

T E N T A T I V E   A G E N D A

SPECIAL COMMITTEE ON ENERGY AND NATURAL RESOURCES

October 14 and 15, 1976

Rooms 519 and 527

State House

FILE

October 14, 1976 - Room 519-S

- 10:00 a.m. -- Proposal No. 63 - Intrastate Oil and Gas Production and Distribution
- 10:05 a.m. -- Representative Keith Farrar
- 10:20 a.m. -- Bob Alderson, Chief Counsel, Kansas Corporation Commission
- 10:40 a.m. -- Lamar "Bud" Weaver, Director, Kansas Energy Office
- 11:00 a.m. -- Jack Byrd, Attorney, Interstate Oil Compact Commission
- 11:20 a.m. -- Bill Mitchell, Attorney, Hutchinson
- 11:40 a.m. -- Ernie Mosher, League of Kansas Municipalities
- 12:00 noon -- Lunch
- 1:30 p.m. -- Bill Perdue and John Williamson, Kansas Power and Light Company
- 1:50 p.m. -- Bob Anderson, Mid-Continent Oil and Gas Association
- 2:10 p.m. -- Don Schnacke, Executive Vice-President, KIOGA; R.D. Randall, Petroleum, Inc., Chairman of KIOGA Legislative Committee; Bob Williams, Imperial Oil Company, Chairman of KIOGA Natural Gas Committee
- 2:50 p.m. -- Committee discussion

October 15, 1976 - Room 527-S

9:00 a.m. -- Proposal No. 16 - Conservation Easements

John Flicker, The Nature Conservancy

10:30 a.m. -- Proposal No. 14 - Monitor Solar Energy Activity  
in Kansas

Myron Reed, Division of Architectural Services

Legislative Research Department staff (property  
tax staff)

12:00 noon -- Lunch

1:30 p.m. -- Consideration of Preliminary Draft of Committee  
Reports on Proposals No. 14, 15, and 16 and  
Instructions to Staff

M E M O R A N D U M

October 14, 1976

TO: W. Robert Alderson, General Counsel  
FROM: Noel W. Salisbury, Chief Engineer  
SUBJECT: Proposed Common Carrier Legislation

This response is in reply to your request for total system design, average and peak day capacity of the natural gas utilities jurisdictional to this Commission.

It is my opinion, based upon my interpretation of the proposed common carrier legislation, the requested total system design, average and peak day capacity of any system is irrelevant at this point in time. I cannot visualize, except in a very rare case, any natural gas utility's total system being used under this legislation. In most instances only a portion of the utility's system could or would be used and at that point in time the additional capacity available for use will depend on the following:

1. Design Capacity of the portion of the system to be used.
2. Actual Capacity being transported at that particular time through any portion of a system.
3. Actual Pressures being applied for transporting present capacity. Additional compressors available for use in any portion of the system and additional pressures that could safely be applied. (Maximum allowable operating pressures)
4. Additional capacity and pressures required by the utility for service to its present customers under peak demand periods. Weather conditions and time of year cause day to day and hour to hour variations in service to existing or jurisdictional loads.
5. Additional supplies available to the utility for its customers.

As you can see by the above there are many different variables involved so that total system design, average and peak capacity figures are meaningless in any instance of serving or transporting additional natural gas under a common carrier situation.

However, should this information still be required, the Utilities Staff can obtain it from the jurisdictional natural gas utilities.

NWS:sw

M E M O R A N D U M

October 1, 1976

TO: W. Robert Alderson, General Counsel

FROM: Noel W. Salisbury, Chief Engineer

SUBJECT: Proposed Common Carrier Legislation  
Re: Selected Jurisdictional Natural Gas Utilities

The selected jurisdictional utility transmission line summary that follows is in the Staff's opinion the gas utilities most likely to become involved should any type of common carrier legislation come out of the upcoming legislative session.

The following summary is the total miles of transmission line within Kansas. A breakdown of miles of pipe by size can also be furnished.

