

MINUTES

2023 SPECIAL COMMITTEE ON ENERGY AND UTILITIES

November 6, 2023
Room 582-N—Statehouse

Members Present

Representative Leo Delperdang, Chairperson
Senator Mike Petersen, Vice-chairperson
Senator Michael Fagg
Senator Marci Francisco
Senator Tim Shallenburger
Senator Kellie Warren
Representative Emil Bergquist
Representative John Carmichael
Representative Tobias Schlingensiepen
Representative Carl Turner
Representative Laura Williams

Members Absent

All members present

Staff Present

Luke Drury, Kansas Legislative Research Department
Heather O'Hara, Kansas Legislative Research Department
Kate Smeltzer, Kansas Legislative Research Department
Carly Humes, Office of Revisor of Statutes
Nick Myers, Office of Revisor of Statutes
Jessie Pringle, Office of Revisor of Statutes
Mindy Sieve, Committee Assistant

Conferees

Chaz Allen, Executive Director, Iowa Utility Association
Lynn Retz, Executive Director, Kansas Corporation Commission
Justin Grady, Chief of Revenue Requirements, Cost of Service and Finance, Kansas Corporation Commission
Vanessa Lamoreaux, Interim Senior Director, Kansas Department of Transportation
Ed Cross, President, Kansas Independent Oil and Gas Association
Kimberly Gencur Svaty, Director, Gencur Svaty Public Affairs and Kansas Advanced Power Alliance

**Monday, November 6
Morning Session**

Welcome and Introductions

The Chairperson called the meeting to order at 9:02 a.m. and welcomed the Committee members, conferees, and attending audience for a third day of the Committee and asked the staff to introduce themselves. The Kansas Legislative Research Department (KLRD) had a student shadowing their Committee staff and attending the meeting. Jack Sartorius, a student from Perry-Lecompton High School, introduced himself.

Overview of State Energy Plans

The Chairperson recognized Kate Smeltzer, Research Analyst, KLRD, who provided an overview of state energy plans (SEPs) ([Attachment 1](#)), followed by questions from the Committee members.

Ms. Smeltzer explained 43 states have SEPs, each including multiple strategies to accomplish the overall goal of each state's energy planning process. Ms. Smeltzer identified several shared existing SEP goals and elements and provided examples for each. These shared goals and elements included:

- SEP planning processes, finance, economic development, and framework;
- SEP objectives and context;
- Recommended policies and actions;
- Grid evolution, energy assurance plans, and emergency planning;
- Transportation and land usage;
- Clean energy and renewable portfolio standards (RPS), conservation, and energy efficiency; and
- Review of resources available and research and development.

Ms. Smeltzer provided information regarding state energy reports which include a mandated submission of an annual or biannual energy report from their state energy office or other designated entity to their respective legislative body regarding the performance of energy industries, energy cost data, energy efficiency, and local, state, and regional policies. She then provided a brief history of the SEPs in Kansas.

Overview of the Iowa Energy Plan

The Chairperson recognized Chaz Allen, Executive Director, Iowa Utility Association, via WebEx, who provided an overview of the Iowa Energy Plan ([Attachment 2](#)), followed by questions from the Committee members.

Mr. Allen explained the Iowa Utility Association consists of Iowa's investor-owned electric, natural gas, and transmission utilities, which serve the majority of electric and natural gas customers in the state.

Mr. Allen stated Iowa became the first state in the nation to adopt an RPS in 1983, and in 2022, nearly two-thirds of the total electricity net generation came from renewable resources. He noted Iowa is the second largest wind power producer after Texas. Mr. Allen said in 2023, Iowa had about 12,800 megawatts (MW) of in-state generating capacity fueled by renewable energy sources at utility-scale power facilities, and he provided a map of Iowa's wind footprint and wind corridor.

Mr. Allen concluded by discussing current Iowa projects and infrastructure and grid security.

Break

The Chairperson called for a brief break before the Committee continued.

Overview of the State Energy Office and Federal Funds

The Chairperson welcomed and recognized Annie Kuether, a former long-time state representative and former Ranking Minority Member of the House Committee on Energy, Utilities and Telecommunications, who is the newest Commissioner on the Kansas Corporation Commission (KCC). She provided remarks and answered questions from Committee members.

