Approved 1-19-84
Date

MINUTES OF THE House COMMITTEE ON Energy and Natural Resources.

The meeting was called to order by Representative David J. Heinemann at
Chairperson

3:35 ~~xx~~m./p.m. on January 11, 1984 in room 522-S of the Capitol.

All members were present except: Representatives Patterson and Foster (excused)

Committee staff present:

Ramon Powers, Legislative Research
Raney Gilliland, Legislative Research
Theresa Kiernan, Revisor of Statutes
Pam Somerville, Secretary to the Committee

Conferees appearing before the committee:

Phil Dick, Commissioner, State Corporation Commission
Brian Moline, State Corporation Commission

Chairman Heinemann called the first meeting of the House Energy and Natural Resources Committee to order at 3:35 p.m. In Chairman Heinemann's opening statement he welcomed committee members, introduced the staff, and briefed the committee on attendance requirements. He asked if there were any recommendations for field trips by the committee. Several members indicated they would like to tour the Jeffrey Energy Center.

The Chairman called on Ramon Powers, Legislative Research, to brief the committee on the Interim Studies. Mr. Powers distributed the Committee Report and explained Proposals No. 20 and No. 21 (Attachment 1). A brief question and answer period followed the presentation.

Chairman Heinemann introduced Mr. Phil Dick, Commissioner, State Corporation Commission, to review the Corporation Commission's role in the regulation of natural gas. Mr. Dick distributed two handouts to the committee, one dealing with Total Gas Production by Calendar Year, by Month (Attachment 2), and one dealing with the Federal Energy Regulatory Commission Cases in which KCC is an Active Party (Attachment 3).

Atch. X

Following Mr. Dick's presentation, Chairman Heinemann distributed a proposed bill draft: an act concerning public utilities; relating to electric transmission lines; amending K.S.A. 66-1, 178 and repealing the existing section. The Chairman asked Mr. Brian Moline, State Corporation Commission, to briefly describe the logic for the proposed legislation. Representative Farrar made a motion to introduce the bill as a committee bill. Representative Grotewiel seconded the motion. The motion carried.

Vice-Chairman Fox made a brief statement to the committee reminding them to review the Interim Report distributed earlier. (Attachment 1)

Chairman Heinemann requested Committee members to notify him of any legislation they would like introduced to facilitate the scheduling of bills for hearings.

There being no further business before the committee, the meeting was adjourned at 4:20 p.m.

The next meeting of the Committee will be held January 12, 1984 in Room 519-S at 3:30 p.m.

DJ Heinemann
Rep. David J. Heinemann, Chairman

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

Date WED. JAN. 11, 1984

GUESTS

HOUSE ENERGY AND NATURAL RESOURCES COMMITTEE

NAME	ADDRESS	ORGANIZATION
Dick Compton	Hays, Kansas	Midwest Energy, Inc.
Jeff Russell	Topeka	United Telephone
George Dugger	"	Ks. Dept. on Aging
Mike Beam	Topeka	Ks. Lvstk. Assn.
Brian Moline	"	KCC
Phil Dick	"	KCC
David W. Nickel	"	KCC
Richard D. Kready	"	KPL/Gas Service

legislative committee, administrative hearing or court of law.

(d) Any employee or any former employee aggrieved pursuant to this section may file a written request within 30 days of the alleged disciplinary action for a hearing by the state civil service board. The state civil service board shall schedule such matters for hearing within 30 days after the filing of a request for review. Except as otherwise provided in this subsection (d), the provisions of K.S.A. 1983 Supp. 75-2929d and amendments thereto shall be applicable to any hearing conducted by the state civil service board under this section.

(e) Any supervisor or appointing authority of any state agency, whether in the classified or unclassified service under the Kansas civil service act, violating the provisions of this section shall forfeit the position such person holds in the state service and shall be ineligible for appointment to or employment in a position in state service for a period of five years. The decision of the state civil service board in such cases may be appealed by any party pursuant to law.

Sec. 2. This act shall take effect and be in force from and after its publication in the statute book.

Attachment 1
(1-11-84)

RE: PROPOSAL NO. 20 — NATURAL GAS ISSUES*

The Special Committee on Energy and Natural Resources was directed to study all areas of natural gas regulation that affect the state and monitor congressional natural gas price deregulation activities.

Background

There are three basic components of the natural gas industry. The producer explores for gas, conducts drilling activities, and brings the gas to the ground. The producer sells the gas to a pipeline company which transports the gas from the producer and delivers it to the distribution company. The pipeline company acts as a wholesaler and assures an adequate supply to the distribution company. There are both intrastate and interstate pipeline companies.

The pipeline company buys gas at the wellhead from the producer. The distribution company buys gas from the pipeline company at the city gate and delivers it to the end-use consumer. There are instances where a pipeline owns a producing subsidiary, but in most instances there are three separate companies in the production, transportation, and distribution of natural gas.

Regulation of a producer at the federal level relates to the price of the gas. State regulation of a producer relates to conservation of the gas supply — preventing waste, maximizing production of the resource by authorization of production at a level which brings out the most gas in the most efficient manner, and protecting correlative rights to prevent one well from having its resource drained by another well. The State Corporation Commission (SCC), to a limited degree, also regulates drilling activity within the state and requires that a Notice of Intent to Drill be filed with it. The protection of

* S.C.R. 1642, S.C.R. 1643, S.B. 483, and H.B. 2641 accompany this report.

1-11-84

Attachment 1

groundwater is a part of the responsibility of the SCC. The Commission is responsible for plugging and safety regulations in well operations. The state has also assumed some control over the price which is limited to intrastate gas sales.

The wellhead prices for natural gas are divided into numerous categories, and federal price controls establish maximum ceiling prices for most categories. However, intrastate gas is left to the state for price regulation within the federal maximum ceiling prices. In general, interstate pipeline wholesale sales are regulated by the federal government and the operations of interstate pipelines are regulated by the Federal Energy Regulatory Commission (FERC). Rates are set through rate proceedings. The SCC regulates the rate only on direct retail sales (both intrastate and interstate) made right off the pipeline to the consumer. The authority to regulate other aspects of this type of sale are a matter of debate. The SCC controls all aspects of the distribution of gas.