<u>System Classification</u>		<u>Miles of Transmission</u>
Intra-state	Anadarko Production Co. (Cimarron River Div.)	238.9
Inter-state	Arkansas Louisiana Gas Company	219.0
Distribution	Central Kansas Power Company	49.7
Distribution	The Gas Service Company	NONE
Distribution	Greeley Gas Company	206.1
Inter-state	Kansas-Nebraska Natural Gas Company	2,875.4*
Intra-state	Kansas Gas Supply Corporation	129.9
Intra-state	The Kansas Power and Light Company	1,786.6**
Distribution	Peoples Natural Gas Div. of Northern Nat. Gas Co.	NONE
Intra-state	Skelly Gas Gathering, Inc.	86.8
Distribution	Union Gas System, Inc.	403.5
	*** 48.4 miles of 5"-12" pipeline reported as distribution lines.	
	*1,535.0 miles of 2" pipeline and under.	
	**175.6 miles of 2" pipeline and under.	

In my opinion the gas utilities classified "intra-state" would be the most likely candidates affected by common carrier legislation. Also Kansas Gas Supply could possibly be considered in a common carrier situation presently by "Wheeling" natural gas for Wichita Energy.

The systems classified as "inter-state" are principally interstate transmission systems that also distribute natural gas at retail in Kansas. The systems classified "distribution" for the most part purchase at town border stations and distribute to individual communities and surrounding vicinities. These two classifications could possibly become involved with any common carrier legislation in isolated instances.

There are eleven smaller gas utilities, also serving communities and/or rural areas, a portion of which could also possibly become involved with any common carrier legislation in isolated instances but it is more unlikely due to the size of communities served.

NWS/dna

WRITTEN STATEMENT

Lamar Weaver, Jr., Director  
Kansas Energy Office

This written statement, pertaining to Proposal Number 63, is submitted to the Special Committee on Energy and Natural Resources in lieu of my appearing personally due to a conflict in schedule. I respectfully ask that this written statement be accepted by the Committee.

I am familiar with Proposal Number 63 only inasmuch as I have received and read the statement by Don Schnacke, Executive Vice President, Kansas Independent Oil and Gas Association, presented to this Committee on August 19, 1976. If there is any drafted legislation which has been developed from Mr. Schnacke's conceptual proposal, I am unaware of it. I find it difficult to offer much in the way of meaningful comments, having only a concept, rather than specific language of a bill to address. I am also troubled as to the dearth of information pertaining to the procedures envisioned and the benefits anticipated.

The Kansas Energy Office has, since its inception, carefully monitored the natural gas supply-demand situation in Kansas. I share the concern expressed by KIOGA that the declining supply and availability of natural gas represents a serious problem for the state, even though we are the 5th ranked gas producing state in the nation. I am also convinced that the dedicated reserve system (commitment which determines whether gas is "inter" or "intra" state) and the transportation system (marketing) are elements of the overall problem which add to the complexity. Therefore the transportation of natural gas deserves study to ascertain if the full potential of this state's resources are being realized. To this extent I support the KIOGA efforts to explore all avenues.

The basic question is whether or not it is premature or precipitous to attempt to devise legislation without first establishing the parameters of the overall problem and ascertaining certain facts. This would include a research of federal regulations bearing on natural gas supply and transmission.

Disregarding the technical aspects that would be applicable in Proposal 63, I believe that some basic information or at least some good estimates are needed to answer the following questions:

1. How much Kansas natural gas would likely move through intrastate transmission lines were such lines performing as common carriers?
2. A corollary question is what capacity do all the intrastate transmission systems offer on the "limited common carrier" basis? If it is assumed such common carrier service would be utilized when the lines have 26%-50% spare capacity, what volume of gas does this represent for any given time?
3. How frequently, if at all, do systems now classified as "intrastate" operate at less than 75% of their design capacity?

These questions are considered germane for there would undoubtedly be gathering line or hookup costs involved on the part of producers or purchasers in order to enable "intrastate" common carriers to accept offerings for transmission. Would the investment for sporadic availability be attractive?