The Chairperson recognized Lynn Retz, Executive Director, KCC, who provided an overview of the State Energy Office and federal funds ([Attachment 3](#)), followed by questions from the Committee members.

Ms. Retz provided information on the State Energy Office's three primary programs:

- Energy Assessments and U.S. Department of Agriculture's Rural Energy for America (REAP) program grant assistance:
 - The focus of these grants is agricultural producers and rural small businesses; and
 - Assistance with USDA REAP grant applications;
- Energy education:
 - Presentations, workshops, and events;
 - STEM-focused KidWind Challenge;

- K-12 energy efficiency benchmarking project; and
- Energy equipment library;
- Facility Conservation Improvement Program (FCIP):
 - FCIP is used to implement energy efficiency projects at governmental facilities; and
 - Provide oversight and technical assistance.

Ms. Retz provided a map of Kansas SEP results from Fiscal Year (FY) 2016 to FY 2023 and a map of energy assessments and REAP grant applications, which displayed assessments resulting in REAP grant applications and assessments with no associated REAP grant application. She then provided an energy assessment overview and breakdown of REAP grants in Kansas which have been submitted and approved for federal funding. She also discussed energy assessment by industry, the number of energy assessments by industry type and fiscal year, the amount of assessments by House and Senate districts, and the number of renewable energy assessments by year.

Ms. Retz discussed the National KidWind Winners from 2023, noting Kansas had a top performing team in all four of the most recent on-site National KidWind Challenges. She provided an overview of State Energy Office history, U.S. Department of Energy grants, and information about state energy offices in surrounding states.

Evergy Rate Case Update

The Chairperson recognized Justin Grady, Chief of Accounting and Revenue Analysis, KCC, who provided an overview of the ongoing Evergy rate case ([Attachment 4](#)), followed by questions from the Committee.

Mr. Grady explained a rate case was filed April 25, 2023, with separate revenue requirements, cost of service, and rate design for Evergy Kansas Central (EKC) and Evergy Kansas Metro (EKM). KCC staff and 24 intervenors filed testimony on April 29, 2023. He stated three public hearings occurred in July 2023, and on September 29, 2023, all parties to the docket filed a Unanimous Settlement Agreement. The Commission conducted an evidentiary hearing on October 9, 2023, which examined witnesses about the Agreement. He concluded by stating the Commission's decision to accept, reject, or modify the Agreement is due on December 21, 2023. Mr. Grady provided the key terms of the Agreement in his testimony.

Lunch

The Chairperson recessed the meeting for lunch at 12:00 p.m.

Overview of the Kansas Infrastructure Hub

The Chairperson recognized Vanessa Lamoreaux, Interim Senior Director, Kansas Department of Transportation (KDOT), who provided an overview of the Kansas Infrastructure Hub ([Attachment 5](#)), followed by questions from the Committee members.

Ms. Lamoreaux explained the Bipartisan Infrastructure Law (BIL), also known as the Infrastructure Investment and Jobs Act. She stated the BIL offers \$1.2 trillion in funding to span across 5 years and offers nearly 400 programs across 12 federal agencies. She further explained the BIL has both formula and discretionary funding. She added BIL is for infrastructure sectors (transportation, climate, energy, environment, broadband, and resilience), and all types of projects and recipients.

Ms. Lamoreaux provided information regarding the Kansas infrastructure grades and opportunities the Kansas Infrastructure Hub offers. Ms. Lamoreaux explained the Hub is an information exchange and resource center that helps to reduce barriers in building partnerships with communities engagement for grants and resource matchmaking.

Energy Future - Oil and Gas

The Chairperson recognized Ed Cross, President, Kansas Independent Oil and Gas Association (KIOGA), who provided an update on the energy future in the Kansas oil and gas industry ([Attachment 6](#)), followed by questions from the Committee members. He explained KIOGA represents nearly 3,000 members of independent oil and natural gas explorers and producers and service and supply companies across the state.

