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Meeting #3 Summary – Draft 12/09/08
Kansas Energy and Environmental Policy Advisory Group
Topeka, Kansas

December 9, 2008

Attendees:

KEEP: Steve Baccus, Amy Blankenbiller, Jim Boone, Casey Cassias, **Patty Clark**, David Mecham (for Johannes Feddema), Sen. Marci Francisco, Colin Hansen, Nancy Jackson, Jeff Kennedy, Rep. Annie Keuther, Mark Knight, Wayne Penrod (for Stuart Lowry), Carolyn McGinn, Bill Eastman (for William Moore), Jack Pelton, Emil Ramirez, Charles Rice, Bruce Snead, John Wong, and by phone Yvonne Cather

Ex Officio: Rod Bremby, Ken Frahm, Dave Schwartz (for Deb Miller), Adrian Polansky, Tracy Streeter, Tom Wright, and by phone Lt. Gov. Mark Parkinson

Office of the Governor: Jennifer Knorr

Kansas Department of Health and Environment: Rick Brunetti, Aaron Dunkel, Shari Feist-Albrecht, Tom Gross, Andy Hawkins, John Mitchell, Miles Stotts

Center for Climate Strategies: Tom Peterson, Tom Looby, and by phone Rob Greenwood, Tim Larson, Steve Roe, David Shelton, Amy Wheelless, Joan O'Callaghan

Others: See Attachment for Members of the Public Who Attended KEEP Meeting #3.

Background Documents: (all posted at www.ksclimatechange.us)

1. Notice and Agenda
2. KEEP Meeting #2 Draft Summary
3. Status Memo
4. PowerPoint Presentation
5. Catalogs of State Policy Actions
6. Brief Descriptions of State Policy Actions

Discussion and Conclusions:

1. Welcome and Introductions

Kansas Energy and Environmental Policy Advisory Group (KEEP) chair Jack Pelton opened the meeting, and the KEEP members introduced themselves.

Lt. Gov. Mark Parkinson briefly summarized three energy and carbon initiatives under way in Kansas, explaining how they fit together. The Kansas Energy Council (KEC) is looking at relevant energy issues, the Kansas Wind Working Group is continuing to promote the development of large and small wind projects, and the Midwestern

Governors Association (MGA) is studying the pros and cons of a regional cap-and-trade program for carbon emissions.

Regarding the MGA effort, Lt. Gov. Parkinson emphasized that the best solution is a federal cap-and-trade system that puts each state on an equal playing field. The KEEP is not intending to put Kansas at a competitive disadvantage to other states that are not participating in a cap-and-trade system. Also, the KEEP does not have the ability to unilaterally impose a regional cap-and-trade system on Kansas. Any recommendations coming out of the KEEP process would have to be approved by the Kansas State Legislature. The main purpose of having Kansas participate in a regional system would be to educate the state regarding the intricacies of such a system and to position the state to have a seat at the table if and when a federal system is established.

2. Approval of Draft Summary of KEEP Meeting #2

The KEEP approved the draft summary of Meeting #2 without revision.

3. Meeting Purpose and Goals

Chairman Pelton briefly reviewed the goals of KEEP Meeting #3 as follows:

- Review and approve the proposed priority policy options for further analysis, focusing on the high-priority Tier 1 options.
- Consider the proposed changes to the draft Kansas greenhouse gas (GHG) emissions inventory and forecast (I&F) report from the technical work groups (TWGs).
- Review the process for developing straw proposals for further analysis of the high-priority policy options selected by the KEEP.
- Review the initial draft of the KEEP Interim Report to the Governor.

Tom Peterson of the Center for Climate Strategies (CCS) explained that the priority decisions the KEEP makes during this meeting are initial steps in a stepwise process, rather than final recommendations. Also, the draft Kansas I&F will be revised throughout the process as additional information and data sources are identified.

4. Summary of Comments on and Responses to Questions About the Draft Kansas I&F Report

AGRICULTURE, FORESTRY, AND WASTE MANAGEMENT (AFW) SECTORS

Steve Roe, under subcontract to CCS, reported that the AFW TWG currently has no recommendations to the KEEP for action on the draft I&F report. However, he noted that the TWG believes that the wheat-burning emissions in draft I&F report are underestimated. The TWG will examine the Central Regional Air Planning Association (CENRAP) report and determine whether to recommend to the KEEP to use the data in that report as the basis for modeling. The TWG believes the CENRAP data are more refined than the U.S. Environmental Protection Agency data currently being used. The TWG will also most likely recommend adopting CENRAP data for all agricultural residue burning, rather than just wheat and grass. Roe offered to post the CENRAP report to the KEEP Web site.

