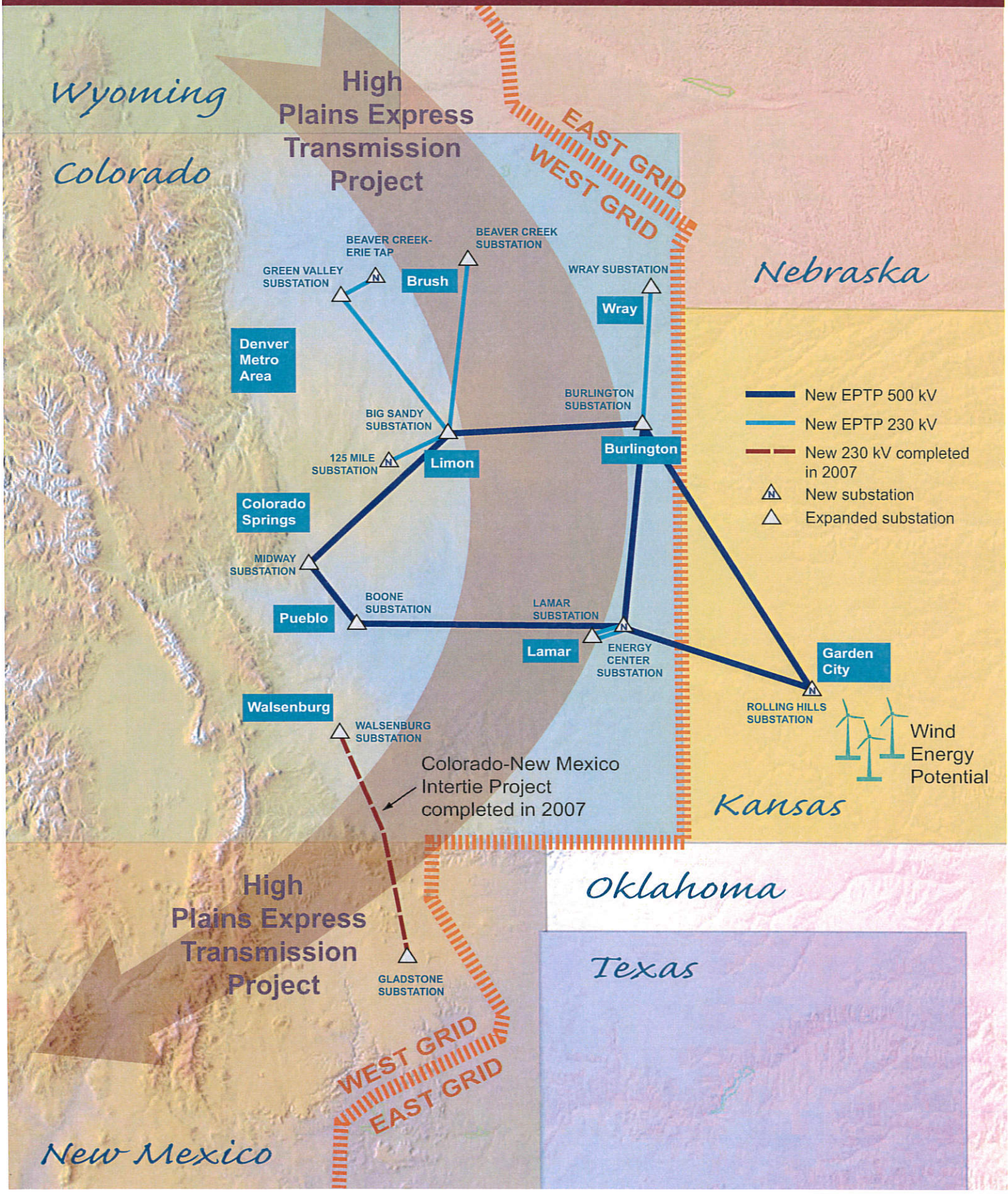
Western Interconnection Transmission and Potential



SUNFLOWER ELECTRIC POWER CORPORATION

A Touchstone Energy® Cooperative

TESTIMONY OF
WAYNE PENROD, EXECUTIVE MANAGER, ENVIRONMENTAL POLICY
SUNFLOWER ELECTRIC POWER CORPORATION
ON HOUSE BILL 2711
BEFORE THE HOUSE ENERGY AND UTILITIES COMMITTEE
February 5, 2008

Thank you Mr. Chairman, and members of the committee, for allowing me to speak to you this morning. My name is Wayne Penrod and I am the Executive Manager of Environmental Policy for Sunflower. I appreciate the opportunity to testify before you this morning in support of House Bill 2711.

The Holcomb expansion is all about just a part of the essential energy supply of the future of rural America and western Kansas. Our rural economies need low-cost energy supplies to remain competitive. The base-load Holcomb expansion coupled with the integrated bio-energy center located in close proximity to the proposed power plants are together essential parts of that supply. This is even more apparent as our rural economies adapt to provide the renewable energy sources upon which our nation has adopted as a matter of public policy. Just as our oil, natural gas, and grain-based economies require sources of low-cost energy, so do the newer ethanol and bio-diesel energy providers. To assume we can somehow meet the current needs of our new base-load demand without new base-load resources to meet that load is just too imaginative.

Essential base-load resources come in three varieties; two are fossil-based – natural gas and coal – the other nuclear. Nuclear resources require perhaps 15 years to permit and construct, and themselves have been in such disfavor as to only recently again be considered as perhaps viable. Natural gas as a fuel is just too expensive to consider for new base-load resources to meet current base-load energy needs. The only remaining base-load resource then is coal, the lowest cost and most plentiful fossil fuel in our country. The next question then remaining is: has coal been burned cleanly so as to produce base-load energy, and further, can it be more cleanly burned in the future to meet our new energy economy. Fortunately, the answer to both questions is yes!

In answering the first question Sunflower points to the existing 24 year-old Holcomb 1 coal-fired generating unit near Garden City, Kansas. Holcomb 1

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is, overall, the cleanest coal-fired electric generating unit in Kansas and among the very cleanest in the nation. Further, plant personnel have a well-earned reputation for excellence that is at least region-wide. Otherwise neighboring cooperatives in states around us would look elsewhere for partners in planning to meet their similarly growing energy needs. The new Holcomb expansion project and the new people who will operate and maintain them will be cut from the same cloth. Holcomb 2 and 3 will be among the very best new generating units now being constructed.

