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I. Kansas is a comparatively high tax state for pipeline operations, but the current statute is not reasonably focused to advance Kansas Energy Policy for pipeline construction and operation.

- -- Incentive is limited to pipelines of 190 miles in length – excluding all but a very few projects
- -- Incentive does not incent the production of crude oil in Kansas – no requirement to foster the market access of Kansas crude oil production
- -- Incentive is not reasonably crafted to reflect proper balance of interests – i.e. a 100% tax abatement for 10 years does not reflect an appropriate balance of legitimate local interests
- -- Incentive is available to only the very largest projects, and does not address many other projects that are equally or more important to Kansas – many excellent projects receive no incentives at all
- -- Incentive is limited to transport pipelines, and excludes crude gathering pipelines
- -- Incentives should require open access to transport pipeline, to whoever contracts for pipeline capacity

II. Current Legislation to Incent Pipeline Construction is too broad, and needs Legislative Policy Direction to Advance Kansas Interests

A. Projects of varying mileage that deliver Kansas sourced crude oil or natural gas liquid products to Kansas Petroleum Refineries should be supported with reasonable incentives.

B. Projects of varying mileage that transport refined petroleum products from Kansas Petroleum Refineries should be supported with reasonable incentives.

C. Crude oil gathering and transport pipelines that reduce costs and increase market access – while at the same time reducing truck transport on Kansas roads – are specifically worthy of support from the Kansas Legislature.

D. Pipeline conversions and enhancements should qualify for incentive support, as they are economical and less disruptive to current landowners and should receive reasonable incentives.

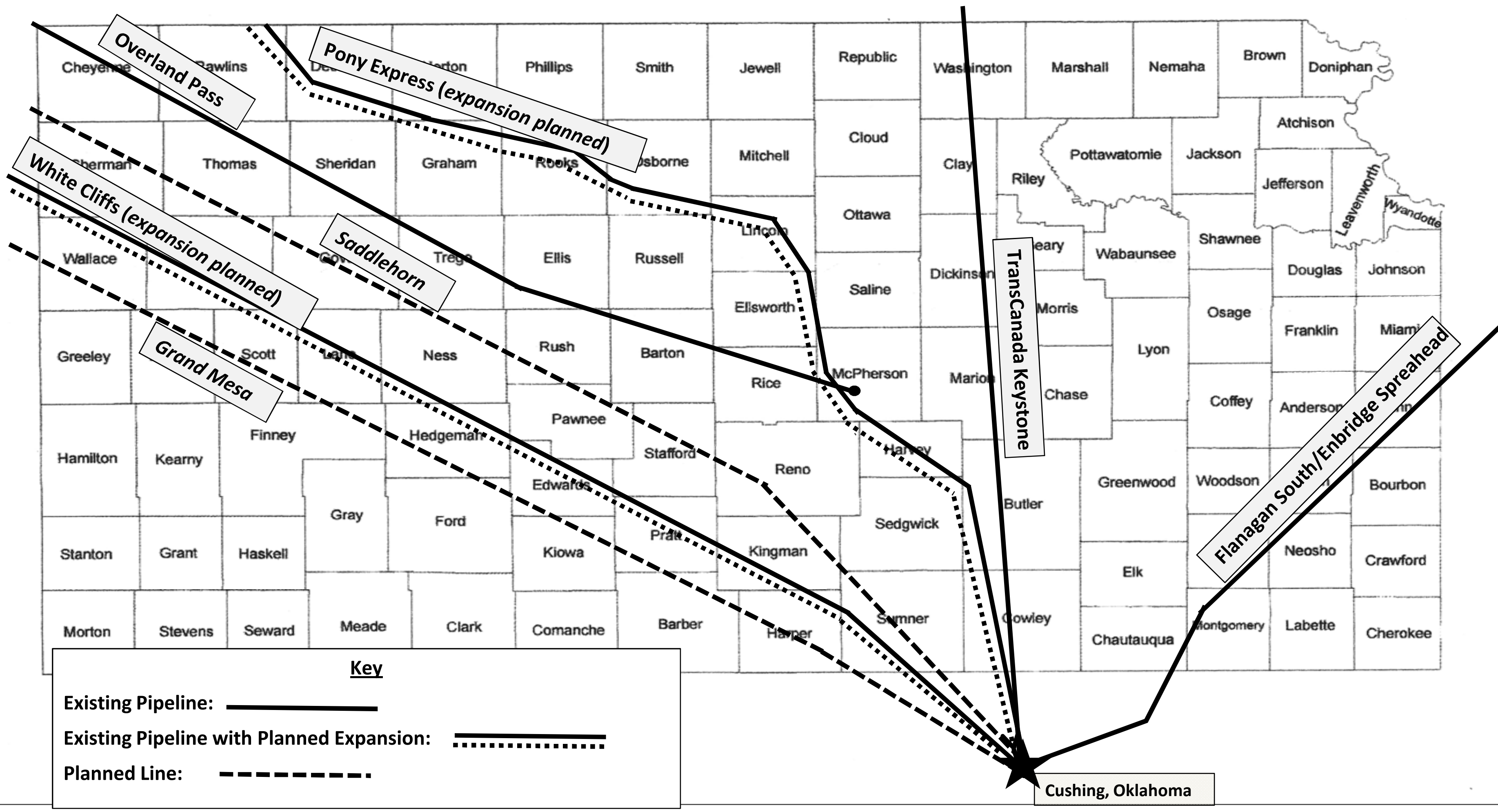
III. Legislative support is needed for new pipeline infrastructure in Kansas.

A. Kansas ad valorem property tax (about 4% of annual appraised value) exceeds the rates of surrounding states, and support for new Pipeline Projects is needed.

B. The Incentive should be less than 100%, perhaps 50% or less for periods that extend more than 10 years.

C. The Incentives – at lower levels – should be available to more – but very important – Pipeline Projects, and not just available to those Projects of more than 190 miles.

D. The 190 mile – 100% tax abatement – does not support the overall energy policy initiative to expand and extend the pipeline infrastructure of Kansas, for the benefit of Kansas citizens – it must be further refined and focused to further the Legislature’s Energy Policy.


Overland Pass
Pony Express (expansion planned)
White Cliffs (expansion planned)
Saddlehorn
Grand Mesa
TransCanada Keystone
Flanagan South/Enbridge Spreahead
Cushing, Oklahoma
Key
Existing Pipeline:
Existing Pipeline with Planned Expansion:
Planned Line:
Rawlins
Phillips
Smith
Jewell
Republic
Marshall
Nemaha
Brown
Doniphan
Thomas
Sheridan
Graham
Rooks
Mitchell
Cloud
Riley
Pottawatomie
Jackson
Atchison
Jefferson
Leavenworth
Wyandotte
Wallace
Ellis
Russell
Ottawa
Saline
Wabaunsee
Shawnee
Douglas
Johnson
Greeley
Scott
Ness
Rush
Barton
Ellsworth
Rice
McPherson
Morris
Lyon
Osage
Franklin
Chase
Coffey
Hamilton
Kearny
Finney
Pawnee
Stafford
Reno
Butler
Greenwood
Woodson
Bourbon
Stanton
Grant
Haskell
Gray
Ford
Kiowa
Kingman
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Elk
Neosho
Crawford
Morton
Stevens
Seward
Meade
Clark
Comanche
Barber
Chautauqua
Labette
Cherokee