



Managing Energy

Energy: Moving Beyond the Rhetoric

(seated, left to right)

Jack Cashill
Ingram's Magazine
(Moderator)

Bill Downey
Kansas City Power & Light
(Chair)

(standing, left to right)

Robert Courtney
Olathe School District

Gary Schlotzhauer
Kessinger/Hunter & Company

Rep. Jason Holsman
Missouri House of Representatives

Mike Deggendorf
Kansas City Power & Light

David Warm
Mid-America Regional Council

Steve McDowell
BNIM Architects

A select but representative sample of energy producers, consumers, and legislators met at the offices of Kansas City Power & Light (KCP&L), a subsidiary of Great Plains Energy, in Downtown Kansas City on a cool and cloudy late November day to discuss the future of the energy industry. Chairing the session was Bill Downey, CEO of Kansas City Power & Light.

Although there were some lively differences of opinion among the participants, there was sufficient commonality of purpose to establish some larger and potentially groundbreaking themes.

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1: The Board Room of Kansas City Power & Light was the site of a lively and insightful exchange of ideas and analysis of the challenges facing the industry and the energy-consuming public.
2: Missouri State Representative Jason Holsman stresses the need for energy conservation.
3: Mike Deggendorf, of KCP&L, explains the different constituencies seeking energy solutions.

Challenges

The participants were asked to identify the single greatest challenge that they and their organizations face today in regards to energy. The answers were many and varied.

Steve McDowell, an architect with BNIM Architects in Kansas City, argued that the public and its client group have fully accepted the need to be more efficient. So the challenge that BNIM is now facing is “how do we actually get there?”

In some ways, said McDowell, change has come more easily than anticipated. Projects like the IRS have actually achieved more than fifty percent energy savings than comparable past projects. The industry is just beginning to take full advantage of new tools and new building technologies.

The Mid-America Regional Council’s David Warm was less sanguine about change. He contended that “at least half the town is belabored by inertia; doing things the same way that we have always done them.”

The challenge, as he sees it, is to develop some sense of awareness about the need to break out of current patterns of behavior. To facilitate that change, he believes incentives are needed as well as a reformed regulatory framework.

“Right now,” Warm argued, “the inertia part of our system is set up simply to get more money by consuming more energy. We have got to change the business model, the regulatory model, so it allows for those people interested in making change to do that more cost-effectively.”

Jason Holsman, who represents South Kansas City and Grandview in the Missouri House of Representatives and serves on the Energy and Environment Committee, observed that right now Missouri has one of the lowest rates for energy consumption in the country.

“That has to change” said Holsman. He acknowledged telling people they are going to have to pay more for energy is a difficult thing to do. “But,” he added, “I don’t see any other way to really solve one of the greatest issues that my generation faces, unless we start to talk about getting solutions.”

When asked what exactly the critical issue was, Holsman observed that the three major energy producing resources—coal, oil, and natural gas—are finite, and all three of them “produce the carbon emissions that we’re trying to move away from.”

Mike Deggendorf, vice president of public affairs at KCP&L, elaborated on the issue in question. He saw a confluence of three forces coming together at one juncture. The first is that a segment of the public is focused on affordably meeting the increasing demand for energy. The second force is generated by those eager to act on the greenhouse gas issue and environmental concerns. And the third force is powered by those focused on energy independence.

“The challenge,” said Deggendorf, “is that they all intersect—heavily intersect—around this issue of energy.” He cautioned against the natural tendency of any one of the constituencies behind those forces to assume that their perceived solutions should be obvious to the others, and suggested that a portfolio of solutions will meet the needs of all three groups.

Gary Schlotzhauer, with Kessinger Hunter, a commercial real estate firm in Kansas City, commended KCP&L for its role as a national leader in the energy conservation movement. Added Schlotzhauer, “That makes it easier for us to do things now moving forward.”

He too sees low cost as a “hurdle.” Real estate investment people look

for return on investment. "Up to this point," said Schlottzhauer, "it hasn't really been in capital improvements for energy management."

Schlottzhauer believes, however, that the paradigm is changing and that environmental issues are now driving the energy management agenda. "We realize as a company that we have to be good corporate citizens," said Schlottzhauer. "Doing it the old fashioned way, putting our heads in the sand, isn't going to work."



