

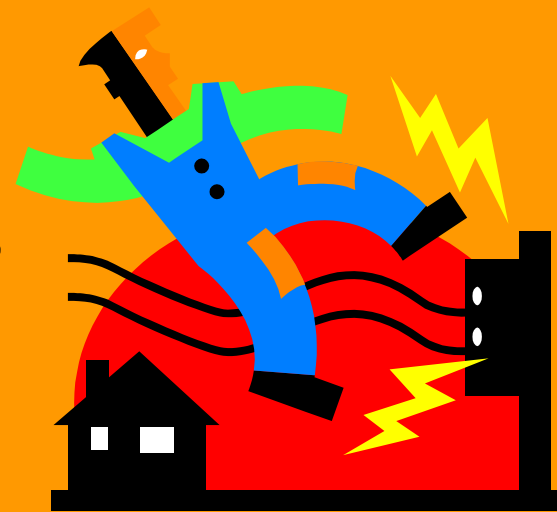
A vast field of sunflowers stretches across the horizon under a clear blue sky. The sunflowers are in full bloom, with bright yellow petals and dark brown centers. The field is densely packed, and the perspective is from a low angle, looking across the field towards the horizon.

A Sustainable Energy Future for Kansas ? Background and Perspectives

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Kansas Energy Policy?

- What is it?
- Who implements it?
- When was it developed?
- Why is an energy policy needed?
- What has happened in the last year or so?



Kansas Energy Policy?

- California Energy Crisis
- Wind Power Development Issues
- Rate Increase Requests
- Coal Power Plant Plans
- Coal Delivery Challenges
- Natural Gas price increases
- Energy Policy Act of 2005
- Katrina/Rita impacts



Kansas Energy Policy?

- Elk River Wind Farm
- KS Electric Transmission Authority created
- Kansas Energy Council – 2006 Report
- The time is ripe.....



There is a Need....for those responsible...

- to develop specific measures to assure a safe and affordable energy future for all Kansans
- to exercise their statutory authority to implement said measures; and
- to act with all due prudence and haste.

The Facts....



- Energy has become the very life blood of our economy and way of life.
- The energy intensity of the U.S. economy is among the highest in the world and Kansas' among the highest in the U.S., indicating that we are increasingly vulnerable to supply disruptions and price increases

The Facts....



- America's traditional sources of oil and natural gas are rapidly being depleted. Future resources will cost more and their production will in many cases risk environmental damage. Our reliance on foreign resources will increase, posing a real national security risk and costs
- Global warming is a real and significant issue and efforts to meet our energy needs solely with fossil fuel production will inevitable conflict with the need to reduce fossil fuel combustion.

The Facts....



- Renewable energy resources can meet a significant portion of our energy requirements at a lower cost and environmental impact and delaying transition to them will only make the process more difficult and disruptive.
- It is not the energy we need, but the services it provides, and energy efficiency is a direct substitute for the production and combustion of a fossil energy resource.



Kansas Energy Council

- 1. The Council shall collect and compile information pertaining to the energy resources, including wind and biomass, in the state, as well as the availability, production and use of energy in the state;
- 2. Based on such data, the Council shall formulate and coordinate a comprehensive state energy plan that includes strategies to:
 - a. Ensure a low-cost, reliable and sustainable energy supply;
 - b. Increase energy efficiency and conservation;
 - c. Develop a balanced renewable energy policy that promotes our state's renewable and alternative energy resources and preserves those natural ecosystems and places of scenic beauty that cannot be replaced;
 - d. Extend the life of existing energy resources;
 - e. Enhance energy related research and development; and
 - f. Ensure an adequate and stable state energy infrastructure.

Kansas Energy Council

- 3. Such a state plan shall include sections corresponding with:
 - a. Estimates of energy consumption by Kansas residents for the next 12,, 36 and 60 months by energy category; and
 - b. Estimates of energy production by energy source for the next 12, 36, and 60 months by energy category.
- 4. The Council shall annually review and modify as necessary the state energy plan.
- 5. The Council shall advise of trends identified in relation to energy production, consumption and any tax or revenue implications.

Kansas Energy Council

- 6. The Council shall recommend:
 - a. Appropriate means to increase the productive life of Kansas energy resources;
 - b. Appropriate means to increase the state's self-reliance on its own energy sources through:
 - i. Increased efficiency in the use of its resources,
 - ii. Identification of potential energy resources, and
 - iii. Identification of policy and tax issues that positively or adversely impact self-reliance;
 - c. Ways to avoid loss of tax revenues and employment opportunities related to energy resource management;
 - d. Policies to increase the export of energy from Kansas;
 - e. Policies to encourage renewable energy development;
 - f. Policies to encourage energy efficiency; and
 - g. Such other policies or actions related to energy resource management as may be identified.

Kansas Energy Council

- 7. The Council shall study the state's transmission needs for electrical energy.
- 8. The Council shall determine ways to encourage energy-related production, research and development, and other energy-related economic development in the state.
- 9. The Council shall annually report their findings and recommendations to the Kansas Corporation Commission, the Governor and the Legislature no later than January 15th.

Select Committee on Energy

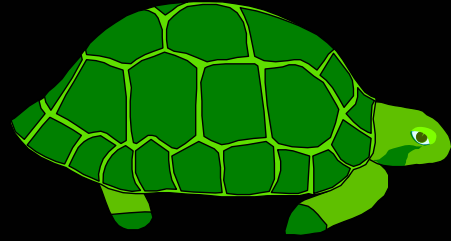
- *Purpose.*
- The Select Committee on Energy is charged with reviewing the current status of Kansas energy policy, including a review of energy production, distribution, and pricing within the state, with an emphasis on energy fuels.
- *State Entity for Long-Term Energy Policy Development and Monitoring*
- Review and recommend the appropriate type of legislative or executive entity to formulate and make recommendations regarding long-term state energy policy. This entity would review, monitor, and recommend a coordinated and well thought out statewide energy policy to pursue into the future.

