



# KANSAS

OFFICE OF THE GOVERNOR

KATHLEEN SEBELIUS, GOVERNOR

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## **Governor weighs in on energy bills proposed in Legislature** *Sebelius sends letter to legislative leaders detailing compromise that was turned down*

Earlier today, Governor Kathleen Sebelius delivered a letter to legislative leaders detailing the elements of a compromise offered by her administration to the representatives of Sunflower and Midwest Energy. This compromise, which would provide for the base-load energy needs of Kansas, was rejected by these utilities.

Sebelius said, "As the dialogue on this issue continues, I think it's important for Kansans to know we have put forth a compromise. We will continue looking for ways to find clean, affordable, and secure sources of energy to meet our growing demand as a state and a nation."

In addition, the Governor has been asked to share her thoughts on the recent, identical energy bills proposed, SB 515 and HB 2711:

### **There are several progressive elements of the bill that we are eager to work with legislators to enact.**

In particular the portions of the bill that would enact into law my 2007 Executive Directive increasing fuel economy for state vehicles, purchasing equipment that meets star energy efficiency guidelines, and energy efficiency standards for state owned or lease buildings. Additionally, the concept of net metering has significant merit, and should be considered as part of any comprehensive energy legislation. The current bill should go much further to promote net metering.

**Unfortunately, there are some very troubling components of this bill that put Kansans at risk, and would put our state at odds with the rest of the country in efforts to reduce greenhouse gas emissions. I cannot support these components.**

- Under the current bill, any coal plant, from anywhere in the country, applying for a permit and meeting the very minimum standards established by the EPA would have to be given a permit. It wouldn't matter whether Kansas needed the energy or not. All the coal plants that have been denied permits or withdrawn applications in other states would be knocking at our door. Why wouldn't they? Given the lack of zoning requirements in many of our counties, these plants could be sited anywhere. Kansas would be the coal capital of the country.
- The so-called "carbon dioxide emission offset act" will actually promote greater carbon emissions. Around the country the proposals that are being developed for carbon offsets require scientifically-based, verifiable, additional, permanent, and enforceable reductions in greenhouse gas emissions, or increases in biological sequestration.

There is simply no relation between the offsets allowed under the bill and actual offsets that occur. The bill provides credit for wind facilities built anywhere in the country since 2000. It allows triple credit for carbon dioxide offset through use of the algae process proposed in the Sunflower plant, and triple credit for converting cultivated land to pasture. The bill also allows credit for one ton

of carbon dioxide for each dollar invested in experimental project, regardless of whether carbon dioxide emissions are ever reduced.

The proposed legislation sets such a low monetary penalty for failing to offset (\$3 per ton), that there's no incentive to invest in real offsets. This "penalty" is not in line with the \$20-30 estimates made by utility companies or financial analysts, or contained in any of the proposed Congressional legislation. It will not result in a reduction of carbon dioxide emissions. If anything, it appears to be an attempt to mislead Kansans that significant action would be taken.

- I do not support the section of the bill that prohibits the Secretary from taking action where the federal government has failed to act. Even though the United States Supreme Court told the EPA that it was obligated to regulate carbon dioxide, the EPA has refused to take action. Prohibiting our state agencies from filling voids resulting from federal inaction unnecessarily places our citizens at risk.
- I do not support the sections of the bill that strip the Secretary of the Kansas Department of Environment of his critical authority to insist that coal plants meet more stringent standards than those established by the federal agencies to protect the health and environment of Kansans.

**Finally, there are critical missing pieces that must be an element of any real and meaningful discussion regarding future Kansas energy policy.**

- The proposed energy package does nothing to encourage the further development of commercial wind power in our state or enhance transmission development. Nor does it further our voluntary renewable portfolio standard (RPS) that I announced last year. Both of these features are needed to support alternative energy expansion in Kansas and make use of our abundant natural resources.
- As I suggested in my State of the State, we need to join the 36 states that have begun or completed development of a comprehensive climate change action plan. It is clear the people of Kansas welcome an informed discussion about our energy future, economic opportunities, and the protection of our environment. A Blue Ribbon panel of Kansas experts composed of distinguished citizen leaders from business, environment, government and other key sectors of our state economy should be assembled to begin this process. I would welcome the opportunity to partner with the Legislature on moving this process forward as soon as possible. We can rise to the challenges we face only if we commit ourselves to moving forward.

***Text of letter from Governor Sebelius:***

January 31, 2008

Dear Legislative Leaders:

As I expressed to members of the Legislature in my State of the State Address on January 14<sup>th</sup> we face an unprecedented challenge of finding clean, affordable, and secure sources of energy to meet our growing demand as a state and a nation. Clearly, one of the toughest challenges we have faced in years as state policy makers relates to the issues surrounding Secretary of KDHE Rod Bremby's denial of Sunflower Electric's application for permitting of two 700 MW coal-fired power plants in Holcomb.

The proposed plants have been promoted as an opportunity to bring jobs to Western Kansas, to ensure base-load power for Sunflower and Midwest Energy customers for the future, and to reduce rates in Western Kansas, which now exceed electric rates in Eastern Kansas.

The Lt Governor and I have been in discussions with representatives of utility companies, environmental groups, scientists, alternative energy experts, labor and business leaders, health experts, members of the faith communities and legislators over the last several months. As a result of those discussions,

we made a proposal to the representatives of Sunflower and Midwest Energy, which has been rejected. But I thought it was important, as this dialogue proceeds, for you to be aware of this compromise offer.

The proposal is based on the following principles: we share the concerns about adequate base-load power for Western Kansas and believe those needs should be addressed so that we can continue our economic development efforts in that part of the state. We recognize that adding additional coal-fired power is likely to lower the high rates currently being paid by some Kansas customers who rely completely on natural gas for electricity.

Finally, our operating principles include a growing concern about carbon and its impact on the environment of our state and the health of our citizens. We believe that any proposal to generate significant amounts of new carbon needs to have an accompanying offset plan, recognizing that we are at least a decade away from clean coal technology.

In the spirit of reaching a true compromise with utility company officials, representatives from my office made the following offer which we would support:

- Build one new plant similar in size to the Sand Sage permit previously approved (660 MW);
- Kansas base load power needs must receive top priority;
- Plant must be able to implement carbon sequestration technology;
- Commitment for 20% wind power (132 MW)
- Commitment for 100 MW of energy efficiency
- Net metering allowed in the Sunflower service area

The framework of this proposal seeks to find a middle ground between all parties concerned and allows for the construction of one power plant that is reasonable and sensible in terms of scope and size. While there has been some discussion that a one permit strategy could not be financed, there are similar projects underway by rural electric cooperatives in other states, including a plant which has recently been approved in Montana.

A project of this size provides the base load power needed in western Kansas so that economic growth can continue, while allowing time for Kansas to engage in a process underway or completed in 36 other states that would allow our state to develop real and meaningful carbon regulations. Once those state regulations have been adopted and implemented, applications for additional power plants could be fully considered.

I would like to invite you as legislative leaders to join me in not only reaching a consensus on the Holcomb issue with the appropriate utility company officials, but committing to a thorough study, based on scientific evidence and input from community and business leaders across Kansas, to develop a comprehensive climate change action plan.

In conclusion, I sincerely believe that by successfully addressing the energy challenges we currently face as policymakers we have an opportunity to make Kansas a national leader on energy policy for the future, while also protecting our environment and growing the economy. I look forward to working with you and the other members of your respective caucuses in the days and weeks ahead on these critically important issues.

Sincerely,  
/s/

Kathleen Sebelius  
Governor of the State of Kansas

cc: Kansas Legislature

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