We can look at the past operating record to know the answer to the first question. How then do we assure the answer to the second? The extremely rigorous process implemented and managed at the federal level by the U. S. EPA and at the state level by KDHE is exactly the means by which you can be assured compliance with all applicable regulations will not be the exception, but the rule. Sunflower has long managed our energy resources in full and complete compliance with those standards and regulations.

When a construction permit application is received by the agency, they properly review the environmental performance at any existing facilities operated by the company making the application. If we haven't done our job at the existing plant, then KDHE will rightly question whether we can properly operate a new one. The operator having survived this first test, KDHE then seeks to understand the background of a proposed project. It helps them in their evaluation. Questions and answers about the proposed project have been exchanged for several months between KDHE and Sunflower as they have thoroughly evaluated our application.

As Dr. Ron Hammerschmidt, the Director of the Environment Section of KDHE reported to the Senate Environment Committee this past Monday morning, the air permit program is based around two fundamental programs: preservation of the ambient air quality standards and assuring the new plant air pollution control technology conforms to the Best Available Control Technology (BACT) requirements of the prevention of significant deterioration programs (PSD). The applicant first performs all of the analyses to confirm that the proposed project meets those requirements. The agency then reviews and repeats the determinations, on a case-by-case basis and, if satisfied, issues a draft permit for public comment. Conformance with both programs must be assured or a draft permit cannot be issued. In the case of the Holcomb expansion, the Bureau of Air and Radiation technical staff, after thorough review, determined all of the necessary conditions were satisfied and the Secretary issued the draft permit for public comment and hearing.

Once issued for public comment, and in this case after three public hearings, the agency staff, with assistance from Sunflower staff and consultants, reviewed the public comments and questions, investigated the questions raised by the public and further tightened the permit conditions where appropriate. So then, we should conclude that full attention to the public process required by both federal and state regulatory process, has been satisfied. The Bureau technical staff again concluded their process and recommended that the permit be issued.

Each PSD permit applicant is required to perform detailed modeling work to identify whether there are any significant changes that would affect the status of the ambient air near the facility property line. This means, in the case of Holcomb, we model a property line as close as ¾ of a mile to as far as 5 miles from the plant chimney, through which the steam generator products of combustion are discharged. That's the requirement, no exceptions. During this evaluation, however, we completed modeling runs not once but three times, the second arising from changes that EPA made in ascertaining that a new model was more capable of accurately representing the impact of the new sources, and third, we modeled again when the number of units was reduced from three to two. Importantly, there are no impacts when evaluating the model results that were outside the boundary conditions for predicting the impact that are established in EPA guidance.

We further evaluated the impact of the sources on federal Class I areas, again three times, the second because of model changes, again, and the third because the federal land manager for the Wichita Mountains in SW Oklahoma asked for additional work to be done. It is important to note that any impact on Class I areas at a distance of 250 miles is not the result of direct emissions from the plant, but is due to atmospheric chemistry reactions involving very limited SO2 emissions as they diffuse into the air over time. Again, there were no impacts on the federal Class I areas beyond those established by the regulations. (Notably, no one at the agency ever expected a federal land manager for such a distant Class I area would even think that the sources we proposed would impact his National Recreation Area!)

Finally we modeled the impact of the sources in locations distant from the plant – using much the same methods as for the Class I areas. These distant locations were Topeka, Lawrence, and Kansas City. No one required these evaluations, or asked us to do them. The impact was just barely measurable, and certainly not cause for health concerns, as determined by the EPA standards for ambient air.

So much for the technical requirements: We now know that the rules and regulations governing the permit process were not followed at the final step. The Secretary of KDHE denied the permit, denied it over the recommendations of his staff. He did this based upon a provision in Kansas law that necessarily and properly allows for him to step into emergency situations where air quality is impaired to the degree that eminent threat to the health of Kansans is demonstrated. This provision can, and should, be utilized where atmospheric conditions cause air inversions, where air contaminants are trapped low to the ground and measured ambient air concentrations of contaminants rise to the threat levels previously set by the regulatory process. While these situations have occurred in other parts of the country, they have not, in my 30-years in Kansas, been experienced in this state.

To use this provision now, for a purpose to which it was not intended or reasonably expected, and then to use it to deny a permit because the future release of an unregulated product of combustion, for which no ambient air standard is established will impact human health seems to me again to be just too imaginative. In fact, before KDHE reversed its position in recent litigation over the Sunflower permit, it first took the position it did not believe it was prudent to regulate carbon dioxide until the EPA decided to do so. In that argument KDHE decided that regulations should be consistent with the federal agency.

Clearly, decisions to regulate carbon dioxide should rest within the legislature. Sunflower believes the Secretary should not be able to disregard his agency's rules and regulations, and separately determine that newer or different air standards are necessary than those which are properly and scientifically established in the due course of time by EPA. We think the bill before you properly limits his authority. We know that the legislatures in 26 other states have acted to limit the authority of their chief environmental regulator in essentially the same way this legislation does. While just a few short months ago I would have thought such limitation on authority unnecessary for Kansas, it takes just one experience like this one to cause me to change my mind. We absolutely need to restrict KDHE's authority to establish regulations more restrictive than the EPA.

So while the restriction on the Secretary's authority is not even close to being unique, the bill before you today does have some features that are unique. It contains statutory limitations on the release of carbon dioxide on new fossil-fueled steam electricity generating units. The range of reduction for currently used fossil fuels is between 10 and 30%, depending upon the fuel of choice, and on how many years a new unit has been in operation. Let's talk about two situations to illustrate the impact.

Suppose we were to determine to construct a new natural gas fired combined-cycle unit. We would be required to reduce our release of carbon dioxide by 10%. There are two such facilities in Missouri that are operated by energy companies that also operate in Kansas. There is also one such facility operating in the Texas panhandle. They are among the lowest carbon dioxide sources in the country, something near 900 lb/MWh of energy generated. If we were to construct one of those in Kansas, we would have to further limit or offset those emissions about 10% or to a level of about 810 lb/MWh. Oregon is the only other state that we know which limits the release of carbon dioxide from natural gas power plants. Their release rate is higher than that proposed in this bill.

