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Public Comment
Kansas Energy Council Preliminary Policy Recommendations, 2008

Submitted by
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Thank you for the opportunity to provide comments on the Kansas Energy Council's recommendations for 2008.

CEP applauds the KEC's work to collect and make available an inventory of existing generation, projections for demand, and individual utilities' plans to meet that demand. The resulting document is valuable to all Kansans and represents a real service to the state.

SUMMARY of COMMENTS

Energy efficiency (EE) is clearly the priority on which everyone agrees. EE extends the capacity of our existing generation, lowers citizens' energy bills, provides a bridge to next-generation technology, and can be delivered *today*. The KEC's recommendations for EE are positive and should be notably extended.

Michigan recently became the 18th state to pass an Energy Efficiency Resource Standard (SB213), which requires utilities to meet specific savings goals: 0.3% of total sales in 2009 ramping up to 1% of total sales by 2012 (0.75% for natural gas) and in years following. A similar approach might be considered in Kansas, including incentives for utilities that perform well.

CEP commends the Council for considering greenhouse gas emissions. This is a crucial first step. We note, however, that the first word of each recommendation is "encourage," "endorse," "urge," and "increase efforts" - versus "establish" and "adopt." The Council could definitely provide bolder statements.

For example, Minnesota Governor Tim Pawlenty's *Next Generation Energy Initiative* set the following goals in 2007:

- 25% of Minnesota's energy will be generated by renewables by 2025.
- E85 will be available everywhere.
- Minnesota will develop cellulosic ethanol and advanced biomass technology.
- Minnesota will reduce its fossil fuel energy use.
- 1,000 Energy Star commercial buildings will be certified in the state by 2010.
- Minnesota will join the Chicago Climate Exchange.

Many states have set clear goals and are striving to achieve them. Kansas can do better than encouraging and urging – we deserve a real commitment from our

leaders to reduce the risks of climate change while building a strong economy for the twenty-first century.

Indeed, amid the nation's – and the world's – current energy and financial crises, it is striking that the KEC did not make a single recommendation related to wind energy. Given the recent surge of wind development in Kansas, the KEC is notably absent in providing policy guidance in this fast-growing area.

I spent Monday and Tuesday of this very week at an invitational workshop hosted by the U.S. Department of Energy. Our charge: create a roadmap to reach 20% of electricity generated by wind in the United States by 2030.

DOE challenges Kansas – the third windiest state in the nation – to reach 7,000 megawatts by 2030 and we could do more. Meeting the 7,000 megawatt challenge would:

- Create over 1,500 family-supporting long-term jobs in engineering, manufacturing, operations and maintenance, workforce development, as well as marketing, accounting, and legal.
- Provide 10,000 construction jobs.
- Pay $20 million each year to rural Kansas landowners, plus another $20 million to Kansas counties for roads and schools.
- Create no air or water pollution.
- Hedge against volatile fossil fuel prices and potential carbon liability by providing fixed-cost energy.

The Council might have set a goal for wind generation in Kansas, might have proposed a Renewable Energy Standard, might have supported the extension of the federal Production Tax Credit or the passage of a federal Renewable Energy Standard, might have encouraged the KCC to provide expedited consideration to transmission, might have proposed a green power pricing program, might have considered what sort of net metering package could work in Kansas. All of these things have been done in nearby states.

CEP urges the Council to address our most abundant native energy source and a potential powerhouse for rural economic development.

SPECIFIC RESPONSES

Improving energy efficiency
Recommendations #5, 11, and 15
Reducing carbon dioxide emissions of baseload generation
Recommendations #1, 2, and 3
Including agricultural offsets under cap and trade
Recommendations #13 and 14
Considering cap and trade
Recommendations #4 and 6

Transportation

Recommendations #7, 8, 9, 10, and 12

Improving energy efficiency

> **5. In addition to demand-side management, the Kansas Legislature and KCC should encourage utility investments in base-load generation plants' energy conservation and efficiency and carbon capture experiments and technologies.**
> **11. Establish minimum energy efficiency standard for all majority State-funded new construction (standards under consideration include LEED Platinum, 20% above IECC 2006).**
> **15. The State of Kansas should adopt a goal of increasing energy efficiency such that the rate of growth in electricity peak demand and total energy is 50% less than it would have been absent the energy efficiency initiative.**

Economic energy efficiency programs are crucial to a clean, affordable, safe, and reliable electricity supply for Kansas. With proper incentives, our largest utilities can lower bills for most Kansans, spurring local economic development and preserving our environment and our future options in the process.

Energy efficiency helps protect citizens (and ratepayers) on a number of levels.

- Hedges against volatile, generally rising fuel prices.
- Avoids the skyrocketing costs of constructing new generation and as it does, reduces utilities' liability under future carbon regulation.
- Creates no new pollution – particulate, mercury, or carbon dioxide – so preserves the health of the public and the environment, avoiding deferred healthcare and adaptation costs.
- Creates local jobs that cannot be exported - installing HVAC systems, windows, insulation, selling appliances and services.

CEP supports incentives for utilities to pursue all cost-effective electricity savings and avoid unnecessary expenditures on generation and grid additions. These incentives should cover both supply side improvements and demand side programs, as well as include aggressive target savings of at least 1% annually. CEP also advocates thoroughgoing measurement, evaluation, and verification of energy savings.

Such targets could be accomplished through the passage of an **Energy Efficiency Resource Standard** (EERS). For example, Ohio's EERS requires electric utilities to achieve energy savings of 22.5 percent by the end of 2025, and implement programs to reduce peak energy demand by one percent beginning in 2009, and an additional .75 percent per year through 2018.