A KEEP member suggested that the TWG also look at data from Kansas State University and the Kansas Extension Service. A TWG member responded that in working with the inventory the TWG gathered data from every Kansas extension agency. Roe also asked the KEEP for recommendations on data sources for rangeland carbon gains or losses.

ENERGY SUPPLY (ES) SECTOR

Rob Greenwood, under subcontract to CCS, reported the following comments and recommendations from an ES TWG member on the I&F:

- Broad assumptions were made in creating the Kansas GHG emissions I&F, and specific data were not always available. As better data become available, the I&F should be refined.
- The inventory overestimates the amount of electricity generated by utilities and consumed by Kansans, and emissions should be calculated on a per-customer or per-kilowatt-hour delivered basis.
- The inventory assumes that all wind energy generated in Kansas is used by Kansans, though this may not be the case. The I&F should make renewable energy a separate category, and all exports and imports should be accounted for by fuel type.

RESIDENTIAL, COMMERCIAL, AND INDUSTRIAL (RCI) SECTORS

Tim Larson, under contract to CCS, reported the following comments and recommendations on the I&F:

- The I&F should use both (1) the most current state and regional consumption forecasts from the Portland Cement Association (PCA) to estimate future GHG emissions associated with cement production in Kansas, and (2) the PCA August 2008 forecast data and/or the Spring 2009 forecast data.
- The I&F should be re-evaluated for black carbon forecasts in light of recent manufacturing trends. Some data sources show a steady decline in black carbon from manufacturing, in part due to changes in the price of oil and manufacturing trends. Steve Roe suggested that if the TWG is interested in looking into black carbon, it should consult the Colorado I&F appendix related to black carbon.

TRANSPORTATION AND LAND USE (TLU) SECTORS

There were no recommended changes to the I&F regarding the TLU sectors.

5. Summary of Comments on and Responses to Recommended Priority Policy Options for Analysis

Between KEEP Meetings #2 and #3, the TWGs narrowed down 300-plus potential actions in the Catalogs of State Actions to 47 potential priority policy options for analysis. The options were presented as Tier 1 and Tier 2 options in the Status Memo for KEEP Meeting #3. Tom Looby of CCS explained that Tier 1 options received substantial support from the TWG for further analysis; Tier 2 options received a lower level of support, some of which KEEP members may want to elevate to Tier 1; and Tier 3 options received little or no support for further analysis, so were excluded from the tables in the

Status Memo. Following is additional information in support of the information in the Status Memo.

AGRICULTURE, FORESTRY, AND WASTE MANAGEMENT PRIORITY POLICY OPTIONS

Steve Roe explained that 10 of 14 TWG members voted on the priority options. Tier 1 options received at least 5 high-priority votes, and Tier 2 options received at least 3 high-priority votes. Roe noted that AFW-1 (Expanded Utilization of Biomass Feedstocks for Electricity, Heat, or Steam Production) also has ties to the ES and RCI sectors.

A KEEP member noted that AFW-2 (In-State Liquid Biofuels Production) presents opportunities for farmers to expand their income base and for industry to comply with regulations. Another member noted that the KEEP needs to look at how water fits into the big picture, since it is such a significant issue. Roe responded that AFW-3 (Promotion of Agricultural Practices That Achieve GHG Benefits) addresses water, but doesn't cover water as related to the residential or industrial sectors.

The KEEP approved the priority options as recommended by the AFW TWG. There were no suggestions for additional options or sub-options to be included in the analysis.

ENERGY SUPPLY PRIORITY POLICY OPTIONS

Rob Greenwood explained that 18 of 20 TWG members voted on the priority options. Tier 1 options received at least 6 high-priority votes. The following priorities received a significantly higher number of high-priority votes than the others: ES-1 (17 ballots), ES-2 (15), ES-3 (14), ES-4 (11), and ES-5 (7).

ES-2 (Nuclear Capacity)—A KEEP member asked whether water considerations are included in ES-2. Peterson explained that could be included in the nuclear capacity and feasibility issues. A TWG member noted that the Kansas Corporation Commission staff is causing a delay in the development of a major transmission line, and that two applications are pending. *KEEP members recommended that the TWG look at the significant opportunities for technological improvements, including green power and more efficient turbines. The KEEP agreed this item should be added to the ES-2 list of sub-options.*

ES-3 (Transmission System Upgrading)—A TWG member noted that the Kansas House of Representatives passed legislation for transmission system upgrades. She suggested keeping ES-3 as is, but keeping an eye on potential legislation. She also suggested deleting ES-2.3 (Relicensing/Up-rating Existing Nuclear Power).