Now suppose we talk about the Holcomb expansion. In this case, we will have to first limit or offset the release of carbon dioxide from the facility, in the first year of commercial operation, by 20%, or from about 1900 lb/MWh to 1520 lb/MWh. Ten years later, the release would be further limited another 10% to 1330 lb/MWh. We know of no other state that has such limitations on new coal-based plants, certainly none as low as this one. These release rates are proposed in this bill.

However, make no mistake, there is not now any stack control technology which can limit the release of carbon dioxide from power plants, either fired by natural gas or coal. However there are several under development which may serve to remove carbon dioxide from the flue gas. These include what is known as the chilled-ammonia process and the amine process, both of which (because they are very costly) have only been utilized thus far in very small pilot-scale like systems. This bill provides offset credit to encourage utilities to participate in these projects.

Other research projects are underway which work on the front end. They are able to extract the energy from coal by using different methods than are now commercially available to us. One technology is the integrated gasification combine-cycle process (IGCC). The facilities are supported in part by Department of Energy Clean Coal Technology loans and grants. These new processes may one day change the shape of power plants. The difference in the technologies is that the IGCC plant produces a concentrated stream of carbon dioxide which may be more easily sequestered.

Unfortunately, the best first hope of quickly advancing this technology, the "FutureGen" project, which was jointly being developed by the U. S. Department of Energy and utilities which were pooling their research funds, was cancelled by the DOE just this week because the development cost for such project had increased significantly in recent months. A few investor-

owned utilities continue to try to develop these types of facilities, but to our knowledge none are under construction in this country. Another such project designed for construction in Florida was recently cancelled because of the regulatory climate in that state. This bill provides offset credit to encourage utilities to participate in these projects.

Another new and "different" kind of project is called oxy-fuel. A demonstration project is under construction in Europe. It will use oxygen produced in an adjoining chemical plant to oxidize the carbon instead of air. The end result, like that of the IGCC, is a concentrated stream of carbon dioxide which may be more easily sequestered than the low concentration stream that comes from a traditional plant. This bill provides offset credit to encourage utilities to participate in these projects.

The good news, then, is that carbon dioxide release continues to decline as efficiencies improve with more modern facilities. The bad news is that neither "tailpipe" nor process technologies will be available for perhaps ten to fifteen years. The further good news is that we should see in-line technologies by about the time the 30% reduction in carbon dioxide emissions is required by this bill. We believe this bill then sets the stage for a good first start on decreasing carbon dioxide emissions associated with the production of electricity form coal. So, in the long run, promising new technologies, if they are allowed to develop, can help to resolve issues with the release of carbon dioxide.

One way of reducing or offsetting the carbon dioxide that would be released from the Holcomb expansion is the completion of the integrated bio-energy center. The algae reactor, about which I think many of you have information, is still in the new technology early demonstration phase. When deployed, it will reduce the actual carbon dioxide release from any portion of the flue gas from a steam generating unit diverted through it (any such unit with adequate space), by perhaps 40%. This bill provides offset credit for any such project.

There are other measures that can be utilized to offset the carbon dioxide release from this project. When we utilize wind or other renewable resources, we offset the need for generating energy. Sunflower and Midwest Energy are bringing such resources into their energy supply portfolio well in advance of the Governor's plan to have 10% of the peak nameplate resources from wind by 2010. We need to encourage wind resources to the degree that each utility system can integrate them. This bill provides a 50% offset beyond the actual carbon dioxide offset for just that purpose. Similarly central solar resources and other zero-emissions technologies can receive additional offset credit.

Our leaders, both in the Governor's office and the legislature, have spoken about the need to develop wind and other renewable resources in the high plains of western Kansas. That development will require the additional construction of major transmission lines – "superhighways" of a sort – that allow energy to be exported. This Holcomb project will enable just such construction. Properly, offset credit is provided in the bill for enabling the construction of transmission lines essential for the development of wind resources.

There are other offset credits identified in the bill. Should this bill become enacted, any Kansas public utility, commencing the construction of an affected source under the bill would have any of the identified provisions in this bill to offset a portion of the carbon dioxide that would be released; offsets which either encourage the development of new lower carbon-emitting technologies that will serve our basic energy needs into the future, or which encourage the further deployment of existing wind technology.

Sunflower is a proud supporter of this good first step in advancing new coal-based and renewable technologies over Kansas and the region. Again, I thank you for your time and will be happy to answer any questions you might have of me.

Kansas Grain & Feed Association
Kansas Agribusiness Retailers Association
Association Of Ethanol Processors

Kansas Agribusiness Retailers Association

Ethanol - Made In Kansas

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Statement in Support of House Bill 2711
House Energy and Utilities Committee
Representative Carl Holmes, Chairman
February 5, 2008

Thank you Mr. Chairman and members of the Committee; I am Duane Simpson, Chief Operating Officer and Vice President of the Kansas Grain and Feed Association (KGFA), Kansas Agribusiness Retailers Association (KARA) and Kansas Association of Ethanol Processors (KAEP). KGFA is a member of the Alliance for Sound Energy Policy and all three organizations support their goal of ensuring the economic prosperity of Kansas by promoting a climate of regulatory stability and a balanced energy policy. I am appearing here today on behalf of these organizations in support of House Bill 2711.

The members of our associations our all regulated by the Kansas Department of Health and Environment as well as other state agencies. In addition, several of our members are in the Sunflower service area and would benefit from the increased base load capacity and potentially lower rates the Holcomb Station expansion would provide. As such, our members have been concerned about KDHE's decision to deny the air permit not only because of the precedent setting nature of the decision, but also because of the lost potential for lower electric rates and increased base load capacity.

Each of our associations believes that Kansas' regulatory agencies should all base their regulations on sound science. We believe that a stable regulatory environment is fundamental to a business' ability to grow and compete in a global economy. Any basis for denial of any permit or license should be set out in rules and regulations. We believe that the rules set by government should not change without following the proper statutory and regulatory procedures so that businesses will know that their investments are not unnecessarily at risk. Furthermore, we believe that fair and uniform regulations should apply throughout the state.

House Bill 2711 is an opportunity for the Legislature to resolve the Holcomb case the way it should have been resolved by KDHE according to existing regulations. In addition, the Legislature will set an important precedent for all state agencies and businesses. The Legislature has the opportunity to reassure businesses and to put state regulators on notice that if regulators overstep their statutory authority, the Legislature will not sit idly by. Sections 30, 31, 32, and 33 of the bill clarify the original intent of existing law and will resolve the crisis that was started when KDHE overstepped its regulatory authority.

