

SUBCOMMITTEE ON NATURAL GAS

March 10, 1983

The minutes of the Subcommittee meeting on March 9, 1983 were approved.

Steve Holsteen, Governor's Office, referring to S.B. 209, said questions had been raised whether or not Kansas Power and Light Company (KPL) would be able to obtain new reserves in competition with other pipelines. He gave the following reasons why they would be able to: (1) future contracts are exempt from the price cap, (2) the cap on the gas will be reviewed annually after the first year to determine whether or not the price is affecting supply, (3) since the NGPA expires in 1985, he would recommend the Subcommittee put a sunset into this bill to be consistent with the national policy, and (4) since KPL has low priced gas on its system, it would allow them to be more competitive in bidding for additional gas. Chairman Kerr asked who else, besides KPL customers, would be affected by this bill. Mr. Holsteen said Kansas Gas Supply, Peoples Natural Gas, Anadarko Interstate Pipeline and possibly Getty. This totals about 20% of the state's gas consumption. One out of every six customers would be affected. Mr. Holsteen said the question of constitutionality had been raised. Under the decision on the Price Protection Act, the fact that it had a sunset was a key point, and therefore he feels it would be appropriate to include a sunset provision in S.B. 209. He said the difference between this bill and the Price Protection Act is (1) this bill covers all contracts which have been entered into since the passage of the Price Protection Act as well as contracts entered into before that, and (2) the Price Protection Act allows escalations of the price and S.B. 209 would stop those escalations for one year and it also gives the Kansas Corporation Commission discretion to set the price in succeeding years. Senator Angell asked Mr. Holsteen if they would object to striking section 2 of the bill, which gives the reason for enactment. Mr. Holsteen replied he feels the mention of the public health, safety and welfare gives additional creditability to the constitutionality of the legislation. He said, in reading through the bill, he does not see that there is an explicit floor on the price. He urged the Subcommittee to consider a resolution addressing the proposed federal legislation.

On S.B. 23, Senator Angell raised the question who would be cut off in times of peak demand. Mr. Holsteen said he really was not present to address S.B. 23, but he would say there should be some sort of assurance that the industrial interruptable users should be the ones cut off.

Ned Vahldieck, Kansas Power and Light Company, spoke concerning S.B. 209. Mr. Vahldieck said the fact that KPL customers pay

some of the lowest rates in the United States is no rationale that they would be in a better position to bid on new gas, because their customers would still be the ones paying the increased price. Senator Angell asked why KPL has such low rates. Mr. Vahldieck said over 95% of their gas is from the intrastate market. Interstate gas is about \$1 or \$1.50 higher than intrastate. The reason they have cheaper rates is because they have cheaper sources. The Subcommittee discussed the testimony given by KPL to the 1979 Joint Committee on H.B. 2680 and requested that copies be provided to them. Mr. Vahldieck agreed that, basically, he was saying they fear that S.B. 209 would scare producers away from drilling near KPL's lines, partly because prices on wells drilled between 1979 and 1983 would be frozen and the possibility legislation could be passed freezing prices on any new wells would discourage further exploration.

Mr. Vahldieck said that testimony had been given on S.B. 23 that pipelines handle these kinds of transactions all the time. He said any such arrangements at present involve high volume, steady transactions and do not have the jerkiness of demand associated with an individual or small customer. Mr. Vahldieck said the transportation of gas is a very complex and highly disciplined exercise. For the many reasons given in his previous testimony to the full Committee, KPL cannot support S.B. 23. Senator Angell asked if it was his opinion that the Kansas Corporation Commission presently has the authority to follow the provisions of S.B. 23 on an intrastate basis. Mr. Vahldieck said it is his opinion they do. Answering a question from Senator Chaney, Mr. Vahldieck said KPL does own a 2,000 mile pipeline.

The next meeting of the Subcommittee will be at 2:30 p.m. on Monday, March 14, 1983.