Another problem might be created by the "limited" provision. A hypothetical case will serve to raise the point. A purchaser arranges for common

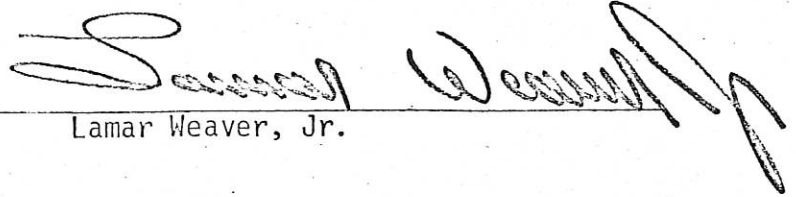
carrier transportation of natural gas and bases his operations on this source -- his employment, expansion plans, etc. Subsequently his tenders to the carrier are refused because the pipeline system builds its own operating capacity back above the 75% level by virtue of new acquisitions. The purchaser is thus abruptly cut off.

The Committee may wish to examine what means are presently open to producers and users of natural gas in Kansas. Under FPC Order 533, certain industrial users are permitted by the FPC to purchase gas from intrastate producers and use interstate pipelines to transport the gas. Admittedly there are many restrictions and certain pitfalls to this arrangement. A recent FPC Opinion 777 rules that industrial customers may purchase intrastate gas and transport it through interstate pipelines and avoid having to comply with FPC restrictions provided the gas does not cross any state lines. The KCC could in such cases choose to regulate such sales. This latter opinion is cited for it seems to open far greater opportunity for transporting intrastate gas in Kansas than has been heretofore possible. A cursory comparison of the interstate pipeline systems with the intrastate systems in the State of Kansas reveals how much more flexibility the interstate systems offer. Finally, individual contractual arrangements between Kansas purchasers and certain intrastate lines do exist and offer a means of transporting producers gas to the user. These arrangements are voluntary agreements, however, and the pipelines are not required to accept tenders as would be the case were they classified as common carriers.

I realize that I have posed questions rather than provided answers or information relative to the Proposal 63. However as I indicated at the outset



of this statement, it is difficult to do otherwise when there is only a concept to address. I have formulated these questions in the hope that they might suggest direction in which to proceed in these hearings.



Lamar Weaver, Jr.

Written statement provided by the Director, Kansas Energy Office, to the Special Committee on Energy and Natural Resources pertaining to the hearing on Proposal Number 63, November 4, 1976.

STATEMENT OF PEOPLES NATURAL GAS DIVISION  
OF  
NORTHERN NATURAL GAS COMPANY ON  
KANSAS LEGISLATIVE PROPOSAL NO. 63

We find it difficult to offer substantive comments on Proposal 63 since to date we have been unable to examine any written outline of the proposal.

As we understand the measure, it would compel intra-state pipelines operating in Kansas to transport natural gas for third party purchasers when the pipelines have excess capacity. Peoples Natural Gas operates an intra-state pipeline system in Kansas in connection with its retail gas distribution operations and presumably would be affected by the proposal.

Since specific details of the proposal are lacking, we can offer only these comments on the difficulties we would foresee with the concept of Proposal 63 as we presently understand it:

1. Supporters of Proposal 63 have stated the intra-state pipelines would become common carriers without the Kansas Corporation Commission regulation that accompanies that designation. We find it difficult to comprehend how Proposal 63 could be enforced without regulation by the KCC or some other state agency.
2. The proposal is designed to make additional natural gas available to Kansas users. We question how the proposal could constitutionally be limited to Kansas purchasers.
3. We believe the enactment of Proposal 63 into law would make it increasingly difficult to direct natural gas to high priority users in Kansas.
4. The added competition for gas purchases that Proposal 63 would bring to Kansas would complicate the efforts of Kansas natural gas utilities and the Kansas Corporation Commission to maintain a reasonable level of natural gas prices in Kansas.
5. We are concerned because the effective implementation of Proposal 63 would probably require construction of new facilities by the intra-state pipelines. We believe any facility required would have to be paid for by the gas producer.



