

MINUTES OF THE HOUSE ECONOMIC DEVELOPMENT AND TOURISM COMMITTEE

The meeting was called to order by Chairman Lana Gordon at 3:30 P.M. on February 19, 2008 in Room 519-S of the Capitol.

All members were present except:

Judy Morrison- excused
Don Myers- excused

Committee staff present:

Ryan Hoffman, Kansas Legislative Research Department
Jason Long, Office of the Revisor of Statutes
Matt Todd, Office of the Revisor of Statutes
Ann Deitcher, Committee Assistant

Conferees appearing before the committee:

Mike Michaelis, Vice-President, Kansas Economic Development Alliance
Brian J. Moline, Chairman, Alliance for Sound Energy Policy
L. Earl Watkins, Jr., President & CEO, Sunflower Electric Power Corp.

The Chair introduced Mike Michaelis who explained that KEDA was a state-wide organization whose membership was open to all individuals whose professional background and primary interests and activities were dedicated to economic development on behalf of the state of Kansas. (Attachment 1). He added that the purpose of KEDA was to assure a continued healthy economy for the state of Kansas.

Questions and answers followed.

Next on the agenda, was Brian Moline who spoke of the recent decision by the Kansas Department of Health and Environment to deny the Holcomb Station expansion air permit, in the absence of a steady, reliable regulatory framework, saying his organization felt this set a terrible precedent for economic development in Kansas. (Attachment 2).

He told the Committee that currently, coal reliably provides more than 75% of Kansas electricity and is the primary reason we have one of the lowest electricity rates in the country. The most abundant, affordable and reliable natural energy source that America has, it currently fuels more than three-fourths of Kansas' electricity and nearly 50 percent of U.S. electricity. U.S. coal reserves are nearly six times that of our nation's oil and natural gas reserves combined and more than three times their energy equivalent of Saudi Arabia's oil.

Mr. Moline said this was why the Alliance for Sound Energy Policy supported passage of **House Substitute for SB 327**.

Questions and answers followed.

Earl Watkins addressed the Committee regarding the economic benefits of the Holcomb Expansion project. (Attachment 3).

Speaking of the project background, he said that the Holcomb Station expansion meets the growing energy needs of 67 electric cooperatives in Kansas and neighboring states.

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Currently, the project includes building two additional supercritical pulverized coal units, each capable of generating 700 megawatts of electricity. The units would be owned by other utilities, but operated by Sunflower employees. They recruited other utilities to participate in this project, selling them on the Kansas business climate and the solid operating record of Holcomb Unit one.

Mr. Watkins said that these project revenues and cost savings would be utilized by Sunflower to offset capital and operating expenses that would have otherwise been charged to Sunflower's Member Systems. They calculate that these revenues, fees and cost reductions would result in a \$750 million benefit for ratepayers in central and western Kansas.

Questions and answers followed.

The meeting was adjourned at 4:30 pm. The next meeting is scheduled for Wednesday, February 20, 2008.