The price of gas paid by end-use consumers is a combination of the original price of the gas and the cost of providing service. The actual wellhead price is passed through to the end-use consumer, plus a profit allowance for both the pipeline and distribution company. The amount of profit allowed is determined by the SCC through the presentation of evidence by the company and by the SCC staff. The state employs accountants who audit the books prior to the hearing. Management decisions are subject to regulatory scrutiny and correction and could result in the company's allowed return being lowered.

As to the actual cost for gas, a pipeline adds up all of the purchases it makes at various prices from a variety of sources and comes up with a weighted average price. This average system rolled-in price is charged to everyone on the system regardless of their location; the idea being that all the customers are contributing to the need for the gas and it would be unfair to give advantage to some customers because of their location.

The average rolled-in price has been used since the 1930s and the beginning of regulation. The Natural Gas Act (NGA) of 1935 imposed regulations on only the pipelines. Rates at

the wellhead were regulated starting in 1954 with a U. S. Supreme Court decision mandating individual wellhead ·e regulation. In the late 1950s, the area ratemaking co...pt was utilized. This concept was upheld in 1963 in a U. S. Supreme Court decision. During this period of time, there was no state regulation of the gas industry unless the individual state chose to act. The Natural Gas Policy Act (NGPA) of 1978 established price ceilings at the wellhead for every quality or category of gas being produced.

The NGPA carried forward the area rate concept by regulation and recognition of contracts. The NGPA also allowed the different categories to escalate by different factors in an attempt to project that, in 1985, the price of natural gas would be comparable to the estimated price of certain petroleum products. Today the price of natural gas, on a Btu basis, is above the price of certain competing petroleum products. Because of both increased conservation and drilling, there is an over-supply of gas. Contracts between pipelines and producers which contain take-or-pay clauses cause older gas wells not covered by take-or-pay clauses to be shut-in and result in less purchases of old gas and greater purchases of new, higher cost gas. The take-or-pay provisions, along with the indefinite price escalator clauses and most favored nation clauses in gas supply contracts, are among the biggest factors in causing the high cost of gas at the retail level.

The Hugoton Problem

Of particular concern to Kansans is the future of the Hugoton Natural Gas Field in the southwestern corner of the state. The Hugoton Field is a vast gas field underlying approximately eight counties in Kansas and extending south into Oklahoma and Texas. The Field was discovered in 1920 and reached the peak of its production in the 1970s.

Estimated reserves in the Kansas Hugoton Gas Field exceed 8 trillion cubic feet according to reports by pipeline companies to the State Corporation Commission. To date the Field has produced approximately 16 trillion cubic feet of gas. Until 1980, the Hugoton Field alone produced more thar ? percent of the total U.S. supply of natural gas. At 198 production levels, the reserve life of the Field is between 40 and 50 years.

From a peak of 557 billion cubic feet (bcf) produced from the Hugoton Field in 1978, annual production declined to 214 bcf in 1982. The allowable rate of production in 1982 was 379 bcf. In 1983, monthly production figures reflected a further decline in the early months of the year, although by mid-year production was above monthly volumes of 1982.

Production from the Hugoton Field goes both into the intrastate and interstate markets. Only one major purchaser, Kansas Power and Light Company (KP&L), delivers Hugoton gas directly to Kansas consumers in the intrastate market without delivering gas out of state. KP&L customers used 11 percent of the Hugoton production in 1982 although KP&L has only 6 percent of the daily capacity of the Field. Twenty-two percent of KP&L's Hugoton supply is purchased from Mesa Petroleum Company for about $2 per thousand cubic feet (mcf); the other 78 percent is held by contract to approximately $0.30 per mcf giving KP&L an average price of about $0.67 per mcf for Hugoton gas. Under existing legislation, 22 percent of the Mesa-KP&L volume will be deregulated in 1985 and the contract for the remaining 78 percent expires at the end of 1989.

In the interstate market, Northwest Central Pipeline, formerly Cities Service Gas Pipeline which is now owned by Northwest Energy, is in the process of being purchased by Williams Companies, controls approximately 40 percent of the Hugoton Field capacity. Northwest Central Pipeline took only 14 percent of the Field volume in 1982. Hugoton gas accounted for only 15 percent of the total purchases by Northwest Central in 1982. Deliveries to Kansas consumers accounted for less than one-third of Northwest Central's total deliveries. Northwest Central pays about $1.06 per mcf for Hugoton gas, but because of the importation of more expensive gas into the Northwest Central system, customers in eastern Kansas who purchase from that system pay approximately $4.25 per mcf for gas which translates into approximately $2.77 per mcf for the rolled-in price of the purchased gas.

According to the authors of the publication Wildcat Profiles (August, 1983) of the securities corporation Donaldson, Lufkin & Jenrette (DLJ Report):

> The irony of exporting all that Hugoton gas at one-fifth its value while paying full value for all the gas consumed in Kansas has not been lost on Kansas politicians. Frustrated, they are trying anything they can think of to regain control over their own resources, the Kansas legislature gave serious consideration to a bill that would establish a Kansas Natural Gas Authority empowering it with eminent domain to condemn the Hugoton field and buy the properties for the state.

The DLJ Report on the Hugoton Field estimates that Hugoton reserves are presently valued at $0.20 to $0.40 per mcf which contrasts with the cost of finding and developing new natural gas properties in recent years which is approximately $1.50 per mcf. The Report concludes that "the investment risks of acquiring Hugoton reserves are far lower than those associated with a new exploration program."

The enactment of the severance tax in Kansas means that the state of Kansas gains more from higher wellhead prices than it gives up, according to the DLJ Report which further states that:

> Eight percent of incremental revenues would flow directly to the state's coffers. In addition, a state income tax would gather in 5% more of incremental revenues. Finally, most of the landowners holding a one-eighth royalty on Hugoton production are residents of Kansas. Some of the working interest owners are residents of the state. We estimate that an additional 10% of wellhead revenues are retained by state residents. Thus, the state government and the residents of Kansas keep about 23% of incremental revenues from Hugoton gas production.