However, I would caution this committee to be careful about what other precedents this legislation will set. Our associations have a few specific concerns about House Bill 2711.

- New Section 11 beginning on page 7 of the bill sets up a new system of regulating carbon dioxide emissions. The bill only applies this new carbon dioxide regulation to *new* fossil fuel based electric generation facilities. In addition to requiring them to meet a standard that existing facilities do not need to meet, it requires these new facilities to meet an even stricter standard 10 years after they go into operation. Meanwhile, every other entity in the state that emits carbon dioxide is completely exempt from any regulation. Furthermore, the standard only increases for facilities after they are built meaning that a facility built 12 years from now will not have to meet the stricter standards that the Holcomb plant will be meeting at that time. This section violates the very concept of uniform regulations across the state. In addition, there does not appear to be any scientific standard for the amount of emissions that are permissible. The cost of meeting these new regulations will be borne by the ratepayers in the area. In the case of Sunflower, many of our members will bear this new and unnecessary cost.
- New Section 12 on page 8 of the bill sets up a system of carbon credits to help these newly regulated facilities meet the regulations. Several methods of sequestering, storing or displacing carbon dioxide are granted credits of various multiples of the actual total carbon dioxide that is offset. By multiplying the value of different carbon offsets based upon the

political popularity of each method the bill divorces itself from any objective scientific basis.

- More importantly, New Section 12 subsection (a)(6) on page 9 of the bill gives "an offset credit equal to three times the actual carbon dioxide tonnage sequestered as a result" of "conversion of cultivated land to pasture land." Why would the state of Kansas want to encourage Kansas farmers to stop producing grain? We are currently facing historic lows in worldwide stores of wheat, corn and soybeans. The resulting high prices in those commodities have depressed the state's livestock, meat packing, milling, and biofuel production industries. Federal and state government policy should be focused on reducing the number of incentives that exist for idling productive farm land. At a minimum, legislation designed to overturn an air permit ruling on the expansion of an electric plant should not be attempting to simultaneously set agricultural land use policy. If this provision is in the final product of this committee, our associations will be forced to stand in opposition to the entire bill.
- Also in New Section 12 subsection (h)(1) on page 11 of the bill, the nation's first carbon tax is created. While this tax only applies to a small percentage of carbon emitting businesses, and only as a penalty for not meeting the new carbon emission standards, it is still the first such tax in the nation. In addition, the tax will likely be passed on to the ratepayers, many of whom are our members.
- Several of the other provisions have the potential to increase the costs to the utility. Since our members eventually pay those increased costs through higher electric rates, we are concerned about the necessity of including those provisions in this legislation. However, the utilities are more capable of identifying which of these provisions could result in unnecessary costs being passed on to our members.

I can certainly appreciate the enormous political task that confronts this committee and I applaud the Chairmen and Ranking Members for crafting a comprehensive bill to solve the current crisis. While I have noted several concerns we have with the bill, I want to reiterate that we support the underlying bill and stand ready to work with the committee and all interested parties to make sure that at a bare minimum, Sections 30, 31, 32, and 33 become law. Our state's energy security and businesses' ability to have a reliable regulatory environment that is uniform and based on sound science depend on the success of your work. Thank you for the opportunity to testify in support of HB 2711 and I will stand for questions at the appropriate time.

AGC of KANSAS
Building a Better Kansas Since 1934
200 SW 33rd St. Topeka, KS 66611 785-266-4015

TESTIMONY OF
ASSOCIATED GENERAL CONTRACTORS OF KANSAS
BEFORE HOUSE COMMITTEE ON ENERGY & UTILITIES
HB 2711

February 5, 2008

By Corey D Peterson, Associated General Contractors of Kansas, Inc.

Mister Chairman and members of the committee, my name is Corey D Peterson. I am the Executive Vice President of the Associated General Contractors of Kansas, Inc. The AGC of Kansas is a trade association representing the commercial building construction industry, including general contractors, subcontractors and suppliers throughout Kansas (with the exception of Johnson and Wyandotte counties).

AGC of Kansas supports HB 2711 and respectfully requests that the committee consider an amendment relating to new state building efficiency standards on state-owned buildings and public schools.

The economic impact in western Kansas from the construction of a new power plant for communities should not be ignored. AGC fully supports the construction of the Holcomb Station as its economic impact will benefit all Kansans.

Following are a few points regarding the project:

- The average number of jobs available in western Kansas will grow by more than 1,500 during the ten-year project construction period.
- According to the Gamble study, these workers will earn more than $42 million per year and the taxes collected will increase by more than $1 million. The jobs skills required for these positions will range from basic labor through the highly technical skills common to large construction projects.
- The total spending of construction crews in Kansas is expected to be more than $56 million during the construction period. Much of that spending will flow to the housing, food and hospitality sectors of the economy.

*Data from http://www.holcombstation.coop/Benefits/project-benefits.cfm

However, AGC has concern with language included in New Sections 6 and 7, establishing new energy efficiency standards for state-owned buildings and public schools. More specifically, New Section 7(b) where it states:

"If the average building energy or water consumption savings over the one-year period following the date of beneficial occupancy is 85% or less than the energy efficiency performance standards or water efficiency performance standards established pursuant to this act, parties including, but not limited to, the building architect or designer, state agency or school district and the contractor or the construction manager at risk, shall investigate

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determine the cause of the failure to achieve the standards and recommend corrections or modifications to meet such standards."

AGC finds the provisions that require the "contractor or construction manager at-risk to investigate and determine the cause of the failure to achieve the standards and recommend corrections or modifications to meet such standards" to create many questions and concerns. First it is sure to create a situation that will more likely result in "finger pointing" between parties instead of resolution. Secondly, who is to pay for these professionals to return to a job one year after completion? Also, even if the building is designed and constructed according to the code, how can a contractor determine whether the occupying owner followed the recommended operating procedures?

I have attached to my testimony a balloon for HB 2711. The AGC of Kansas **respectfully requests that you amend HB 2711 and recommend it for passage**. Thank you for your consideration.

