

TESTIMONY OF

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HOUSE BILL 2132

HOUSE ENERGY AND ENVIRONMENT COMMITTEE

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Mr. Chairman, and members of the committee, my name is Laurence E. Garrett. I am Assistant General Counsel for Colorado Interstate Gas Company (“CIG”) and Natural Gas Pipeline Company of America (“NGPL”). Thank you in advance for the opportunity to provide these remarks on behalf of CIG and NGPL in support of House Bill 2132.

CIG and NGPL each own and operate interstate natural gas pipelines in the State of Kansas. CIG operates the “Boehm Gas Storage Field”, an underground natural gas storage facility located in Morton County, Kansas. NGPL does not currently operate a gas storage facility in Kansas. The gas storage operations of CIG and NGPL are certificated and regulated by the Federal Energy Regulatory Commission and the United States Department of Transportation. Gas storage facilities are an integral part of an interstate natural gas transmission system.

The purpose of my testimony today is to support HB 2132. HB 2132 would remove the inequity and unfairness that current law imposes on gas storage operators. Current law 1) punishes natural gas storage operators, not for intentional or reckless acts, but for acts that are most often beyond the storage operators control; 2) creates a hostile business environment for storage operators in Kansas; 3) unnecessarily creates tension between gas storage operators and

landowners and owners of mineral interests; and 4) imposes sanctions through the loss of title to gas on storage operators who lose gas through migration.

Current law unfairly punishes storage operators when gas held in storage migrates. Migration of natural gas from a storage field is never the intended act of a storage operator, yet current law penalizes a storage operator for the migration of gas regardless of the reason for the migration or the absence of an operator's actions. The integrity of a storage field can be compromised by many sources outside of the operator's control.

The business climate of a state is a very important factor to gas storage operators when considering possible locations for new business. The message contained in current law is unmistakable: Kansas does not welcome the expansion of gas storage in the state.

Current law unnecessarily creates tension between the gas storage operators and landowners and owners of mineral interests. Giving title to migrating storage gas to anyone who produces the gas, results in unintended consequences to the producer and the landowner. Under current law, a prudent interstate natural gas storage operator is required to petition the Federal Energy Regulatory Commission ("FERC") for permission to acquire buffer zones around storage fields far in excess of that which would otherwise be required in the absence of the Rule of Capture and the resulting potential loss of property. The punitive aspects of the Rule of Capture require a prudent operator to enlarge its buffer zones to protect its customer's gas from loss of title to the detriment of the landowner and producer. When a gas storage operator is required to enlarge its buffer zone or face the punitive measures of the Rule of Capture, the choice is simple: the buffer zone will be enlarged and landowners will lose their land, production will be curtailed and revenue will be lost.

The provisions of HB 2132 restores equity and fairness to gas storage operators, landowners, producers, owners of mineral interests and will enhance the future energy economy of the State of Kansas.

Thank you for allowing me to present this testimony. I respectfully urge the passage of HB 2132 for the reasons stated above.