The authors of the DLJ Report calculate that from these various sources the present value of future revenue from Hugoton natural gas that would remain in Kansas would be almost $3 billion.

The Report contends that the impact of decontrol of old gas would be minimal because less than 20 percent of Hugoton gas is consumed within the state. Over one-half of the state's residents already pay as much as ten times what producers receive for the lowest priced gas from the Hugoton Field. That low priced Hugoton gas is intermingled with higher priced gas from within and from outside the state.

From data and charts supplied to Cities Service by the State Corporation Commission (in a Hugoton Field hearing), the point was made that Kansas consumers do not adequately benefit from low price Kansas gas. Kansas' low price gas is used as leverage by pipeline companies to pay for high cost gas from other states and countries. According to data provided the Committee, the weighted average price paid to Kansas producers by major pipeline companies was $1.61 per mcf in 1982, and the weighted average rolled-in cost of gas sold by these pipeline companies (excluding their operating costs and profit) was $2.67 per mcf. Consequently, Kansans sold their gas for over $1.00 per mcf less than they paid for that same gas mingled with higher priced gas imported from outside the state.

According to the Cities Service representatives, enactment by Congress of S. 1715 (which would deregulate old natural gas) will cause gas prices to decrease in Kansas because of the "ramp down" of high cost out-of-state gas, and the slow "ramp up" of low cost in-state gas. Assuming a free market price indicator of $2.75, the first year estimate of the benefit to Kansas of enactment of S. 1715 would be as follows:

1.	decrease natural gas costs	$11.08	million
2.	increase royalty payments	26.30	million
3.	increase in severance tax	14.70	million
4.	increase in ad valorem taxes	2.10	million
		$54.18	million

An alternative to the decontrol of the old gas price, i.e., the low price Hugoton gas, is the state authorizing infill drilling. Infill drilling is the drilling of additional gas wells within the existing fields; under present rules the fields in Kansas are divided into sections with one well draining 640 acres. The ultimate rationale for infill drilling is to conserve natural gas resources. Conservation is the basis for the state regulation of field rules. Infill drilling would help in the draining of the field and add from 5 to 20 percent to the total reserves of the field. Drilling a second well for every square mile in more than 4,000 square miles of the Hugoton Field would qualify for a higher price under existing controls.

The low price for Hugoton gas is also tied to the issue of economic waste and how the state might define economic waste to prevent further exploitation of the cheap gas being produced from that Field. The Kansas statutes define economic waste to be "the use of natural gas in any manner or process except for efficient lighting, fuel, carbon black and repressuring, or other processes by which such gas is efficiently converted into a solid or liquid substance." The language in the definition does not include low gas prices. The Kansas Supreme Court has held that the statutory definition of waste is not exclusive, therefore, a definition of economic waste could possibly include the price paid for natural gas produced which is significantly below market value and pass legal and constitutional muster.

Low natural gas prices contribute to an uneconomical rate of depletion and economic waste by promoting inferior uses of natural gas. Also, low natural gas prices may lead to physical waste as low prices tend to make enforcement of conservation more difficult and result in abandonment of wells long before all recoverable gas has been extracted.

<u>Major Federal Natural Gas Legislation Under Consideration</u>

The decontrol of natural gas wellhead prices has been a major political issue in Congress in 1983. The Natural Gas Policy Act of 1978 was designed to deregulate recently discovered and new natural gas in 1985 after gradually phasi up the ceiling prices for the various categories of gas so that the price of new gas would be equivalent on a Btu basis to the price of oil. The dramatic increase in the price of oil in 1979 increased the price disparity although the oil price has recently dropped to a point where certain oil products are competitive with gas prices on a Btu basis.

The Reagan Administration's deregulation proposal provides for the deregulation of all prices by January 1, 1986. This proposal would provide for an amnesty period during which time either party could abrogate a contract. Take-or-pay clauses in contracts require the purchaser to pay for a certain percent of the contract amount whether the purchaser is able to use the gas or not. The Administration bill would limit take-or-pay obligations to 70 percent of the contract requirement. (There is a period of time for companies to make up take-or-pay obligations.) A rolling average of the gas price, called a "gas cap," would be set and indefinite price escalators could operate up to this price. The proposal also contains a common carriage provision which would require pipeline companies, with excess capacity, to provide transportation for the delivery of gas under contract to other parties.

The U. S. Senate bill (S. 1715) provides that any gas contracted for after enactment of the bill would be deregulated. The proposal contains a "ramp down" process for the price of higher cost gas and a "ramp up" process for the price of old gas. Take-or-pay clauses would be limited for three years as follows: 50 percent the first year, 60 percent the second year, and 70 percent the third year. Indefinite price escalator clauses are allowed to operate up to a "free market price indicator," which is a type of rolling average wellhead price calculated on the renegotiated contracts. The proposal contains contract carrier provisions and some import limits.

Under another natural gas bill in the U. S. House, several categories of gas are decontrolled immediately. Old gas would remain controlled. The bill contains provisions for a free market indicator similar to the Senate bill. Take-or-pay clauses are reduced to 50 percent for a three-year period.

Both the U. S. Senate and House bills contain abuse standards, and both bills require contract carriage by pipeline companies. The contract carriage provisions are designed t create more competition at the wellhead.

Pros and Cons of Natural Gas Price Decontrol Proposals

Because of distortions that occur in natural gas pricing, it is argued that decontrol should be speeded up and that, in addition to the deregulation of new and recently discovered natural gas, old natural gas should also be decontrolled. Advocates of decontrol insist that with decontrol and modifications in gas purchase contracts an actual decline in prices will occur. They contend that the present surplus of natural gas in the marketplace will force prices down. In addition, the creation of a natural gas market will provide the proper atmosphere for the exploration and development of additional supplies and new energy resources to compete for the market.