ES-4 (Renewable Portfolio Standard)—A KEEP member asked whether wind farms are included under ES-4. Looby noted that the ES Catalog of State Actions discusses wind generation opportunities extensively. A recent Department of Energy workshop roadmap called for wind energy to comprise 20% of electricity generation. The KEEP agreed that the high potential for the new Obama administration's support of wind energy should be factored into the design of ES-4. Another KEEP member noted that significant technological development needs to occur before renewable energy can be integrated into the electricity generation system.

A TWG member recommended adding natural gas to the fuel mix, because it would serve as an excellent backup for wind energy. He also suggested it might be a good fit for ES-6

(*Technology-Focused Initiatives, Including Grant Programs*). A discussion followed on the need to examine property rights and landowners' positions on this issue to determine its feasibility.

ES-5 (CCSR Incentives, Requirements and/or Enabling Policies) and ES-7 (R&D for CCSR)—A KEEP member's representative suggested combining ES-7 with ES-5, noting that from an electric utility standpoint, the research and development (R&D) for carbon dioxide capture, storage and recovery (CCSR) is an enabling technology. *The KEEP agreed to send this issue back to the TWG for its consideration.*

ES-10 (Energy Efficiency Resource Portfolio Standard)—*The KEEP recommended elevating to ES-10 the Tier 2 sub-options Consumer Energy Efficiency Incentives or Other Barrier Removal and Efficiency Improvements and Repowering Existing Plants.*

Tier 2 Policy Option: GHG Cap and Trade—This policy option was relegated to Tier 2 because Kansas is already involved in working on a regional cap-and-trade program through the MGA effort. The KEEP was asked to decide whether to recommend simply monitoring the MGA's progress on this issue, or whether to recommend fleshing out the specifics of the policy design and quantifying the GHG emission reductions from and benefits of a Kansas cap-and-trade program.

Comment: This was already a Tier 1 Priority.

A KEEP member noted a modeling effort would be helpful to determine how a cap-and-trade system would affect Kansas. Other KEEP and TWG members responded that given that the MGA's modeling results are expected to be published in March or April of 2009, investing KEEP resources in similar efforts would be misplaced. Therefore, the KEEP recommended keeping the cap-and-trade policy option as a Tier 2 priority.

RESIDENTIAL, COMMERCIAL, AND INDUSTRIAL PRIORITY POLICY OPTIONS

Tim Larson explained that Tier 1 options received at least 4 high-priority votes. However, options that received only 2 or 3 high-priority votes were also included in Tier 1 through bundling. Any option that received at least 1 high-priority vote was relegated to Tier 2. The following modification to a RCI Tier 1 option was discussed and approved by the KEEP.

RCI-8 Incentives for Retrofit of Existing Residential Buildings—*The KEEP recommended moving up from Tier 2 the option Create Incentives and Targets for Retrofit of Existing Commercial or Industrial Buildings, and merging that option with the current RCI-8 option to create the following new option, titled Create Incentives and Targets for Retrofit of Existing Residential, Commercial, or Industrial Buildings.*

TRANSPORTATION AND LAND USE PRIORITY POLICY OPTIONS

David Shelton, under contract to CCS, briefly summarized the TLU priority policy options.

TLU-4.5 (Create Regional Multimodal Transportation Centers)—A KEEP member recommended that the TWG clarify this sub-option to specify that it applies only to transit passenger multimodal centers, not to other types of transit, such as freight.

TLU-6 (Improve and Increase Rail Freight Movements)—A participant from the Kansas Department of Transportation suggested that the TWG consider the effect of

freight as part of TLU-6.1 (Shift Freight Movements From Truck to Rail) and discuss ways of improving intermodal facilities. An ex officio member noted that because freight would reduce GHG emissions, further analysis would be appropriate.

TLU-9 Efficient Vehicle Incentives—A KEEP member asked Shelton to define the term "efficient vehicles" in the TLU-9.1 heading (Tax Credits for Efficient Vehicles). *The TWG will define the term for the next KEEP meeting.* Another KEEP member noted that people need to be informed about the \$750 tax credit Kansas offers for the purchase of a flex-fuel vehicle and 500 gallons of E85.