Robert A. Eide

Peoples Natural Gas Division of  
Northern Natural Gas Company

Testimony of  
John G. Williamson  
Executive Vice President  
The Kansas Power and Light Company  
Before the Interim Study Committee  
on Energy and Natural Resources

November 4, 1976

Mr. Chairman and Members of the Committee. I am John Williamson, Executive Vice-President in charge of The Kansas Power and Light Company's Gas Operations. I am appearing in opposition to proposed legislation imposing common carrier status on those gas pipelines which operate exclusively within the State of Kansas. Our opposition, simply put, is bottomed on the awareness that this proposal, should it become law, would encourage rapid depletion of our States gas reserves while just as rapidly increasing the well-head prices of natural gas, at the expense of Kansas citizens. It would not - and this is important to stress - it would not make any contribution to solving the central energy problem facing Kansas and the nation - the growing shortage of natural gas. This is not a bill that would add to supply, on the contrary, it would hasten the depletion of reserves. It is a bill that would raise natural gas prices.

At issue here is the question of whether a commitment should be made to the conservation of natural gas as a valuable economic resource or whether it should be State policy to encourage its rapid depletion.

The Kansas Independent Oil and Gas Association (KIOGA) has requested this legislation. A year ago, as the producing segment of the gas industry, they vigorously resisted a suggestion that there should be some regulatory control over the prices they can charge for natural gas at the well-head. Now they propose that Kansas gas utilities submit to controls for the financial advantage of their membership and other producers. If this kind of legislation is found to have merit, i.e. one industry given by law, the right under certain circumstances to use the property of other industries, then companies and municipalities who generate electricity, as well as other industries in the State who use fuel oil, should advocate legislation requiring the oil refineries in Kansas to produce #6 fuel oil, a product always needed, whenever it is found that these refineries are not operating at full capacity.

Stop and think just what it is KIOGA wants. Assume a producer has gas available. He wants the highest price he

can get. Today he is limited to the price established by competition from those who have made the investment to build gathering lines and pipelines into the gas fields, but if everyone in the State, every business, every industry, every power generating municipality, could compete, could bid up the price by having the right to use the pipelines belonging to the utilities, the result would be higher prices. It should be remembered that of all this group, the only entity representing the residential customer, the only entity regulated to operate in the public interest, would be the gas distribution companies.

The interstate companies would also compete, but this bill, of course, would not reach them. It will affect only Kansas pipelines. Bidding for gas would become fevered and prices would sky-rocket. The high successful bidder, if not the utility in the area, would go to the intrastate pipeline company, ascertain the excess capacity, if any, of its pipeline, and after the dust of argument settles over how capacity is to be determined, then the plant or factory willing to pay the highest price, could demand that the pipeline transport the gas to them. Administratively it would be an impossible situation. Another far reaching effect of this proposed legislation would be the impact of a single sale upon the price of all gas coming from a field. This comes about because many contracts for

natural gas contain provisions requiring annual or bi-annual price re-negotiation based upon the highest price paid for gas in a particular region. So one sale of a small quantity of gas could drive up the price of a vast amount which is another way of saying the homeowner would end up paying more for gas for his furnace.

KIOGA has stated there are certain benefits to this proposal. First, they claim it caters to the needs of Kansas municipalities, and expanding and growing industries. This flies in the face of the plain policy of the Federal Government and the State of Kansas. Conservation of gas is the public policy of both our nation and State. Indeed, the Federal Energy office has ordered that the use of gas for electric generation be curtailed and saved, or used for higher priority customers such as those who use gas in homes for heating and cooking. For my company, this has meant a commitment of \$15 million to convert our Lawrence and Tecumseh electric generating plants from gas to coal-fired operation. In fact, the Kansas Corporation Commission (KCC) has retained a consulting firm to study priority uses and to make recommendations relative to the use of gas in our State. While it is true municipalities and industries could use more gas, they should not be permitted to deplete reserves which cannot be replaced and which should be husbanded to meet the needs of residential customers who,

after all, have no way of burning alternate fuels, as do industrial firms.