Opponents of deregulation argue that the prices for natural gas could increase dramatically without regulation. The absence of market forces to hold down prices will cause a spiking up of the price upon immediate decontrol of wellhead prices. It is also argued that old gas prices adequately reflect the costs of that gas which has paid for the old wells many times over. Deregulation opponents contend that consumers will pay unwarranted prices for an essential source of energy. They also contend that, as long as the world oil price is controlled by a cartel, there can be no meaningful market for any energy source that can be displaced by oil.

Committee Activity

At the September 7-8 meeting, briefings on natural gas issues were presented to the Committee by staff of the State Corporation Commission and the Kansas Geological Survey. Commission staff described for the Committee the natural gas system in Kansas and how it is regulated. Information presented in that briefing has been integrated into the background material in this report. Geological Survey sta described for the Committee the application of a price elasticity of demand model to natural gas. It was pointed out that natural gas demand is relatively inelastic with the exception of large industrial users who can switch to fuel oil. The general effects of deregulation on the state of Kansas were also briefly described by Geological Survey staff.

A State Corporation Commission Commissioner reviewed for the Committee the procedure by which production allowables are set for certain natural gas fields. The pipeline companies nominate the amount of gas they intend to take from their portion of a dedicated field. If they do not take the amount they nominated or take more than they nominated, an overage or underage is incurred. Overages can accumulate briefly, but eventually a well that is overproduced will have to be cut back from an overproduced condition. If a well is underproduced, underages are accumulated. The Committee was told that the Commission recently amended the Hugoton Basic Proration Order. The Order now requires that any underages which occurred prior to 1976 had to be reinstated by the end of 1982. Any underages which were not produced subsequent to 1976 have until 1985 for reinstatement. The amendment to the Basic Order provides for permanent cancellation of underages under certain conditions. Various production and pipeline companies are litigating the amendment to the Hugoton Basic Order.

Natural gas bills held over from the 1983 Session of the Kansas Legislature were reviewed by Committee staff.

Testimony

Testimony on Proposal No. 20 was presented by U. S. Senator Nancy Landon Kassebaum, State Senator Wint Winter, Jr., representatives of Amoco Production Company, the Kansas Independent Oil and Gas Association, Kansas Power and Light Company, MAPCO, Inc., Northern Natural Gas Company, the Kansas Department on Aging, K-N Energy, and the Public Assistance Coalition of Kansas. Written testimony was provided by Congressman Jim Slattery's office. Following is a summary of the main observations and recommendations submitted by conferees.

Some conferees recommended that the Legislature urge Congress to modify the take-or-pay provisions in natural ga purchase contracts, continue regulation on old natural gas, a freeze or roll back natural gas prices. Other conferees opposed continued control of natural gas prices and urged support of congressional decontrol legislation. A spokesperson for natural gas producers explained the need for certain take-or-pay provisions in contracts. The conferee representing the intrastate pipeline companies emphasized the fact that enactment of the Reagan Administration's decontrol legislation would result in dramatic increases in the cost of gas to their customers because of the low cost of gas they now have under contract. A conferee representing a natural gas production company told the Committee that the recent decline in the price of oil has resulted in the emergence of a market price for natural gas which is below the ceiling price for new gas under the NGPA. When pipeline companies purchase gas, they are no longer willing to pay the ceiling prices. The market price that has emerged is the Btu equivalent price of No. 6 fuel oil which certain large industrial customers can switch to if the price of natural gas exceeds the fuel oil price.

Others were critical of state policies that place Kansas producers at a competitive disadvantage. The Kansas wellhead price controls instituted in 1979 and 1983 and restrictions on the ability of intrastate producers to pass on ad valorem taxes and severance taxes in the price charged for gas were cited as examples of state policies that are disadvantageous to producers.

Some conferees supported the immediate decontrol of "new new" natural gas, the phased decontrol of other natural gas, the repeal of the Fuel Use Act, the elimination of incremental pricing of the NGPA, and the voluntary renegotiation of existing gas contract price provisions. These conferees opposed the unilateral abrogation of existing contracts.

A number of conferees recommended that the Legislature enact common carrier or contract carriage legislation affecting intrastate pipeline companies and encourage Congress to adopt such legislation on an interstate basis. A representative of an intrastate pipeline company opposed any mandatory common carrier legislation.

Conferees stated that, if the Legislature enacts legislation limiting the price of natural gas used for irrigation purposes, the companies supplying that irrigation gas will recover the lost revenues from other natural gas customers.

Conferees representing the elderly and low income persons urged the Committee to consider supporting conservation and weatherization public assistance needs. They stated that there is a need to provide a safety net to insure that people have an adequate supply of natural gas. There was a recommendation that gas utility rate structures be reformed to provide for inverted rates for residential customers, (i.e., providing a lower unit price for the first block of residential usage), and that consumer representation in utility rate cases be improved by providing for a governmental consumer advocate. Another recommendation was that the Low Income Energy Assistance Program be supplemented. It was also proposed that the Governor and the SCC report to the Legislature annually detailing state-of-the-art concepts in utility management and conservation.

U. S. Senator Nancy Landon Kassebaum noted that there were many conflicting studies on the effect of decontrol of natural gas prices. An Energy Information Administration study of natural gas decontrol has concluded that prices would increase above NGPA ceiling levels, reserves would increase, production would decrease, and producer revenues would increase by $40 billion by 1990. Senator Kassebaum stated that a free market for natural gas is desirable, but consumers should not bear the risks of decontrol until the market is more stable. She doubts that a natural gas bill will pass both houses of Congress in 1983.

Committee Recommendations

The Committee directed the Chairman to write letters to the Chairman of the State Corporation Commission, the Governor, and the Attorney General requesting intervention on behalf of the state of Kansas in the matter of Northern Natural Gas Company's petition to the Federal Energy Regulatory Commission (FERC) to rescind the pass-on of the ad valorem property tax on natural gas in Kansas. The letters

were written and delivered. The Committee was informed that the SCC had intervened before FERC in support allowing the continued pass-on of the ad valorem property tax.

After thorough deliberations, the Committee makes the following recommendations. The Committee recommends S.C.R. 1642 memorializing Congress for the immediate and complete decontrol of natural gas prices and other modifications in natural gas contracting which will facilitate the creation of a market for sale of natural gas. Based on the review of the information presented, the Committee concludes that Kansas would benefit significantly from the decontrol of natural gas prices, especially the wellhead price of old gas.