Improved Transportation System Management—A KEEP member noted the conservation benefits that can be realized from improved traffic patterns. *The KEEP recommended elevating this Tier 2 option to Tier 1.*

Other Tier 2 Options—Chair Pelton observed that several "low-hanging fruit" policy options have fallen into Tier 2, such as Increase Bike and Pedestrian Infrastructure, Park-and-Ride Lots, Reserve Parking Spaces for High-Occupancy Vehicles, and Car-Share Programs. *The KEEP asked the TWG to create a new option or to look at how these options might be integrated into existing options, such as TLU-7 (Smart Growth).*

CROSS-CUTTING ISSUES (CCI) PRIORITY POLICY OPTIONS

Tom Looby of CCS briefly summarized the CCI priority policy options.

CCI-4 (Public Education and Outreach)—Looby explained that the Catalog of State Policy Options breaks out this group of sub-options by target audience. The TWG asked for the KEEP's feedback on whether this is the best way to approach this group. A number of agents are already doing this type of outreach, such as the Kansas Association for Conservation and Environmental Education. Also, the Kansas Chamber of Commerce is in a position to do some outreach and education. Public, private, and diverse groups need to come together and pool their resources. Given the current state of the economy, people involved in these efforts will need to be creative to maximize the effectiveness of available resources.

CCI-5 (Participate in Regional and Multistate GHG Reduction Efforts)—*Rather than duplicate the work being done by the MGA, the KEEP recommended moving to Tier 2 sub-options CCI-5.1 through CCI-5.6, and to get regular feedback on the MGA work in this area. TLU-5.7 and TLU-5.8 will now become TLU-5.1 and TLU-5.2, respectively.*

The following words will be added to the beginning of the title of CCI-5: "Explore Opportunities To."

7. Next Steps

Between Meetings #3 and #4, each of the TWGs will hold two teleconferences. It will be important for TWG members to participate in these calls. The TWGs will develop policy design proposals that specify the priority policy options' timing, goals, and coverage, and will begin to quantify initial GHG reductions and costs and cost savings. Prior to the next teleconference, TWG members will be asked to volunteer to write a first draft of the proposed options. The CCS facilitators will provide support with the templates, but the TWG members will be the authors of the policy option documents.

A draft Interim Report will be issued to KEEP members on December 16. The deadline for any comments on the report will be one week after receipt of the report. The Interim Report will not contain any recommendations. Rather, it will show the Governor where the KEEP is heading with its efforts.

8. Times and Dates for Next KEEP Meetings

The KEEP will hold Meeting #4 on April 30, 2009. Once the specific meeting location and time are determined, they will be published on the KEEP Web site. Following are timelines for the KEEP interim and final reports, along with the proposed months for the remaining KEEP meetings (the specific meeting dates and times are to be determined):

- Interim Report—January 2009
- Meeting #5—August 2009
- Meeting #6—November 2009
- Final Report Due—January 2010

9. Public Input and Announcements

No members of the public provided comments. There were no announcements.

ATTACHMENT

Members of the Public Attending KEEP Meeting #3
Topeka, Kansas
December 9, 2008

Name	Organization
Chad Althouse	Larson Binkley, Inc.
Sandy Braden	National Association of Insurance and Financial Advisors of Kansas
Tom DeBaun	Kansas Corporation Commission
John Donley	Kansas Livestock Association
Bill Eastman	Westar Energy
Jonathan Fisk	League of Kansas Municipalities
John Grimwade	Kansas City Power & Light Co.
Brad Harrelson	Kansas Farm Bureau
Maril Hazlett	Climate Energy Project, The Land Institute
Dave Holthaus	Kansas Electric Cooperatives
Julie Ketchum	Waste Management
David Klepper	The Kansas City Star
Paul Ling	Kansas City Power & Light Co.
Curtis Lesslie	Ash Grove Cement Company
Brad Loveless	Westar Energy
Bud Ludwig	National Beef Packing Co., LLC
Greg Sanks	Spirit Aerosystems, Inc.
David Schwartz	Kansas Department of Transportation
Mike Stanfill	Burlington Northern and Santa Fe Railway Company
Steve Swaffar	Kansas Farm Bureau
George Thulleson	Empire Electric
Bill Upman	Rolling Meadows Recycling & Disposal Facility
Bill Wentz	Wichita State University (retired)

Comment: Was sub on KEEP