Next KIOGA says it caters to the long time demand of keeping "Kansas gas in Kansas" by providing a better market and distribution system. Keeping "Kansas gas in Kansas" is an interesting philosophy. Had it been followed thirty years ago, there would be no gas industry in Kansas to speak of. Its like saying keep Kansas wheat in Kansas, a statement which creates all kinds of political overtones. Let's suppose other oil producing states felt the same way about oil. What would Kansas refineries do for feed stock? Or for that matter what would they do for gas, since it won't be long before Kansas becomes a net importer of gas. Assume Wyoming felt that way about coal - what would electric generating plants in Kansas do for fuel? The only "better market" KIOGA has in mind is the higher price the producers will receive if this proposal becomes law, and the only "distribution system" that should concern the Legislature is that built to serve residential and commercial customers who have been and are entitled to first call on the capacity of established transmission and distribution systems.

KIOGA also claims it would stimulate purchasers to keep their lines full and, in addition, increase purchasing

activity in Kansas. KPL does not presume to speak for other intrastate pipelines - and according to data we have received, KIOGA says there are 17 others - but our lines are full now. We operate as close to maximum capacity as we can. It's the efficient, economical way to operate.

We do not deny KIOGA's claim that it will increase purchasing activity - indeed that is exactly what it will do. Competition for gas supplies, of course, is already at the highest level we've ever seen. Those who control natural gas reserves in this State already enjoy a Seller's market. They have raised the price of gas 700% to 1000% in just the last 2 or 3 years. This is an effort to raise it even higher.

Next they say it provides transportation for some drilling areas, not normally served, broadening domestic gas production. It would appear that economic feasibility is to go out the window. Apparently intrastate companies are being condemned for not paying premium prices for gas from wells located at unreasonable distances from pipelines. Today producers are always free to contact pipelines and advise them of the availability of gas and then negotiate contracts free of any price regulation. Speaking for KPL we stand ready to connect any quantities of gas available that we can reach economically.



The proponents also claim their proposal would help defray fixed pipeline costs to consumers, who pay for these costs whether the lines are full or not. Such "help" is like asking the fox to guard the chickens. The economics of the gas pipeline business are simple. The firm customer creates the need for the capacity to serve him on the day when he will use the facilities to the fullest extent. During the rest of the year, that excess capacity is sold to customers for less, to make use of the system to the fullest. But those paying less have to "get off" when it gets extremely cold and the firm residential customer's needs have to be met. We already operate at a high load factor. What we could use is more gas to put through our pipeline not more people using our pipeline to bid up the price of the gas already available to us. Under these circumstances, we will have little trouble defraying fixed costs. The producers' proposed "help" is no more than "self-help".

Enough about KIOGA's claims. Every utility is today doing everything possible to maintain reserves to meet its commitments and market obligations for as long a period as possible. Natural gas is a non-renewable diminishing resource that is a unique raw material for certain products in the

petrochemical industry. It would be a tragic mistake to encourage the consumption of gas under a scheme that would raise its price. What is called for is long term planning, particularly for maximum possible line capacity and availability of gas on those extremely cold days when top priority customers must be served, primarily residential customers. It may also entail some economic sacrifice, something we feel appropriate in the midst of an energy crisis.

A pipeline should not be required to contract away its line capacity. If required to do so it might well have zero capacity available at a time when it might be otherwise able to compete for the purchase of gas for the benefit of its customers in order to replace depleting supplies from another section of its system. If system capacity is contracted away, long range plans for peak shaving, such as underground storage, could be completely destroyed.

In summary, this proposed legislation is no more than a raid on the property of intrastate pipelines in furtherance of a scheme to drive the price of natural gas even higher than it is now. This proposal would deplete gas reserves by encouraging practices in direct opposition to energy conservation. It would propose market techniques in opposition to practices and policies

espoused by the KCC, and deny residential consumers the right to the best possible long term gas supplies at prices they can afford to pay.

In closing, the need in this State is for more natural gas - to develop more reserves. This proposal won't add one foot of gas to the supply. It will most certainly add to the price, a price which has increased many fold already in the recent past. We have been told higher prices would bring onto the market more reserves. We have had the higher prices, we are waiting for the reserves.

Thank you.