The Committee, in its support of deregulation, believes that the cost of natural gas to consumers will not increase, in the long run, and, in fact, may decrease. It is true that the price of old gas would increase, and in some instances the old gas price would increase substantially. However, with the emergence of a market in natural gas, the price of high priced natural gas will decline to the market level off-setting the increase in the old gas price. It is quite possible that the freeing of the old gas price will increase the competitive market in gas and bring about further reductions in the average wellhead price of natural gas.

The Committee also recommends that the state encourage infill drilling in the Hugoton Field. S.C.R. 1643 memorializes the State Corporation Commission to promote infill drilling in the natural gas fields in Kansas. The Committee believes that in the Hugoton Field infill drilling will be essential for the complete development of the Field. In the absence of full old price decontrol, infill drilling will be absolutely essential for the economic benefit of Kansas.

The Committee recommends S.B. 483, which amends the statute defining economic waste, to include the sale of natural gas at a price which is less than 75 percent of the previous six months average wellhead price of marketed production as reported by the U. S. Department of Energy. Defining economic waste of natural gas to include a minimum price which will prevent further exploitation of cheap Hugoton gas while Kansans have to pay high prices for the gas they use.

Finally, the Committee recommends H.B. 2641 which would declare it to be in the public interest to use natural gas on land from which the gas is produced and on land in a proven field on which gathering lines are located for the purpose of pumping groundwater to the surface to irrigate such land for agricultural purposes. The bill imposes on the owners or operators of a well or gathering pipeline on land covered by the bill the requirement that they furnish natural gas for irrigation.

The price for the natural gas furnished under the bill would be the contract price or tariffs on file with the SCC of the particular pipeline company that is purchasing the gas in the particular field. The State Corporation Commission is granted authority to adopt rules and regulations to enforce the Act. The Act would apply only to natural gas not under FERC jurisdiction.

Respectfully submitted,

December 1, 1983

Sen. Charlie Angell,
Chairperson
Special Committee on Energy
and Natural Resources

Rep. Ron Fox,
Vice-Chairperson
Sen. Richard Gannon
Sen. Francis Gordon
Sen. Tom Rehorn
Sen. Ed Roitz

Rep. Ginger Barr
Rep. Ken Grotewiel
Rep. Don Rezac
Rep. Susan Roenbaugh

MINORITY REPORT

We respectfully submit this minority report to the Committee's recommendation that a concurrent resolution be drafted memorializing Congress to immediately decontrol the wellhead price of all categories of natural gas.

The deregulation of interstate natural gas, including old gas, could be beneficial for Kansas if, after decontrol, the average system prices of gas purchased by the interstate pipelines would be lower than the present average system prices of natural gas. However, if the price of natural gas increases substantially after decontrol, then the costs of decontrol to Kansans, especially residential consumers in Kansas, will outstrip the benefits of decontrol to the state as a whole.

We question the validity of the assumption, used by conferees advocating deregulation, that the present spot market price for natural gas will reflect the price of natural gas immediately after its complete deregulation.

We also have concern that natural gas prices will not be totally independent of the price of oil. Oil prices could be subject to dramatic increases if some unforeseen event in the Middle East or Latin America triggers a cutoff of supplies.

And while it was argued that the deregulation of old gas would encourage more exploration, there is no reason to think that producers will greatly expand their drilling efforts, even with any higher prices resulting from deregulation, at a time when gas supplies are in such abundance. Thus, deregulation would create only windfall profits, and not greater supplies of natural gas.

These are some of the reasons for our opposition to immediate and complete decontrol of the wellhead price of natural gas.

As an alternative, we would propose that all new gas be decontrolled immediately, that take-or-pay provisions and price escalator clauses in gas purchase contracts be modif and that contract carriage be allowed. (We might even support making pipelines common carriers in order to provide a more competitive environment in natural gas marketing.)

Even under the present regulatory scheme, natural gas prices are declining slightly. With the changes we are suggesting, and if deregulation arguments are accurate, prices should undoubtedly decline even more.

If this happens, we think that the deregulation of old gas would then be in order, because then there would be reason to think that its deregulation would have downward pressure on the price once again. This would usher in benefits for Kansas consumers greater than the costs, while not burdening gas consumers elsewhere in the country.

Respectfully submitted,

Representative Ken Grotewiel
Representative Ginger Barr
Senator Tom Rehorn

Session of 1984

Senate Concurrent Resolution No. 1642

By Special Committee on Energy and Natural Resources

Re Proposal No. 20

12-20

A CONCURRENT RESOLUTION memorializing the President of the United States and the United States Congress to decontrol natural gas prices.

WHEREAS, The United States Congress passed the Natural Gas Policy Act in response to a shortage of natural gas; and

WHEREAS, There is presently a surplus of natural gas in the marketplace; and

WHEREAS, The production of natural gas from Kansas natural gas fields has declined from 861 bcf in 1978 to 433 bcf in 1982; and

WHEREAS, The production of natural gas from the Hugoton field has declined from 557 bcf in 1978 to 214 bcf in 1982; and

WHEREAS, The average wellhead price of natural gas produced in Kansas was approximately \$.40 per mcf in 1978 and approximately \$1.20 per mcf in 1982; and

WHEREAS, Much of the natural gas produced from the Hugoton field is regulated old gas that sells for as low as \$.11 per mcf; and

WHEREAS, The major interstate pipeline companies which purchase Kansas natural gas, including gas from the Hugoton field, have reduced substantially their purchases of cheap natural gas from Kansas because contracts for that gas do not require pipeline companies to take the gas while those same pipeline companies purchase much more expensive natural gas from outside Kansas which they are required to take or pay for if they are not able to take it; and

WHEREAS, The major interstate pipeline companies which purchase and transport natural gas in Kansas to Kansas consumers pay extremely low prices for Kansas natural gas, but because of their importation of much higher priced natural gas, Kansas consumers pay extremely high retail prices for natural gas; and

WHEREAS, The deregulation of the wellhead price of natural gas would result in significant benefits for Kansans in the form of increased severance tax revenues, increased ad valorem property tax revenues in counties with natural gas production, increased royalty income to royalty owners, increased income tax receipts from natural gas producers and royalty owners and probable reductions in the cost of natural gas to Kansas consumers: Now, therefore,

Be it resolved by the Senate of the State of Kansas, the House of Representatives concurring therein: That we urge the President and Congress to immediately and completely decontrol the wellhead price of all natural gas, particularly old gas, produced in the United States and make any other modifications in natural gas regulation which would facilitate the creation of a market for pricing natural gas; and

Be it further resolved: That the Secretary of State be directed to send enrolled copies of this resolution to the President of the United States, the President of the United States Senate, the Speaker of the United States House of Representatives and to each member of the Kansas Congressional Delegation.