1: Kessinger Hunter's Gary Schlottzhauer believes that the relatively low cost of energy in Kansas City has been a disincentive to conserve. | 2: Bob Courtney, energy manager at the Olathe School District, says that conservation and implementation of "green" technologies have saved the district millions of dollars in energy costs over a fifteen year period.

Speaking for KCP&L, Bill Downey described "an enormous shift" on a wide range of public policy issues in the energy arena. Today, he noted, "If we're making an energy decision, we're making an environmental decision as well."

He added, however, that over the last two decades, energy consumption has continued to increase, and yet the portfolio of energy solutions has not changed much. Despite all the media attention to solar and other renew-



The energy manager of the Olathe School District, Bob Courtney, has been concentrating on the reduction of consumption for some time, which is not easy in a district growing as fast as Olathe's.

As a non-profit, he explained, some of the tax incentives that are available don't do the school district any good at all. Courtney and his colleagues try to be the best stewards of taxpayer money as possible. And they would rather have that money spent on educational purposes than on operating costs.

Courtney sees a push for green technology coming from the students themselves. "The students are ready to charge ahead," said Courtney. "With the right programs in place, the right regulations in place, the potential is there. I look forward to being a part of that."

ables, they still represent a tiny fraction of what is available and affordable.

"Changing that," said Downey, "is something you just don't do with the flip of a switch. It's going to take time." Although he acknowledged his company's responsibility to serve its customers in as environmentally benign a way as possible, he noted too, "The challenge is understanding that there isn't one silver bullet. Energy efficiency is the bridge to future technologies."

Policy

Having described the increased interest in energy issues among the business and civic communities, Bill Downey asked State Representative Jason Holsman what was on the legislative horizon.

Holsman observed that when sworn in at the beginning of 2007, he felt like he was the only person talking about a need for a statewide change in policy. Now, just one short session later, he is finding much more support.

He personally believes that the overall solution needs to be a federal solution, not unlike the Eisenhower administration's development of the interstate highway system.

On the state level, as Holsman noted, starting small, the legislature has passed the Easy Connection Act, which allows private individuals to receive tax credits for individual initiatives in renewable energy, such as the installation of solar panels.

"Kansas City Power & Light was outstanding in this process," said Holsman. "Without their support, I don't think it would have happened."

As much as David Warm appreciates individual initiative, he believes that "to make a difference on the scale that we're talking about, the whole system has to change."

The cities are grappling with how to get their arms around the issue, Warm noted. They are beginning to think about it. They are looking in-house first. But, he added, "They quickly bump up against these system-level issues."

Downey observed that mayors are getting involved at the Greater Kansas City Chamber of Commerce, which now has more than 80 companies or organizations signed up for a climate partnership. In this partnership, participants will start taking a look at their energy usage and their carbon footprint as individuals and as organizations.

As Gary Schlottzhauer commented, the low cost of energy in Kansas City reduces the urgency to make changes. He saw the need for education. "I think it goes back to not so much what is the cost of energy, but how much are we using?"

Downey added, by way of ironic example, the comments from a local business executive, who observed that KCP&L's prices were sufficiently low enough to take away the market logic of



1: David Warm, of the Mid-America Regional Council, emphasizes that because energy problems are systemic, solutions must also be system-wide. | 2: Bill Downey, CEO of KCP&L, asks the assembly to identify successful local energy management initiatives.

installing energy efficient technology.

"They don't have any concept of the hundreds and hundreds of coal trains coming out of Wyoming," said Schlottzauer. "If people understood that, then I think they would be a lot more aware of what they're doing and how turning their lights off would help."

Schlottzauer was reminded that there are a lot of educated people in America who do not see a problem with coal being mined in Wyoming and then being shipped to Kansas City and burned here to produce electricity at cheap rates that allow the public to live a remarkably progressive life for very little money.

Energy Savings in the Olathe Schools

1992-2007

1992-1993	\$370,113
1993-1994	\$443,230
1994-1995	\$470,059
1995-1996	\$370,127
1996-1997	\$445,662
1997-1998	\$665,088
1998-1999	\$734,844
1999-2000	\$682,847
2000-2001	\$1,006,752
2001-2002	\$1,011,971
2002-2003	\$1,189,771
2003-2004	\$1,262,315
2004-2005	\$1,406,748
2005-2006	\$1,515,540
2006-2007	\$1,548,067

15-Year Total **\$13,123,134**

In the above 15-year period, the Olathe School District has grown 97% in size (square footage) while consumption of electricity has increased only 45% and natural gas consumption has increased only 2%.

