

Approved: March 29, 2010

Date

MINUTES OF THE HOUSE AGRICULTURE AND NATURAL RESOURCES COMMITTEE

The meeting was called to order by Chairman Larry Powell at 3:30 p.m. on March 18, 2010, in Room 783 of the Docking State Office Building.

All members were present except:

Representative Johnson - Excused

Committee staff present:

Jason Thompson, Office of the Revisor of Statutes - Excused

Daniel Yoza, Office of the Revisor of Statutes

Corey Carnahan, Kansas Legislative Research Department

Raney Gilliland, Kansas Legislative Research Department

Pat Matzek, Committee Assistant

Conferees appearing before the Committee:

Tom Palace, Petroleum Marketers and Convenience Store Association of Kansas

Ken Peterson, Kansas Petroleum Council

Steve McNinch, CEO, Western Plains Energy LLC

Galen Menard, National Cooperative Refinery Association

Others attending:

See attached list.

Chairman Powell opened the meeting with an information meeting on ethanol blending.

Tom Palace, Petroleum Marketers and Convenience Store Association of Kansas (Attachment 1), commented that blending gasoline with ethanol has been an acceptable practice in Kansas for a long time and that the Kansas Department of Agriculture's Division of Weights and Measures oversees fuel quality in Kansas, and are unaware of any problems existing with the blending process. Mr. Palace further stated unblended fuel is critical to the creation of various blends of ethanol, which is the impetus behind the blender pump program and without the ability to purchase straight (unblended) gasoline, retailers will be unable to create various blends of fuel.

Ken Peterson, Kansas Petroleum Council (Attachment 2), advised fuel refiners are under a federal mandate from the Environmental Protection Agency (EPA) to annually sell huge volumes of ethanol and biodiesel, 36 billion gallons by 2022, or face a penalty of \$32,500 per day. The mandate is so massive that virtually every gallon of gasoline sold in Kansas and the nation will contain ethanol. Fuel manufacturers are under legal obligation to sell ethanol and biodiesel. The supporters of this legislation are not obligated to sell renewable fuel. They will, however, be able to obtain marketable rewards and tax credits without any legal ramification if their concept becomes law.

Steve McNinch, CEO, Western Plains Energy LLC (Attachment 3), stated the ethanol industry is supportive of allowing petroleum retailers to blend fuel for two reasons: 1) the consumer is most likely to benefit from lower gas prices if the retailer blends the fuel; and 2) it is supportive of free trade. Under the Renewable Fuel Standard (RFS), there is a requirement that renewable fuels be purchased and distributed. To keep track of whether this is occurring, the federal government has required that a Renewal Identification Number (RIN) be attached to ethanol that is produced at a plant. The RIN travels with the ethanol so that at the end of the year, EPA can track the use of the ethanol and ensure that sufficient amount has gone into gasoline to fulfill the RFS. Kansas Association of Ethanol Processors supports allowing retailers to blend fuel because it is about giving a person or company the freedom to be able to buy clear gasoline and blend it themselves.

Galen Menard, National Cooperative Refinery Association (NCRA) (Attachment 4), advised NCRA is the largest farmer-owned refinery in the United States and has three farmer member-owners; CHS, Inc., GROWMARK, Inc., and MFA Oil Company, which in turn serve the needs of several hundred thousand farmer member-owners throughout the Midwest, Northwest and Great Plains. The bottom line is who should be responsible for blending ethanol into gasoline. The reason this is being questioned is the RIN's have value. Obligated parties must be able to sell gasoline blended with ethanol in order to meet standards. NCRA as a refiner and an obligated party would be more than willing to pass this liability or mandate on to someone else

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CONTINUATION SHEET

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but cannot. An obligated party is any refiner that produces gasoline or diesel fuel within the 48 contiguous states or Hawaii, or any importer that imports gasoline or diesel fuel into the 48 contiguous states or Hawaii during a compliance period.

Written Testimony: CVR Energy/Coffeyville Resources (Attachment 5)
Thomas Byers, Midstream Partners, L.P. (Attachment 6)
Kansas Department of Agriculture (Attachment 7)

After questions and comments by members of the Committee, Chairman Powell requested Raney Gilliland, Kansas Legislative Research Department, give an explanation on **SB 393**.

Action on SB 393:

Mr. Gilliland stated this bill would amend several sections of law that is administered by the Department of Agriculture (Agency), specifically where the Agency is required to have a hearing and this bill changes that requirement from having a hearing to having an opportunity for a hearing. In addition, there is a new provision that states in no case shall a temporary suspension of a license or permit under this section be in effect for a period of time in excess of 90 days.

Representative Moxley made a motion to pass the bill out favorably. Representative Svaty seconded the motion. The motion carried.

Action on SB 380:

A balloon amendment was distributed on SB 380 (Attachment 8), which includes technical changes as well as lodging inspection provisions and transient guest taxes.

Representative Fund made a motion to adopt the balloon amendment. Representative Hineman seconded the motion. The motion carried.

Representative Light made a motion to remove part (1) (d) from the balloon amendment. Representative Lukert seconded the motion. The motion carried.

Representative Lukert made a motion to remove part (1) (e) from the balloon amendment. Representative Light seconded the motion. On a show of hands of 10 nays and 7 yeas, the motion failed.

Representative Meier made a motion to move the contents of **HB 2646** into **SB 380**. Representative Maloney seconded the motion. The motion carried. Representative Moxley voted nay.

There is no meeting scheduled.

The meeting was adjourned at 5:25 p.m.