Session of 1984

Senate Concurrent Resolution No. 1643

By Special Committee on Energy and Natural Resources

Re Proposal No. 20

12-20

A CONCURRENT RESOLUTION directing the state corporation commission to encourage infill drilling in Kansas natural gas fields.

WHEREAS, The basis of state regulation of natural gas is the promotion of the maximum recovery and the prevention of waste of natural gas resources; and

WHEREAS, Infill drilling promotes the maximum recovery of natural gas resources; and

WHEREAS, Infill drilling will facilitate the draining of natural gas fields and will increase significantly the total reserve of Kansas natural gas fields; and

WHEREAS, The additional recovery of natural gas from Kansas natural gas fields will result in significant benefits for Kansans in the form of increased severance tax revenues, increased ad valorem property tax revenues in counties with natural gas production, increased royalty income to royalty owners, increased income tax receipts from natural gas producers and royalty owners and probable reductions in the cost of natural gas to Kansas consumers: Now, therefore,

Be it resolved by the Senate of the State of Kansas, the House of Representatives concurring therein: That the state corporation commission encourage infill drilling in its regulation of natural gas field practices.

Be it further resolved: That the Secretary of State be directed to send an enrolled copy of this resolution to the chairman of the state corporation commission.

Session of 1984

SENATE BILL No. 483

By Special Committee on Energy and Natural Resources

Re Proposal No. 20

12-20

AN ACT concerning the production and conservation of natural gas; relating to economic waste; amending K.S.A. 55-702 and repealing the existing section.

Be it enacted by the Legislature of the State of Kansas:

Section 1. K.S.A. 55-702 is hereby amended to read as follows: 55-702. ~~The term "waste",~~ In addition to its ordinary meaning, *"waste" also* shall *mean and* include economic waste, underground waste and surface waste. Economic waste shall mean: *(a)* The use of natural gas in any manner or process except for efficient light, fuel, carbon black manufacturing and repressuring, or for chemical or other processes by which such gas is efficiently converted into a solid or a liquid substance *or (b) the sale of natural gas at a price which is less than 75% of the most recent previous six-month-average wellhead value of marketed production as reported by the U.S. Department of Energy in the Monthly Energy Review*. The term waste shall not include the use or flaring of natural gas if permitted pursuant to an order issued or rule and regulation adopted under the provisions of subsection (b) of K.S.A. 55-102, and amendments thereto. The term "common source of supply" shall include that portion lying within this state of any gas reservoir lying partly within and partly without this state. The term "commission" shall mean the state corporation commission of the state of Kansas, its successors, or such other commission or board as may hereafter be vested with jurisdiction over the subject matter of this act.

Sec. 2. K.S.A. 55-702 is hereby repealed.

Sec. 3. This act shall take effect and be in force from and after its publication in the statute book.

Session of 1984

HOUSE BILL No. 2641

By Special Committee on Energy and Natural Resources
Re Proposal No. 20

12-19

AN ACT relating to natural gas; concerning the use of natural gas for agricultural irrigation purposes; conferring certain powers and duties on the state corporation commission.

Be it enacted by the Legislature of the State of Kansas:

Section 1. (a) It is hereby declared to be in the public interest to use natural gas on the land in which the gas is produced and on land in a proven field on which gathering pipelines are located for the purpose of pumping groundwater to the surface to irrigate such land for agricultural purposes.

(b) Upon request, any person owning or operating a well from which natural gas is produced, sold or used off the land on which such well is located shall make available from the production of the well sufficient gas to operate engines used to pump groundwater to the surface for irrigation of the land used for agricultural purposes. All installation costs, including the cost of the gas meter, shall be borne by the person at whose request the gas is furnished.

(c) Upon request, any person owning or operating a natural gas gathering pipeline located on land in a proven gas field, shall furnish sufficient gas to operate engines used to pump groundwater to the surface for irrigation of the land used for agricultural purposes. The owners or operators of such gathering lines shall make connection and furnish the gas meter, but all costs of installation, including the cost of the gas meter, shall be borne by the owner or operator of such irrigation well.

(d) If the parties agree, an hour meter may be substituted o[illegible] such engine in lieu of a natural gas meter as a method o[illegible] measuring the amount of the gas so used.

(e) The price for any natural gas furnished by a producer from a well pursuant to subsection (b) shall be equal to the average price received by the producer for production from such well. The price for any natural gas furnished from a gathering pipeline pursuant to subsection (c) shall be equal to the contract price or tariff filed by the pipeline owner with the state corporation commission.

(f) The state corporation commission shall have jurisdiction over the sales of natural gas pursuant to this act. The state corporation commission shall adopt any rules and regulations necessary to enforce the provisions of this act.

(g) Nothing in this act shall create in any manner an obligation or duty on the part of the operator of any well or gathering pipeline, who furnishes gas under the provisions of this act, to assume in any way public utility duties to the public at large, except as such duties may arise from such operator's acts separate and apart from any performance of obligations imposed under this act.

(h) The provisions of this act shall apply only to natural gas not under the jurisdiction of the federal energy regulatory commission.

Sec. 2. This act shall take effect and be in force from and after its publication in the statute book.