AGC Proposed Compromise – Balloon 2/5/08

effect on the effective date of this act; (2) for calculation of the indoor water use baseline for new state buildings and new public school building in accordance with the department of energy federal emergency management program standards using water usage data from new state buildings and new public school buildings constructed in the state during the 2006, 2007 and 2008 fiscal years; and (3) requiring outdoor potable water or harvested groundwater consumption of state agencies and school districts shall be reduced by not less than 25% over the amount of water consumed by conventional means, through water use efficient landscape materials and irrigation policies, including, but not limited to, water reuse and recycling.

New Sec. 7. (a) New state buildings and new public school buildings shall include installation of building owner's meters for electricity, natural gas, fuel oil and water in accordance with United States department of energy guidelines issued under section 103 of the energy policy act of 2005. The state agency or school district and the building architect or designer shall compare metered data from the first year of building operation with the energy efficiency performance standards adopted by the secretary of administration and shall submit a written report concerning each such building to the secretary of administration within two months following the first year of operation.

(b) If the average building energy or water consumption savings over the one-year period following the date of beneficial occupancy is 85% or less than the energy efficiency performance standards or water efficiency performance standards established pursuant to this act, ~~parties including, but not limited to, the building architect or designer, state agency or school district and the contractor or the construction manager at risk, shall investigate,~~ determine the cause of the failure to achieve the standards and recommend corrections or modifications to meet such standards.

Delete line 25 after "act," through "shall investigate line 28.

New Sec. 8. (a) As used in this section:

(1) "Load serving entity" means: (A) An entity selling electric energy to retail customers pursuant to rates regulated by a state regulatory body; (B) any cooperative, as defined by K.S.A. 17-4603, and amendments thereto, or any other member-owned corporation or limited liability company organized and existing under the laws of this state or another state, whose primary purpose is to furnish retail or wholesale electric energy, either directly or indirectly, to its members or to an entity owned or controlled by its members; or (C) a municipally owned or operated electric utility.

Replace with new language as follows:

an independent design agency shall, at the cost of the owner,

Benchmark Communications

FEBRUARY 5, 2008
HOUSE ENERGY AND UTILITIES COMMITTEE
TESTIMONY SUPPORTING
HB 2711

Mr. Chairman, members of the committee:

Thank you for the opportunity to appear before you today. My name is Jarrod Forbes and I represent Orion Ethanol. Orion is a renewable energy company based in Pratt, Kansas.

Unlike most of the ethanol companies in the United States, which are cooperatives owned hundreds of farmers; Orion Ethanol is tightly held and publicly traded. Orion's Senior Management has more than two decades of experience managing public companies and more than seven decades of experience in ethanol production.

I am here to offer our support of this legislation and the economic development it represents for rural Kansas. My clients homesteaded in Pratt, Kansas several decades ago and have witness firsthand the gradual decline of the socioeconomics of their home town. Their determination to revitalize the community of Pratt was the main impotence for building the $100 Million ethanol project.

While we have experienced many peaks and valleys in getting the project completed, I would submit we would not have been successful if it were not for the sheer determination of Kansans and their refusal to give up. If my clients were here today they would tell you the story of pre and post ethanol in Pratt. Prior to our facility, Pratt was experiencing a declining school enrollment and a vacant Main Street. Now with the benefit of a $100 Million construction project creating more than 40 permanent jobs—the local economy is making a comeback. Mr. Chairman, Main Street is full again and the restaurants have enjoyed a steady stream of customers.

Just like the gradual socioeconomic decline experienced in Pratt, many other rural communities have experienced the same decline. Many of these communities are nearing a breaking point. It is due to this desperate situation that we believe Kansans will rise to the occasion and find a way for rural Kansas to make a comeback.

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Clearly a $4.3 Billion injection into western Kansas would do great things. However, we face the reality of dealing with carbon dioxide. It would be irresponsible to simply ignore the hazards of continued and increased emission levels. The legislation before you establishes incentives for carbon mitigation—the greatest of which is for carbon sequestration.

Mr. Chairman, we believe Kansans have the determination and desire to develop a reasonable private sector solution to carbon dioxide. Orion Ethanol is willing and eager to help pioneer the Carbon sequestration industry. Our long-term business plan calls for an additional $1 Billion of pipeline and renewable energy development in Kansas and its neighboring states.

While we believe a few minor changes in this bill would make it stronger, we stand ready to work with this committee and the entire legislature to pass legislation that is meaningful and revitalizes rural Kansas.

Mr. Chairman, I appreciate your willingness to hear my testimony on behalf of Orion Ethanol and would be happy to answer any questions the committee may have.

BUILDING & CONSTRUCTION TRADES COUNCIL
OF CENTRAL & WESTERN KANSAS

TESTIMONY HB 2711
HOUSE ENERGY AND UTILITIES COMMITTEE
FEBRUARY 4-5, 2008

Chairman Holmes and members of the committee. My name is Richard Taylor and I represent the Central and Western Kansas Building and Construction Trades Council. I appreciate the opportunity to provide testimony on HB 2711, to establish legislation for conservation and electric generation, transmission and efficiency and air emissions.

Since the original proposal of a possible expansion to the Holcomb Plant over seven years ago, the Building Trades have been actively supporting this project. The amount of work that a facility such as this would bring to our memberships is unprecedented, not to mention the economic growth that would be experienced in the Garden City and Holcomb area. During construction, over 2,000 craftsmen would be needed with several hundred permanent jobs for local workers after the plant completion. Besides creating new jobs, the new units will bring millions of dollars of investment to the local economy and many other parts of Kansas.

In addition, the Building Trades have committed to opening a training center in the area for our apprentice and journeyman training programs. We have also been in contact with Garden City Community College and have been encouraged to partner with them if necessary to get a training center established. This facility would be utilized during the course of the project to train ongoing manpower needs, and then would remain in operation to continue to train workforce needs into the future. This will provide an opportunity for many of the local residents to be trained and establish a workforce for our Local Unions and our Contractors and continue to fuel the economy.

We know the current political climate is such that fossil fuel plants like Holcomb generate much debate as to the effects the emissions may have on the environment. I applaud the leadership of Sunflower for their commitment to insure that the Holcomb plant utilize only the most advanced technology and implement pioneering carbon dioxide (CO_2) conversion technology for reducing CO_2 emissions. This commitment has been reinforced with the completion of recent on-sight testing to discover the most efficient and effective way to convert emission flue gas to be used for a coal-based algae-to-biofuels system.