Source: Bob Courtney, Energy Manager
Olathe School District

Indeed, among the policy challenges that legislators like Holsman face is convincing such global warming skeptics that there is a crisis afoot.

David Warm argued that there were compelling reasons to reduce the rate at which coal is consumed, beyond global warming, "not the least of which is that it's a finite resource."

This is an international debate that KCP&L is compelled to negotiate at the local level. "Carbon is not a mandated pollutant," Downey observed.

Downey added, "It's a whole lot easier from a regulatory point of view to go after 72 investor-owned utilities in the United States than the millions of people driving cars."

Steve McDowell argued, "The currency has changed." Efficiency and cost are no longer the key determinants of power consumers, but rather creating a higher quality of life, enjoying better air, and creating a more productive workplace.

As Downey noted, the power industry has, since the 1980s, dramatically reduced the mandated pollutants. By 2010, every significant coal plant in the United States will be retrofitted with state-of-the-art equipment. Although the mandated pollutants have been largely controlled, the EPA is in the process of attempting to re-establish the grading system.

"We will not be in attainment when they revise the scorecard," said Downey, "and I think that is a concern that all of us have at a policy level because it means enormous investment required by all sorts of industries, from the gas pump to the major manufacturers."

As Mike Deggendorf affirmed, the debate is complicated because in order to meet the growing demand, power companies have got to build more capacity.

If there is a way that consumers could maintain the lifestyle that they enjoy and yet use energy more efficiently, and if power producers could create comparably cost-effective alternatives that build more capacity and that do address the concerns around air quality, that, said Deggendorf, "seems like one of the first things you would want to do."

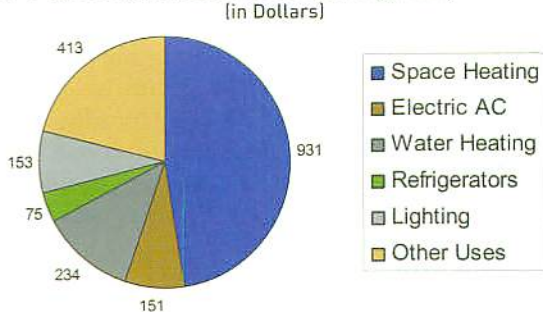
Local Initiatives

Moving from global concerns, Bill Downey asked what local initiatives are now in process to use energy more efficiently.

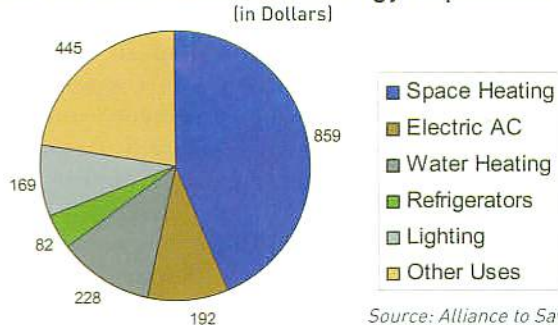
Steve McDowell commended the "great initiative" that KCP&L had started in terms of investing in its customers' technology. "That's just beginning to really take off," said McDowell.

McDowell also cited those companies that are looking at ways to make environments which are more adapt-

2007 Missouri Household Energy Expenditures



2007 Kansas Household Energy Expenditures



Source: Alliance to Save Energy, 2007

able, which use daylight better, which are healthier, and which have better air control. Although cost savings drive some decisions, McDowell believes that “many employers are [adapting] because they know it’s the right thing to do for people inside the buildings.”

At the school level, observed Bob Courtney, “Trends start from the grass-roots up. I am seeing more of a trend where it is politically correct to do energy efficiency.”

Courtney noted that the Olathe School District program started with two basic premises: “You control the thermostat setting and you control the run time.” In the first year of Olathe’s energy program, the district dropped its electrical consumption by 17 percent. “Those are almost no-cost items,” he added. “So when you talk energy efficiency, that is very doable.”