Mr. Cross discussed global crude oil supply and demand dynamics, stating the energy outlook for 2023-2024 remains subject to heightened levels of uncertainty. He noted crude oil prices in Kansas averaged \$68.44 through October 2023 and according to the Energy Information Administration (EIA) Short-term Energy Outlook (STEO), Kansas crude oil prices are expected to average \$79 during 4Q 2023 despite anticipated tightened balances in the global oil market in the coming months. He put the expected future energy demand into context by discussing the Organization of the Petroleum Exporting Countries' (OPEC's) 2023 World Energy Outlook, which sees oil consumption climbing 16.0 percent over the next two decades and annually adding on an average 6.0 million barrels of oil equivalent a day in the period leading to 2045.

Mr. Cross explained natural gas is one of the preferred sources of energy in the country, not only for electricity and factories but as a heating source for people's homes. He noted over 50.0 percent of U.S. homes are heated by natural gas and even those that use electric heat pay for natural gas. Mr. Cross talked about the crude oil market structure, stating it is a global oligopolistic market predominantly influenced by the OPEC cartel, which is made up of over 20 oil-producing nations, controls nearly a third of the world's oil supplies, and colludes to control global crude oil prices. He stated Kansas oil and gas production will likely remain a conventional, small business operation that will be adjusted with technology.

Mr. Cross discussed economic impact on the Kansas oil and gas industry, adding nearly 5,000 wells were shut down in Kansas in 2020, which caused a \$810 million loss in oil output. He explained that as market conditions improved in 2022 after the fallout from COVID-19, oil and gas exploration and production activity has increased, causing crude oil production to increase by 0.4 percent while natural gas production declined by 3.3 percent. He mentioned that over 28 million barrels of oil and nearly 150 billion cubic feet of natural gas were produced in 2022.

Mr. Cross reviewed key challenges and opportunities in the oil and gas industry, specifically mentioning electric rates; the labor market; carbon tax; energy policy; carbon tax;

emissions; environmental, social, and corporate governance; and prices. Mr. Cross concluded by saying Kansas rates are the highest in the region, with consumers spending more on electricity than 10 years ago, and added KIOGA encourages the Legislature to consider recommendations regarding Kansas electric cooperatives; rate capping; and fair taxation and establishment of wind and solar asset cleanup, amongst others.

Break

The Chairperson called for a brief break before the Committee continued.

Energy Future - Clean Energy

The Chairperson recognized Kimberly Svaty, Gencur Svaty Public Affairs and Kansas Advanced Power Alliance, who provided an update on the energy future for clean energy ([Attachment 7](#)), followed by questions from the Committee members.

Ms. Svaty explained Kansas is second in the nation for wind energy production as a share of total electric generation, stating 47.4 percent of all electricity production comes from clean energy, largely Kansas wind farms. She added with 3,800 active wind turbines at 45 wind farms in Kansas, 12 billion gallons in annual state water consumption is saved.

Ms. Svaty provided facts regarding Kansas solar power, adding Kansas has 18,164 homes powered by solar energy, and 0.28 percent of the state's electricity comes from solar. She stated Kansas has 47 solar companies, including 6 manufacturing solar, 23 installers/developers, and 18 others. The growth projection for the next 5 years is 1347 MW, which ranks 34th in the country.

Ms. Svaty explained utility-scale solar can be paired with energy storage to manage evening energy ramps and provide backup power with the benefit of fixed-priced electricity during peak demand periods when traditional power is the most expensive.

Ms. Svaty provided information regarding the hydrogen value chain in Kansas:

- Hydrogen is a flexible molecule with multiple uses;
- Hydrogen can be used in agriculture, power generation, heavy transportation and rail, and other industrial processes;
- Hydrogen's lower emissions profile will aid in decarbonization of the planet; and
- Hydrogen provides a stable, affordable, domestic supply of ammonia and energy.

Ms. Svaty introduced the H2 Harvest Hydrogen and the U.S. National Clean Hydrogen strategies and roadmaps and provided the Committee with information regarding the establishment of a national network of hydrogen hubs. She concluded by discussing announced hydrogen hubs around the U.S.

Committee Discussion and Recommendations

The Chairperson reviewed the topics discussed over the three Committee meeting days and asked the Committee members for any further comments, which they provided.

Adjourn

The Chairperson thanked the Committee members, staff, conferees, and audience for attending the three Committee meetings and adjourned the meeting at 4:41pm.

Prepared by: Mindy Sieve

Edited by: Kate Smeltzer and Heather O'Hara

Approved by the Committee on:

January 24, 2024

(Date)