Attachment 6

STATEMENT OF ROBERT L. WILLIAMS, CHAIRMAN,  
KIOGA COMMITTEE ON NATURAL GAS AND OWNER,  
IMPERIAL OIL COMPANY, WICHITA, KANSAS

November 4, 1976

Re: Proposal No. 63

It is the intention of this Statement to address the very real problem of maximizing the future supply of natural gas available to the Kansas consumer, including household, institutional, small business and Kansas industry.

We have all heard much about this problem during the past several years, but I have seen little, if anything, done about it. It surely must seem to the members of the Kansas Legislature that the various state agencies who should be responsive to the problem, have been unable to develop any positive and effective solutions to date. In the sense that Kansas gas producers are suffering from a lack of a market, not only from their present shut-in gas wells but also for having little confidence in a market for gas reserves which they may discover in the future, we must appeal direct to the State Legislature and the Governor's Office for solutions--solutions to the curtailments being suffered by the Kansas communities and industries, and solutions to the lack of marketing opportunities for the gas producers. These solutions must be compatible; otherwise the solutions for either the consumer or producer could well be jeopardized.

Gas producers currently active in the search for gas in Kansas are aware of the gas-producing potential of several hundred thousand acres of lands within the borders of our State which have never been adequately drilled and tested for gas production, and that these lands probably will eventually produce several hundred billion cubic feet of gas. The factor which will determine whether or not the producer will aggressively search for these undiscovered gas reserves will be the availability of a reasonably prompt market for the product.

Gas producers are frustrated in knowing they probably will have no alternative other than to dedicate and sell a large part of any newly discovered gas to Interstate pipelines because of the inherent uncertainties, and whereby little if any of the produced gas will be delivered to Kansas consumers (see attached reprint of newspaper clipping).

The reason for the preponderance of newly discovered gas being dedicated to Interstate is that by far the largest portion of potentially gas producing fields are located in the southwest quadrant of the State, and only one Intrastate line extends beyond the Kiowa County-Ford County line, compared to multiple lines owned by each of seven Interstate gas purchasers. Thus, it is obvious that any given newly discovered gas reservoir in far Southwest Kansas will probably be located out of the reach

of the one Intrastate line, but probably near an Interstate line. This marketing problem is not generally true in Oklahoma or Texas because of their expanse of Intrastate lines.

During the early part of this year, our Company had three "shut-in" gas field discovery wells--wells that were drilled in 1974, and early 1976. One field in Seward County, discovered in 1974, has this year been dedicated to an Interstate line, due to an excessive distance from the one Intrastate line that serves that general area; the two other "shut-in" fields, located in Clark and Kiowa Counties, are ten miles and four miles, respectively from Intrastate lines, however, Interstate lines are located within a few hundred feet of the discovery wells. We now have two additional discovery wells, shut-in, within eight miles of two Intrastate lines, with no interest being expressed on their part to secure the gas reserves for Kansas consumption.

Further commenting on three of the above-mentioned "shut-in" gas fields, there is a good probability of five to ten billion cubic feet of gas reserves being developed within the immediate area of the wells, and roughly ten to twelve miles of pipeline by either of the two Intrastate lines should connect to all of the wells.

It may come as a surprise to the members of this Legislative Committee that neither of the two Intrastate lines have expressed

any interest in acquiring the rights to purchase this substantial volume of gas for ultimate consumption in Kansas. However, several Interstate lines are anxious to secure this gas.

I trust I have established three points:

1. There currently is substantial new gas available and accessible to Intrastate lines for Kansas consumption.
2. There remains highly potential areas for future gas discoveries, although the preponderance may be out of reach of presently existing Intrastate lines.
3. Interstate lines are aggressively seeking connections to newly discovered gas.
4. Some Intrastate lines are not aggressively seeking connections to newly discovered gas.

It becomes obvious that in order to prevent continuing curtailments of deliveries of gas, the consumers, primarily the gas distribution companies, the communities and industries within Kansas, be permitted by statute to purchase gas direct from the producer, construct gathering lines from the gas wells to available Intrastate lines, and require the Intrastate line to deliver an equal volume of gas to such consumer.