“One of the things that we are doing is we are auditing every single building and we are beginning a complete re-commissioning,” said Gary Schlotzhauer. “It goes back to thermostats, run times, and educating the operating folks how to run a building.”

The Role of the Power Company

“Your role is significant because

you have a tremendous amount of political capital,” said Jason Holsman. He observed that his fellow legislators are much quicker to back “progressive” energy bills if they believe that the power companies will support it.

Gary Schlotzhauer identified two key players in the local market: business leaders and KCP&L. He believes that the more insightful people in this market are making decisions now to move us ahead in terms of energy efficiency. KCP&L, he contended, is “definitely on the forefront of that.”

David Warm affirmed that KCP&L has demonstrated extraordinary creativity and resolve in providing cheap and available power, and in doing it in a way that is environmentally sensitive, given the technologies and the market. He cited wind farms and retro-fitting as examples of environmental sensitivity.

“That kind of cultural attitude, corporate leadership, that approach to governing this company is at the end of the day what is going to matter,” he added.

Mike Deggendorf believes that there is a role that the utility plays in educating customers in the area of energy efficiency as well as in mak-



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1: Olathe’s Bob Courtney notes that students have shown high interest in saving energy.

2: Gary Schlotzhauer, of Kessinger Hunter, says that simple measures, such as dialing down thermostats and limiting run times can have a dramatic positive impact on energy costs.

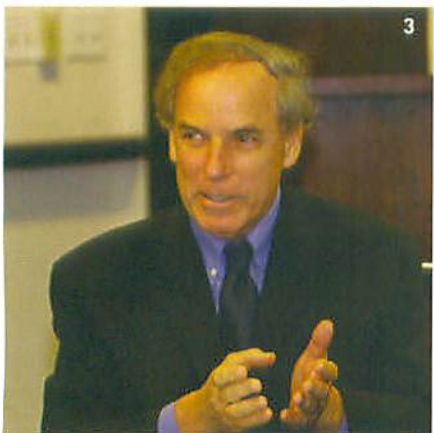
ing it easier for customers to adopt more efficient practices. “There is a trust factor there for most utilities with their customers,” he added.

Adaptations

Bill Downey questioned whether all school districts were as energy conscious as Olathe’s.

Bob Courtney acknowledged a growing awareness of the issue, and a good deal of information sharing, among the thirty or so participants in the bi-state Midwest Energy Managers Organization.

“Energy conservation isn’t always a big factor with the decision makers in the school district,” Courtney added. “But it is for the kids.”



1. Steve McDowell, of the architecture firm BNIM, says that progress on energy issues requires a strong economy. | 2. Rep. Jason Holsman is of the opinion that nuclear energy is not the best long-term solution to the nation's energy needs. | 3. Discussion moderator, Jack Cashill of *Ingram's*, challenges participants to address politically difficult issues. | 4. Assembly host, Bill Downey says that rhetoric too often gets in the way of consensus building and problem solving.

Among commercial property owners, there seems to be increased awareness as well. Although Gary Schlotzhauer could not testify to the same industry wide, he saw a nearly complete retrofitting among the properties he oversees.

Courtney sees the marriage of short-term projects, in which the payback is quick, with long-term adaptations as a viable way to proceed.

"I would think there is a large portfolio of buildings out there that people aren't acting on," cautioned Steve McDowell. "But I think as time goes on we will probably see actions start to take place." McDowell noted too that almost all progress in this regard, especially among the less affluent, depends on a strong economy.

Responsibilities

The question was posed to Bill Downey as to how he convinces KCP&L's shareholders that it is in the company's best business interest to discourage energy consumption.

"Don't misunderstand," said Downey. "Our shareholders are the boss." He explained that the company had to have a sustainable business model that addresses all of the variables.

"You can't leave out any side of that equation for very long without stumbling as an organization or as an institution," he continued. The company's historic business has been to sell more kilowatt hours. If in fact that model changes, KCP&L has to find an alternate sustainable business model. That is one reason the company is in front of the

legislature. There is a need to change rules on conservation investments.

"One of the big challenges for both political parties is for each of them to think more broadly," he noted. One is all supply-oriented. One is all efficiency and environment-oriented. "This is a massive issue for everybody."