RE: PROPOSAL NO. 21 — WILDLIFE DAMAGE

Proposal No. 21 directed the Special Committee o Energy and Natural Resources to conduct a study and mak recommendations concerning the problem of wildlife damage to crops around federal reservoirs.

Background

During the 1983 Kansas Legislative Session it came to the attention of the Legislature that certain wildlife species were causing crop damage around Perry Reservoir in Jefferson County. The issue was presented to the Senate Energy and Natural Resources Committee after several calls from area farmers and Jefferson County Commissioners. A subcommittee was appointed to hear specific reports of wildlife damage and report back to the standing committee. The subcommittee heard testimony outlining the type of damage incurred, specifically damage being caused by geese in the fall and winter and by blackbirds in the summer and fall. During the meeting of the subcommittee testimony was received from individuals regarding four areas of concern. These were:

1. Fish and Game Commission assistance in crop protection;
2. food to be provided for wildlife during severe weather conditions;
3. a change in the hunting season; and
4. provision for an "in lieu of" tax for property licensed by Fish and Game Commission from the Army Corps of Engineers.

The subcommittee of the standing committee made no specific recommendations concerning wildlife damage. However, it did recommend an interim committee to "study the

TOTAL GAS PRODUCTION (MCF) BY CALENDAR YEAR, BY MONTH

	1978	1979	1980	1981	1982	1983
JANUARY	90,109,773	92,302,930	101,829,075	63,466,710	68,505,130	33,626,964
FEBRUARY	81,767,639	81,112,825	89,486,019	49,638,982	56,598,758	33,971,893
MARCH	78,442,117	76,058,135	80,547,655	57,965,359	39,070,345	26,775,909
APRIL	75,187,803	73,082,355	52,071,148	66,088,716	35,821,458	29,209,500
MAY	66,756,080	63,704,302	47,728,555	61,187,312	29,021,874	28,943,669
JUNE	61,034,419	54,370,592	48,437,079	66,161,910	22,974,759	24,083,928
JULY	66,092,208	56,618,532	54,576,967	51,610,057	32,890,088	39,556,413
AUGUST	62,816,136	56,824,341	55,058,272	48,369,783	32,535,247	38,350,333
SEPTEMBER	58,275,179	48,310,268	47,902,916	40,599,331	22,701,589	36,031,342
OCTOBER	65,800,748	46,007,667	45,338,296	42,223,599	23,374,816	36,174,062
NOVEMBER	72,874,638	73,201,187	45,653,635	41,443,403	30,932,669	38,109,138
DECEMBER	82,599,949	82,941,489	72,642,938	56,582,509	38,815,327	65,000,000 --*
TOTAL	861,756,689	804,534,623	741,272,555	645,337,671	433,242,060	429,833,151

* ESTIMATED TOTALS

Attachment 2
1-11-84

1-11-84
Attachment 2

HUGOTON GAS PRODUCTION (MCF), BY MONTH, BY YEAR

	1978	1979	1980	1981	1982	1983	1984	1985
JANUARY				48,634,286	38,673,874	16,654,247		
FEBRUARY				38,815,222	30,673,126	11,914,785		
MARCH				35,880,620	20,003,199	12,829,056		
APRIL				28,545,805	19,343,574	14,677,509		
MAY				30,254,183	13,909,364	17,834,774		
JUNE				30,102,511	12,434,391	13,146,788		
JULY				33,640,343	13,209,953	15,980,383		
AUGUST				28,166,370	14,925,421	23,262,476		
SEPTEMBER				22,140,125	9,226,942	20,783,171		
OCTOBER				25,127,917	10,031,022	19,363,890		
NOVEMBER				21,497,161	14,976,437	28,579,238		
DECEMBER				30,553,496	16,728,570	45,500,000--*		
TOTAL				373,358,149	214,135,903	240,526,317		

TOTAL PRODUCTION BY YEAR, 1977 TO 1982

1977	515,609,084
1978	557,038,994
1979	496,771,485
1980	417,699,964
1981	373,358,149
1982	214,135,903

*--ESTIMATED TOTALS

PANOMA COUNCIL GROVE GAS PRODUCTION (MCF), BY MONTH, BY YEAR

	1978	1979	1980	1981	1982	1983	1984	1985
JANUARY		14,436,151	15,569,450	10,027,650	15,377,917	6,550,065		
FEBRUARY		15,749,112	16,906,150	9,181,933	12,213,801	5,506,458		
MARCH		12,696,110	13,932,744	6,217,161	5,726,955	3,873,190		
APRIL		10,943,072	9,130,086	5,988,747	4,379,865	3,321,532		
MAY		9,652,293	6,529,743	5,653,429	3,583,827	2,906,923		
JUNE		9,103,196	6,494,863	5,167,560	3,368,250	1,867,246		
JULY		8,429,118	7,687,830	5,217,379	3,588,144	3,515,386		
AUGUST		10,063,399	6,862,956	6,615,584	3,577,098	4,054,626		
SEPTEMBER		9,542,873	5,074,196	6,285,517	2,518,309	3,551,135		
OCTOBER		9,331,580	5,227,168	4,856,264	2,164,955	4,298,235		
NOVEMBER		12,979,823	8,905,130	4,347,623	3,514,576	7,388,239		
DECEMBER		14,479,518	7,986,583	8,472,590	5,898,904	9,750,000-*		
TOTAL		137,286,275	110,306,899	78,031,437	65,912,601	56,583,035		