In closing, we want to again express the importance of this project to the Building Trades and our 10,000 members. We have appreciated your leadership in the past and would ask for your support now. This project, along with the Governor's aggressive goals to make Kansas the number one wind generation source in the nation, will complement the long-term energy needs for Kansas and the surrounding region.

This is about the future of our state. If we want to grow and flourish, we need to think about the economic potential and impact for individuals, families, businesses, jobs for construction, jobs for businesses, and economic growth for Kansas. The members of the Central and Western Kansas Building and Construction Trades Council encourage you to support the jobs for Kansans a project such as this would provide.

Richard Taylor

Business Manager
Central and Western Kansas
Building and Construction Trades Council

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5731

ENERGY AND HOUSE UTILITIES
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Legislative Testimony

achieve more

HB 2711

February 5, 2008

Testimony before the Kansas House Energy and Utilities Committee
By Amy Blankenbiller, President and CEO

Chairman Holmes and members of the committee;

I am Amy Blankenbiller, President and CEO of the Kansas Chamber of Commerce. Thank you for this opportunity to voice our general support for HB 2711. The Chamber is specifically supporting Sections 30, 31, 32 and 33, as we believe these provisions will address the need for energy security in Kansas, clarify the permit process and ensure that all Kansas businesses will be treated fairly by the state government.

The Kansas Chamber of Commerce, with headquarters in Topeka, is the leading statewide pro-business advocacy group moving Kansas towards becoming the best state in America to live and work. The Chamber represents small, medium and large employers all across Kansas. It is our mission to continually strive to improve the economic climate for the benefit of every business and citizen, and to safeguard our system of free, competitive enterprise.

The denial of the Holcomb air permit had a much more far-reaching impact on the state of Kansas than merely halting the construction of a coal-fired power plant in one community. The economic impact cost a depressed area of our state an estimated 2,400 jobs, $9.3 million dollars in new tax revenue and over $56 million in new spending during construction of these facilities. In addition to the impact on economic development, the decision created a widespread concern about the regulatory permitting process in Kansas, threatening business expansion and investment in our state.

Businesses fully understand their obligation to submit permit applications to agencies, such as the Kansas Department of Health and Environment. Businesses know they must address all required elements for their submissions to receive appropriate consideration and that supplemental information may be requested during the course of the regulatory review process. When all requirements have been met and all questions have been answered, however, it is the government's responsibility to issue the permit.

In the case of the permits for the plants in Holcomb, the state did not fulfill its duty. Even though the permit application demonstrated that the plant would meet all necessary requirements, the state still refused to issue the permit.

KANSAS

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The arbitrary denial of the Holcomb permit based on constituents for which no federal or state regulations exist, demonstrated that Kansas has an unpredictable regulatory framework. Businesses cannot spend time developing permit applications that guess at what issues outside of existing requirements should be included and how. As a result, business and industry both inside and outside of our state are questioning future investments until greater predictability can be restored.

The Chamber believes that Sections 30, 31, 32 and 33 of HB 2711 will prevent subjective and unprecedented decisions that jeopardize investment and innovation in the state and our workers. This legislation ensures that the regulatory process is fair and impartial to all applicants, requiring the uniform application of Kansas statutes, regulations and rules.

The Kansas Chamber would like to suggest that the legislature consider broadening the language in Sections 30, 31, 32 and 33 to ensure a fair and predictable regulatory process for not just air permitting issues, but all environmental media (i.e., air, water, waste et al). The concerns relative to the air permitting process are immediate, but the business community wants to prevent arbitrary denials of complete permit applications in those other areas as well.

The Chamber also needs to voice strong opposition to several aspects of the bill. The Chamber is concerned about the legislation creating an emission limit for a specific environmental constituent (i.e., carbon dioxide) through statue instead of by regulation. This approach goes against the very principles the bill is trying to address in Sections 30, 31, 32 and 33 to re-establish confidence in our regulatory process. In addition, this bill includes a carbon tax, which would make Kansas the first state in the nation to adopt a carbon tax by statute instead of going through a well-established regulatory framework. Finally, the legislation establishes a structure of clear winners and losers. Existing assets are not covered by the provisions of the legislation, but new assets and expansions are, and there are exemptions that apply only to certain types of businesses. The members of the Kansas Chamber have consistently urged the Legislature to adopt policies that help level the playing field for businesses to operate and grow in our state.

Thank you for the opportunity to express our support for Sections 30, 31, 32 and 33 of HB 2711. We hope our suggestions and issues of concern can be addressed to ensure the Chamber's support of this bill. I would be glad to answer any questions.

Kansas Chamber, with headquarters in Topeka, is the leading statewide pro-business advocacy group moving Kansas towards becoming the best state in America to live and work. The Chamber represents small, medium and large employers all across Kansas.

Testimony Before the House Energy and Utilities Committee
House Bill 2711

February 5, 2008

There are a few items in this bill that I feel need to be questioned. I see no reason why small wind, fuel cells, and other renewable energy sources are not being considered as eligible for net metering. The use of wind generation to offset carbon emissions is a good idea, therefore the small wind generators are worthy of being included in net metering. Once again I would like to stress the importance that the value of a kilowatt is the same whether generated by a utility company or by a customer-generator. The customer-generator should be compensated at the retail value of that kilowatt. Good net-metering policies are vital parts of a larger effort to supplement our current centralized, fossil-fired, electric grid with clean, secure, and cost-effective energy resources. States that have poor net-metering rules and interconnection standards are essentially telling the clean energy industry---with its great potential for job creation—that they are, "Closed for Business".

This committee has not addressed any type of tax credit or rebates for residents who invest in small wind, solar, or other renewable energy. If the net metering rules are not going to compensate at retail value, then tax credits and rebates should be offered as an incentive to homeowners, farmers, and businesses.

The need for electricity has not gone down, nor will it go down in the future. Electricity could be the replacement for oil, for example to charge batteries for an electric car. We could be producing hydrogen in our own garages, which would require a lot of electricity. We will still be building new schools, government buildings, hospitals, shopping centers, and homes. We need all the electricity that can be produced. The small customer-generator is part of the package of producing alternative fuels to be less dependent on foreign oils.