CEP also supports minimum energy efficiency building codes. For State-funded construction, these are imperative. The more money that buildings can save in daily operations, the less that citizens spend over the long-term. The minimal extra cost of energy efficient construction up front pays for itself in the very early years of any building's operation.

Reducing carbon dioxide emissions of baseload generation

1. Encourage federal funding of research and development of generation technologies that can provide base-load power while achieving reduced CO2 emissions.
2. Encourage the Kansas Bioscience Authority to allocate some of their funds to research and development related to biomass-fueled electric generation, including the analysis of carbon footprint.
3. Endorse collaborative development of advanced generation technologies in Kansas that can provide base-load power while reducing greenhouse gas emissions. Such collaboration could be between Kansas utilities, between Kansas utilities and regional utilities, or between Kansas utilities and other investors.

CEP applauds the KEC for the general assumptions reflected in this set of recommendations:

- Carbon dioxide emissions are pollutants, and emitting excessive amounts will create carbon liability for businesses and investors;
- These pollutants are in the process of being regulated – probably first through EPA rules and regulations, and at some later point by some form of carbon regulation passed by Congress;
- Kansas needs to position itself to reap the benefits of carbon regulation, and to minimize the burdens.

A comprehensive approach to baseload in Kansas will take a range of solutions. Considered on a statewide scale – rather than on a narrow, utility-by-utility basis – it is plain that simply building new fossil fuel generation cannot provide a silver bullet.

Rather, the first step for reducing baseload problems in Kansas is to aggressively pursue energy efficiency (see above). The second step is to build the in-state transmission to get the existing baseload moved around more efficiently. The third is to make in-state baseload purchases more affordable for municipalities and rural electric cooperatives.

These are the immediate solutions for addressing baseload in Kansas. Research and development is also a necessary long-term strategy for reducing Kansas baseload's current dependency on fossil fuels. Possibilities include advanced nuclear and carbon capture and sequestration. Some of these technologies will not be market-ready for at least a decade. Enhanced oil recovery, however, is available now.

To build a diverse, low-carbon and low-risk baseload portfolio, another strategy is to blend fossil fuels and renewables. Given Kansas's wealth of renewables, this is a compelling option. Many compatible technologies are already available – solar installations co-installed with natural gas plants, biomass blended with coal, and methane capture. In the future, compressed air storage for wind power is another option for supplementing baseload.

Regarding the recommendation on "carbon footprint," another way to phrase this objective is "lifecycle research." For example, Wichita State has recently attracted a DOE grant for research into the life cycle of wind turbines.

Including agricultural offsets under cap and trade

> **13. Urge Congressional delegation to include agricultural sequestration as an offset in any federal cap-and-trade policy.**
> **14. Increase state agency and private sector efforts to educate farmers (and agricultural landowners) about the benefits--reduced CO2 emissions, energy and dollar savings—associated with no-till agriculture and existing state and federal conservation programs.**

CEP wholeheartedly supports both of these recommendations. Agricultural offsets sequester carbon dioxide from atmosphere, providing short-term, low-cost carbon mitigation options during a time when other low-carbon technologies are not available.

Ag offsets through no-till or partial till are prime examples of how Kansas can reap economic and environmental benefits from carbon regulation:

- Increased farm income
- Creation of new markets that diversify the agriculture sector
- Reduced use of heavy machinery and diesel fuels
- Retention of soil moisture and reduction of irrigation expenses
- Improved soil quality

Whenever state policymakers have the opportunity to shape ag offset policies at the regional level, they should seize it. The history of renewable energy policies is clearly growth from the bottom up, not federal action from the top down. Ag offsets are no exception.

If Kansas policymakers do not constructively engage carbon regulation at all levels, then they will lose a major opportunity for Kansas farmers to shape the nation's offset policy. For that reason, CEP recommends that the KEC reconsider its vague and contradictory position on cap and trade.

Considering cap and trade

> **4. Endorse policies that promote declines in greenhouse gas emissions, not policies that merely shift emissions within or between regions.**
> **6. If a cap-and-trade policy or carbon tax is passed, it should be done at the federal level.**

CEP sits on the Midwestern Governors Association Greenhouse Gas Accord Advisory Group. I can attest that the MGA process is attending carefully to issues of leakage as well as linkage – to other regional systems as well as to a future federal system and to international trading systems, both operating and under design. This will be

a long process and results will be based on extensive economic modeling and negotiations. Most who are participating – including CEP – consider the MGA process an important opportunity to influence the shape of an eventual cap-and-trade program. The MGA process is not expected to conclude any time soon.

The time may come, perhaps as soon as the early days of the next administration, when Kansas will need to take a position on cap-and-trade or other federal climate policy. When that day comes, CEP hopes that the KEC and Kansans in general will consider the possibility that such a policy would actually drive economic development here in our windy, sunny, centrally located state.

Kansas and the Plains states can be America's breadbasket and its powerhouse. We can thrive as never before in a low-carbon economy.

Transportation

7. Reduce maximum speed limit from 70 mph to 65 mph on Kansas highways.
8. Increase fines for speeding by 50%.
9. Reduce "exemption" for speeding violations to 5 mph over limit.
10. Undertake statewide initiative (public-private sector) to encourage more energy efficient driving.
12. Encourage State agencies and managers to develop guidelines for telecommuting for appropriate state employees, giving broad discretion to managers on how such an option would be applied.

Generally, CEP endorses careful consideration of opportunities to reduce greenhouse emissions from the transportation sector.