The Facts....



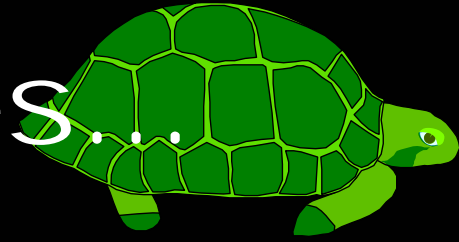
- Programs that create a balance between meeting our energy needs with new supply and improved energy efficiency by energy consumers have not been adequately studied and/or promoted by the Legislature, Governor or the Kansas Corporation Commission.
- On a per capita basis Kansas utilities are last among all fifty states in support of end use efficiency programs.

KS Electric Utilities...



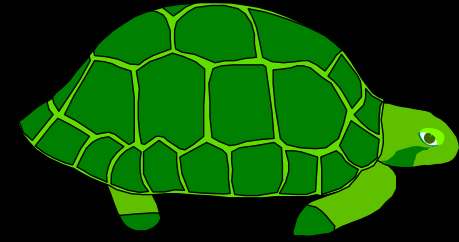
- have successfully blocked all efforts by the commission and legislature to implement demand side management (DSM) programs intended to achieve a reasoned balance between end use efficiency and construction of new generation facilities.
- have, for the most part, dramatically scaled back their resources dedicated to technical assistance to customers seeking to improve the efficiency with which they use energy.

KS Electric Utilities...



- The deregulation of electric utilities in Kansas is now permanently stalled. The Kansas Corporation Commission (KCC) must establish a market whereby all energy efficiency alternatives to new plant construction will be fairly compared.
- In all rate filings to the KCC, energy end use analysis must be an integral part.

KS Electric Utilities...



- Electricity utility rates have evolved in a manner to maximize utility income while avoiding sending the consumer realistic price signals that would generate a market response to consume more efficiently.
- The consumer should evaluate investments in end use efficiency based on the cost of new energy supplies, not the average cost of investments made over decades.

KS Electric Utilities...

- are now calling for the construction of additional generating facilities, warning of energy supply difficulties similar to those occurring in California if incentives for construction are not granted.
- While new laws were recently passed by the Kansas Legislature to promote more power plant construction, legislation was not passed to reward energy efficiency investments.



The Legislature....

- The Kansas legislature grappled with the need for the development and implementation of a broad state energy policy but were unsuccessful - there is a Legislative Select Committee on Energy meeting this week



The KCC.....



- has broad statutory powers and by having exercised them in the past to promote greater energy efficiency has an obligation to act now to address the challenges that we face today.

The KCC....



- should investigate and where found prudent and feasible, take actions to encourage customers of utilities under their jurisdiction to implement such measures and practices the customer finds technically and economically suitable for improving end use energy efficiency.

KCC Rate Design Should...



- Minimize the monthly customer service charge to prevent utilities from making energy and capacity related costs unavoidable.
- Invert energy and demand rates, such that the last kW/kWh or MCF consumed is the most expensive and reflects the cost providing additional energy from new construction and current fuel cost.

KCC Rate Design Should...



- establish rates that provide the minimal amount of energy for essential uses at a reduced cost to protect small customers and reward efficient customers.
- increase the use of peak electricity demand rates so that as many customers as possible have a true cost signal regarding electrical generating capacity costs.

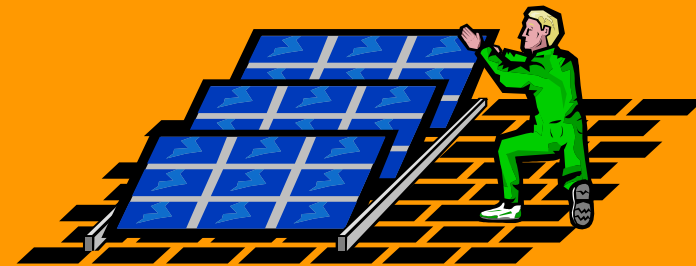
KCC Rate Design Should...



- increase the use of time-of-day rates and annual or seasonal rates that realistically reflect the value of peak generating capacity.

The KCC Should....

- encourage all regulated utilities to develop renewable energy resources and energy efficiency strategies as a gradually increasing part of their energy supply.
- By...



The KCC Should....

- Allowing electric utilities to incorporate in their rates competitively acquired renewable energy that does not cost more than \$0.01/kWh greater than their average internal cost up to a penetration level of 20 percent of all electricity sales.
- Creating rules establishing fair and reasonably technical, accounting and insurance requirements for the implementation of HB 2245 on parallel generation services recently passed by the Kansas Legislature and signed by Governor

The KCC Should...



- implement a customer benefit surcharge to fund an energy efficiency loan program for residential and small commercial utility customers.

The KCC Should....

- Establish a professional public review board to annually establish a short list of qualifying technologies based on a simple payback of seven years or less.
- Implement a loan program through loan guarantees and interest rate buy downs through banks, savings and loans, and credit unions.
- Target financial and technical assistance for low-income consumers.

The KCC Should...



- Work with KTEC to establish and fund an energy research program targeted at improving energy end use efficiency in Kansas and the development of Kansas renewable energy resources.
- Encourage the development of skills and business enterprises that focus on improving energy end use efficiency and development and use of renewable energy resources

Our Choice



- The longer we wait, the greater the risk of having to impose rigid regulations in time of crisis.
- The sooner we change, the more options we will have to create mechanisms of adjustment that are socially acceptable and economically feasible.



Questions?

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Thank You