We talked about RECs (renewable energy credits) last week. These RECs or offsets when sold, traded or used in the state of Kansas, should have a surcharge imposed to pay

for renewable energy incentives to Kansas residents. The electric generation plants that produce carbon emissions are to be given credits to offset their emissions by doing something green. This even includes beautification projects, no-till agriculture, windbreaks, erosion control, and money spent on educational materials. This bill should give offsets for production of renewable electricity only. They can keep on polluting as long as they play with green credits, yet the homeowner willing to invest in our environmental future cannot get retail value for his renewable energy. Somehow this does not seem fair.

What makes an effective" true" net-metering program?

- Focusing on goals rather than interests
- Allowing monthly carryover of excess electricity
- Reducing unnecessary and burdensome red tape and special fees
- Implementing or expanding net metering as part of a comprehensive package of incentives to promote renewable energy
- Customer-sited generation should receive the same treatment as customer efficiency measures
- Ensuring customers receive credit at the utility's full retail rate.

I want to see job growth in Kansas. If the new Sunflower plant is built with the highest, most advanced technology for emissions reclaiming, then build it. If we go ahead with this plant, it should be a model plant for the entire nation.

Bill Smalley
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SUBMITTED TESTIMONY

TO: **The Honorable Carl Holmes, Chairman**
And Members of the House Energy and Utilities Committee

FROM: **Board of County Commissioners of Coffey County**

RE: **HB 2711 – An Act concerning the environment; relating to conservation and Electric generation, transmission and efficiency and air emissions.**

DATE: **February 5, 2008**

COFFEY COUNTY COMMISSION EXPRESSES SUPPORT FOR CONSTRUCTION OF TWO POWER PLANTS IN FINNEY COUNTY BY SUNFLOWER ELECTRIC POWER CORPORATION

On Monday, February 4, 2008, the Board of Commissioners of Coffey County reiterated their support of Sunflower Electric Power Corporation's proposal to construct two coal-fired electric generation facilities in Finney County, Kansas.

In the past decade, Kansas has moved from being a net exporter of energy to a net importer, according to a report produced by the Kansas Energy Council (Kansas Energy Report, 2006) and the trend is only going to continue downward unless new energy sources are developed, including the addition of new electrical generation capacity.

Kansas can become a leading energy exporter in the Midwest once again with further creation of electric generation from coal, natural gas, nuclear, wind, coal-bed methane, solar, biomass and other emerging energy technologies developed in conjunction with energy efficiency and conservation programs.

Development of new energy sources can be facilitated with environmentally-friendly means through the application of state-of-the-art technologies to new infrastructure construction such as the proposed Sunflower plants, retrofitting of existing electric generators with pollution control devises and clean nuclear power as well as expansion of alternative energy sources, including wind, solar, bio-diesel, ethanol and other energy options that will be positive for Kansas consumers and Kansas farmers.

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The Board of Commissioners of Coffey County, Kansas recognize the importance of providing Kansas residential, commercial, industrial and agricultural energy consumers with a broad-based portfolio of energy options that will foster long-term competitive and stable energy prices. A broad-based, diversified energy portfolio in Kansas will also create positive short-term and long-term economic development benefits for our state.

Construction of these two electric generation power plants in Finney County will provide for a significant increase in electric generation capacity in our state and responsibly serve tens of thousands of consumers both in Kansas and beyond its borders. The Holcomb Plant will create more than 400 direct and indirect jobs with an annual payroll of over $22 million.

The Board of Commissioners of Coffey County, Kansas believe our state should be a leader in energy development and energy conservation. Adequate electric generation capacity is an important component necessary to create a strong economic environment capable of fostering growth and insuring access to reliable sources of energy that will benefit Kansans for generations to come.

On behalf of the Board of Commissioners of Coffey County, Kansas, we thank you for your attention to these comments.

Information Provided to the Committee by:

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Testimony of
Paul Beck, President
Kansas Legislative Policy Group
To the House Energy and Utilities Committee
RE: House Bill No. 2711

Chairman Holmes and Members of the Committee:

Kansas Legislative Policy Group (KLPG) is pleased to offer testimony in support of House Bill No. 2711. KLPG represents the interests of more than 30 counties located in western Kansas.

At our 2007 Annual Meeting our members voted to support and encourage the development of the Sunflower Electric Power Cooperative expansion of the Holcomb Plant.

The expansion project is about meeting the energy needs of our communities, with reliable and affordable power. It is also about the creation of jobs and the positive financial impact the expansion will have in our communities for years to come.

The discussion and debate your committee will engage in is important. The Holcomb expansion will open new energy markets for Kansas to tap into. It will also put Kansas on the forefront of developing and advancing new energy technologies. Both are vitally important to our economies in Kansas.

We encourage the Committee to favorably consider House Bill No. 2711.

Thank you for your consideration and the opportunity to present these written remarks.

February 5, 2008

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FOR IMMEDIATE RELEASE
Citigroup Inc. (NYSE: C)
February 04, 2008

Leading Wall Street Banks Establish The Carbon Principles

Guidelines to strengthen environmental and economic risk management in the financing and construction of electricity generation

NEW YORK – Three of the world's leading financial institutions today announced the formation of The Carbon Principles, climate change guidelines for advisors and lenders to power companies in the United States. These Principles are the result of a nine-month intensive effort to create an approach to evaluating and addressing carbon risks in the financing of electric power projects. The need for these Principles is driven by the risks faced by the power industry as utilities, independent producers, regulators, lenders and investors deal with the uncertainties around regional and national climate change policy.

The Principles were developed in partnership by Citi, JPMorgan Chase and Morgan Stanley, and in consultation with leading power companies American Electric Power, CMS Energy, DTE Energy, NRG Energy, PSEG, Sempra and Southern Company. Environmental Defense and the Natural Resources Defense Council, environmental non-governmental organizations, also advised on the creation of the Principles.

This effort is the first time a group of banks has come together and consulted with power companies and environmental groups to develop a process for understanding carbon risk around power sector investments needed to meet future economic growth and the needs of consumers for reliable and affordable energy. The consortium has developed an Enhanced Diligence framework to help lenders better understand and evaluate the potential carbon risks associated with coal plant investments.

The Principles recognize the benefits of a portfolio approach to meeting the power needs of consumers, without prescribing how power companies should act to meet these needs. However, if high carbon dioxide-emitting technologies are selected by power companies, the signatory banks have agreed to follow the Enhanced Diligence process and factor these risks and potential mitigants into the final financing decision.