Another important consideration is the recognition that public policy is developing to permit Intrastate gas to enter Interstate pipelines for Intrastate consumption. Responsible state officials should aggressively be pursuing this for the benefit of all Kansans.

REPRINT FROM WICHITA EAGLE

October 28, 1976

## Natural Gas Stopped To 11 Kansas Towns

JETMORE, Kan. (UPI) — Northern Natural Gas Co. has cut off the natural gas supplies to 11 western Kansas towns on interruptible contracts.

The towns are Garden City, Jetmore, Meade, Plains, Fowler, Montezuma, Moundridge, Subletta, Satanta, Hugoton and Elkhart.

At Jetmore, City Superintendent Elmer Hickey said higher priced diesel fuel probably will add 80 cents to the cost of every 100 kilowatts of power produced by the city power plant. The increase will be passed on to consumers.



## Amendment to Solar Energy Credit to Clarify Election

## Chapter 434, Section 2, 1976 Session Laws

Any taxpayer who completes installation of a solar energy system upon real property located within this state prior to July 1, 1983, which real property is either used in a trade or business or held for the production of income, or any taxpayer who acquires title to real property located within this state prior to July 1, 1983, which real property is used in a trade or business or held for the production of income and is equipped with a solar energy system for which the credit allowed by this section or amortization provided by Section 3 has never been claimed, shall be entitled either to claim an income tax the credit in an amount equal to twenty-five percent (25%) of the cost of such system, including installation costs, or three thousand dollars (\$3,000), or an amount equal to the taxpayer's income tax liability in the taxable year for which the credit is claimed, whichever is less, against the tax liability imposed against such taxpayer pursuant to Article 32 of Chapter 79 of the Kansas Statutes Annotated as provided in this Section, or, in lieu thereof, to amortize the adjusted basis of the solar energy system as provided in Section 3. If the taxpayer elects to claim the income tax credit, that credit shall be an amount equal to twenty-five percent (25%) of the cost of such system, including installation costs, or three thousand dollars (\$3,000), or an amount equal to the taxpayer's income tax liability in the taxable year for which the credit is claimed, whichever is less, against the tax liability imposed against such taxpayer pursuant to Article 32 of Chapter 79 of the Kansas Statutes Annotated. If the taxpayer elects to claim the credit, such such tax credit shall be deducted from the taxpayer's tax liability for the taxable year in

which such system is acquired and placed into service by the taxpayer.

Section 3 Any taxpayer who completes installation of a solar energy system upon real property located within this state prior to July 1, 1983, which real property is either used in a trade or business or held for the production of income, or any taxpayer who acquired title to real property located within this state prior to July 1, 1983, which real property is used in a trade or business or held for the production of income and is equipped with a solar energy system for which the credit provided in Section 2 or amortization provided by this section has never been claimed, may elect to amortize the adjusted basis of the solar energy system based upon a period of sixty (60) months. If the taxpayer elects to amortize, as provided in this section, the tax credit provided in Section 2 may not be claimed. In computing Kansas taxable income, such the amortization provided in this section shall be allowed as a deduction from Kansas adjusted gross income ratably over such sixty (60) month period beginning with the month in which such solar energy system is completed or acquired and placed into service by the taxpayer. The election of the taxpayer to claim the amortization deduction allowed by this section shall be indicated in an appropriate statement attached to the taxpayer's income tax return for the taxable year in which such solar energy system was completed or acquired and placed into service. As used in this section, "adjusted basis of the solar energy system" shall mean an amount that is properly attributable to the construction, reconstruction, remodeling, installation or acquisition of such system.

New Section

If a taxpayer, hereafter referred to in this section as "transferor", shall have qualified under Section 3 and elected to amortize the adjusted basis of a solar energy system as provided in Section 3, and if the real property equipped with such solar energy system is acquired by another taxpayer, hereafter referred to in this section as "transferee", and if the transferor has not fully amortized the adjusted basis of such solar energy system as provided in Section 3, the transferee shall be entitled to amortize that portion of the transferor's adjusted basis of the solar energy system remaining unamortized. The transferee shall amortize such amount based upon the remaining portion of sixty (60) month period unused by the transferor.