Alternatives

The question was raised as to whether nuclear power might provide a likely solution. As Downey observed, 50 percent of all electricity in the United States comes from coal and about 20 percent from nuclear, and this percentage is not likely to change much in the near future.

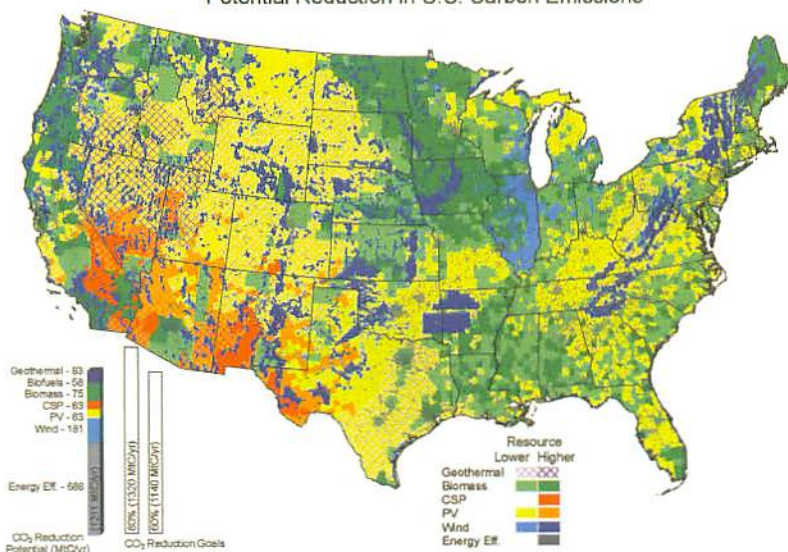
Downey described how the company's own Wolf Creek Nuclear Generating Station went into service nearly 25 years ago "amidst all sorts of political furor." Today it is the company's low-cost operating unit. It operates 24 hours a day, 7 days a week. "It is one of the leading plants in the world and it is a very valuable resource for us," added Downey. He sees a renewed interest in nuclear around the nation and the world.

Given the negligible carbon footprint of nuclear, Jason Holsman was asked whether energy companies could expect resistance from his ecologically minded colleagues should they choose to pursue nuclear energy.

"I think at this point, yes," said Holsman. He argued that nuclear was not a long-term viable solution even if it is a cost-effective one. He expressed his preference for wind, solar, hydrogen, and geo-thermal. "We need to continue to expand our horizons when it comes to research and development," he noted.

On the wind question, Downey acknowledged that its conversion to power is slightly more expensive today than coal's. A two-cent per kilowatt hour credit from the federal government is now in place to stimulate wind growth. The price of wind should have gone down, Downey observed, but when government starts mandating renewables, it forces up the price for

Potential Reduction in U.S. Carbon Emissions



the limited supply of wind. In fact, the entire wind output in the world has already been bought forward for a number of years.

“Wind is part of the solution, but it is not the total solution,” agreed Mike Deggendorf. To meet President Bush’s 20 percent renewable portfolio standard with wind, he suggested that we would collectively need to produce one wind turbine every fifteen minutes for the next 25 years.

“No matter what we do in the future,” suggested David Warm, “we need new alternatives. We need to invest heavily in developing some new choices that we don’t know about today.”

“I think what we’re seeing in some respects is people have decided, ‘Well we want to change,’” said Steve McDowell. “We want to have a cleaner environment. We want to act more responsibly, whether it makes economic sense or not.”

“Energy efficiency has to be a growing piece of the solution,” added

Deggendorf. “That is the key message. In order to meet increasing demand, energy efficiency and renewables must work together.”

Downey spoke of his role on the Mayor’s Task Force in Kansas City. After doing an inventory, the task force’s major initiative to reduce the

carbon footprint was to use more green electricity. “The challenge then,” Downey added, “is how do we get there?”

As a first step, Downey noted, “We have got to get beyond the rhetoric, and we have got to get to resolving issues and solving problems.”

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Kansas City Power & Light and our parent company, Great Plains Energy, are honored to be the 2007 winners of the prestigious Edison Award. We're proud of our employees, whose hard work and dedication provide so many important benefits to the region. And, most of all, we thank our customers for helping us become recognized as America's top utility.

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