"There was full and frank dialogue around the table," said Matt Arnold, director of Sustainable Finance, which helped coordinate the development of the Principles and Enhanced Diligence process. "There was a remarkable amount of debate and exchange of information and views among the banks, power companies and environmental organizations. The dialogue resulted in a rigorous analysis of the carbon risks in power investments, and sets the stage for further discussion."

Citi, JPMorgan Chase and Morgan Stanley have pledged their commitment to the Principles to use as a framework when talking about these issues with clients. This effort creates a consistent approach among major lenders and advisors in evaluating climate change risks and opportunities in the US electric power industry. The Principles and associated Enhanced Diligence represent a first step in a process aimed at providing banks and their power industry clients with a consistent roadmap for reducing the regulatory and financial risks associated with greenhouse gas emissions.

The Principles are:

> ***Energy efficiency.*** An effective way to limit CO_2 emissions is to not produce them. The signatory financial institutions will encourage clients to invest in cost-effective demand reduction, taking into consideration the value of avoided CO_2 emissions. We will also encourage regulatory and legislative changes that increase efficiency in electricity consumption including the removal of barriers to investment in cost-effective demand reduction. The institutions will consider demand reduction caused by increased energy efficiency (or other means) as part of the Enhanced Diligence Process and assess its impact on proposed financings of certain new fossil fuel generation.

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Renewable and low carbon distributed energy technologies. Renewable energy and low carbon distributed energy technologies hold considerable promise for meeting the electricity needs of the US while also leveraging American technology and creating jobs. We will encourage clients to invest in cost-effective renewables and distributed technologies, taking into consideration the value of avoided CO_2 emissions. We will also encourage legislative and regulatory changes that remove barriers to, and promote such investments (including related investments in infrastructure and equipment needed to support the connection of renewable sources to the system). We will consider production increases from renewable and low carbon generation as part of the Enhanced Diligence process and assess their impact on proposed financings of certain new fossil fuel generation.

Conventional and advanced generation. In addition to cost effective energy efficiency, renewables and low carbon distributed generation, investments in conventional or advanced generating facilities will be needed to supply reliable electric power to the US market. This may include power from natural gas, coal and nuclear technologies. Due to evolving climate policy, investing in CO_2-emitting fossil fuel generation entails uncertain financial, regulatory and certain environmental liability risks. It is the purpose of the Enhanced Diligence process to assess and reflect these risks in the financing considerations for certain fossil fuel generation. We will encourage regulatory and legislative changes that facilitate carbon capture and storage (CCS) to further reduce CO_2 emissions from the electric sector.

"Leading utilities and financial institutions understand that the rules of the road have changed for coal," said Mark Brownstein, managing director of business partnerships for Environmental Defense, one of the NGOs that advised with the banks in creating the Principles. "These principles are a first step in facilitating an honest assessment of electric generation options in light of the obvious and pressing need to substantially reduce national greenhouse gas pollution."

Dale Bryk, senior attorney at the Natural Resources Defense Council added, "Expectations are rising fast for this industry. Global warming is changing the competitive landscape. Clean power is the name of the game today. Conventional coal facilities are already facing intensive scrutiny. We think the serious money is increasingly going to be on clean, efficient solutions."

Power Industry Comments on The Carbon Principles

American Electric Power (AEP), Columbus, OH:
"A rational set of carbon principles to help guide energy investment strategy is vital to our nation's energy and economic future," said Michael G. Morris, Chairman, President and Chief Executive Officer of American Electric Power. "Recognizing that energy efficiency, renewables, cleaner fossil technologies and other diverse solutions all have significant roles in addressing climate challenges while maintaining economic and energy security establishes a framework for making the best decisions regarding our nation's energy future."

CMS Energy, Jackson, MI:
"The electric companies that serve America's families and businesses every day understand the need for a balanced approach to meet our country's energy needs. At CMS Energy, our objective is to provide reliable and affordable power to our customers through a prudent, environmentally responsible mix of conventional and advanced technologies that includes renewable energy and to work with customers to help them use energy efficiently. By adopting these principles, Wall Street is making an important and creative contribution to the ongoing effort to address climate change and a contribution that will be welcomed by those in the utility sector with similar concerns about the environment."

DTE Energy, Detroit, MI:
"DTE Energy is proud of its history of environmental stewardship and thus we applaud the Carbon Principles approach by leading banks recognizing that a broad range of energy solutions must be considered to address the climate change issue," said Anthony F. Earley Jr., Chairman and Chief Executive Officer of DTE Energy.

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NRG Energy, Princeton, NJ:
"To move the needle on global warming, clean energy technologies need to be developed, demonstrated and deployed as quickly as possible," said David Crane, President and Chief Executive Officer of NRG Energy Inc. "Given the capital intensive nature of this challenge, we welcome these carbon principles as a sign that America's leading financial institutions are ready to support a massive increase of investment in clean energy solutions. With the support of both Wall Street and public policymakers in Washington, the American power industry can lead the way in achieving the dramatic GHG reductions that are critical to the health of both our economy and our planet."

Public Service Enterprise Group (PSEG), Newark, NJ:
"The Carbon Principles encourage all stakeholders to recognize that energy efficiency, renewables and new low-carbon power sources are all indispensable to meeting the nation's future energy needs while addressing climate change as one of the foremost policy and environmental issues of our time," said Ralph Izzo, Chairman, President and Chief Executive Officer of PSEG. "PSEG is actively pursuing this overall goal, while recognizing that our efforts must result in a reasonable cost to consumers. We hope that the Principles will contribute to the national consensus that must be reached to deal effectively with these critical issues."

Sempra Energy, San Diego, CA:
"With its mix of energy efficiency, renewable energy and clean conventional generation, the Carbon Principles echo our view that to meet future US energy needs, a balanced portfolio approach must use energy efficiency, renewable energy, and natural gas."

Southern Company, Atlanta, GA:
Southern Company, along with our regulators and other stakeholders, has and will continue to undertake extensive evaluation of all generation resources including nuclear, coal, natural gas, renewables and energy efficiency, to maintain the balanced portfolio necessary to reliably meet our customers' growing electricity needs. We regard bank due diligence as a normal part of our business and we applaud the banks for seeking input from the electricity industry as they developed the Carbon Principles.

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