*--ESTIMATED TOTALS

TOTAL BARRELS OF OIL PRODUCTION BY CALENDAR YEAR, BY MONTH

	1978	1979	1980	1981	1982	1983
JANUARY	4,555,491	4,202,933	4,957,582	5,150,996	5,521,109	6,303,900
FEBRUARY	4,939,692	4,180,193	4,671,641	4,726,874	5,119,324	5,461,907
MARCH	4,980,868	4,817,980	4,726,401	5,546,011	6,199,966	6,084,355
APRIL	3,649,812	4,736,570	5,036,659	5,523,811	5,965,494	5,981,582
MAY	4,925,525	4,933,134	5,147,305	5,399,941	5,934,763	5,947,910
JUNE	4,793,789	4,831,120	4,914,692	5,493,399	6,054,669	5,836,688
JULY	4,840,286	4,875,330	5,218,030	5,438,091	6,191,619	6,063,282
AUGUST	4,945,169	5,030,259	4,953,558	5,642,639	5,951,485	6,344,128
SEPTEMBER	4,713,739	4,740,627	5,145,646	5,584,412	5,984,677	5,966,557
OCTOBER	4,927,739	4,935,277	5,229,671	5,787,071	5,942,668	6,042,241
NOVEMBER	4,474,503	4,787,908	4,887,111	5,565,925	5,844,264	5,961,150--*
DECEMBER	4,839,498	4,923,865	5,263,234	5,951,038	5,815,413	5,768,890--*
TOTAL	56,586,111	56,995,196	60,151,530	65,810,208	70,525,451	71,762,590

* ESTIMATED TOTALS

FERC CASES IN WHICH KCC IS AN ACTIVE PARTY

A. NATURAL GAS

1. NORTHWEST CENTRAL PIPELINE CORPORATION (FORMERLY CITIES SERVICE GAS COMPANY)

DOCKET NO. (FILING DATE)	ISSUES	COMMENTS
A. RP82-114 (6/20/82)	- RATE INCREASE REQUEST OF \$35.12 MILLION (15.94¢/MCF) - RATE DESIGN ISSUES: 1) ZONE TRANSP. AVE. 2) UNITED V. SEABOARD ALLOCATION - REQUEST REDUCED BY \$12.13 MILLION (5.5¢/MCF) (NET INCREASE = \$22.99 MILLION (APP. 11¢/MCF)	- EFFECTIVE 12/23/82 SUBJECT TO REFUND - NEAR SETTLEMENT, SETTLEMENT NEGOTIATIONS BEGAN 10/7/82 Today settled 6¢ per mcf reduction 10 m. Increase
B. TA83-1-43 (9/22/83* (PGA 83-1)	- REQUEST TO INCREASE PGA BY 82.16¢/MCF - KCC ALLEGED FRAUD, ABUSE, AND IMPRUDENT PURCHASING PRACTICES - KCC RAISED ISSUE OF PROPRIETY OF WYOMING V. HUGOTON PURCHASING PATTERNS	- FERC GRANTED INCREASE BUT OPENED INVESTIGATION INTO PURCHASING PRACTICES - EFFECTIVE 10/23/82
C. RP83-42 (1/24/83)*	- COMPLAINT BY MIDWEST GAS USERS ASSOC. ALLEGING THAT CERTAIN GAS PURCHASE CONTRACTS IN WYOMING WERE ILLEGALLY AMENDED TO ALLOW PRICE INCREASE - ALLEGED DAMAGES = \$55 MILLION	- NOW PART OF GENERAL INVESTIGATION OF PURCHASING PRACTICES - KCC PREPARING TO LITIGATE
D. TA83-2-43 (3/22/83)*	- COMPANY IMPLEMENTED NET-BACK-PRICING - REDUCED PGA BY APPROXIMATELY \$1.04/MCF	

*CONSOLIDATED INTO ONE CASE: DOCKET NO. RP82-114

Attachment 3
1-11-84

1-11-84
Attachment 3

E. RP83-75 (4/22/83)*	- GENERAL RATE INCREASE REQUEST OF \$17.8 MILLION (8.87¢/MCF) - INCLUDED REQUEST FOR \$33 MILLION TAKE-OR-PAY PREPAYMENTS - WITHDRAWN VOLUNTARILY ON 11/30/83	
F. RP83-98 (6/13/83)*	- REQUEST FOR GAS TRANSPORTATION RATE - REQUEST FOR 5.42¢/MCF/100 MILES - TO BE AVAILABLE TO FORMER CUSTOMERS OR CUSTOMERS WHO ARE ABOUT TO LEAVE SYSTEM - TARGETS INDUSTRIAL CUSTOMERS.	- FERC STAFF ADVOCATES MUCH HIGHER RATE - KCC CONCERNED ABOUT EQUITY TO CURRENT CUSTOMERS. 7¢ per 100 Set 1/9/84 17¢ gathering
G. RP84-27 (11/30/83)	- GENERAL RATE INCREASE REQUEST OF \$37.2 MILLION (8.87¢/MCF) - INCLUDED REQUEST FOR \$33 MILLION TAKE-OR-PAY PREPAYMENT TO RATE BASE - ADDITION OF \$97.6 MILLION TAKE-OR-PAY PREPAYMENT TO RATE BASE - INCREASE TO TRANSP. RATE - APPROPRIATE RATE TREATMENT OF TAKE-OR-PAY PENALTY	- SETTLEMENT NEGOTIATIONS BEGIN 3/30/84
H. CP76-500*	- REQUEST TO ELIMINATE CERTIFICATE CONDITION ON RAWLINS-HESSTON LINE - CONDITION WOULD PENALIZE NWC FOR TRANSPORTING <u>LESS</u> GAS FROM WYOMING.	
I. RP 83-60 (3/8/83)	- KCC PETITION FOR JOINT BOARD 1) TO RESOLVE GAS PURCHASE ISSUES THROUGH FED/STATE COOPERATIVE EFFORT 2) ESTABLISH MECHANISM FOR TRANSITION TO PARTIAL DECONTROL AS PER NGPA	- FERC DENIED REQUEST ON 12/21/83

*CONSOLIDATED INTO ONE CASE: DOCKET NO. RP82-114

J. RP83-85 (5/5/83)	- COMPLAINT BY <u>NWC v. ARKLA</u> - PROTEST AGAINST ARKLA MINIMUM BILL WHICH OPERATES LIKE TAKE-OR-PAY - COMPLAINT SEEKS ELIMINATION OR MODIFICATION OF MINIMUM BILL	- KCC SUPPORTS MODIFICATION OR ELIMINATION OF MINIMUM BILL
K. RP81-130	- COMPLAINT BY <u>NWC v. TRANSWESTERN</u> PIPELINE RE: MINIMUM BILL - SAME AS <u>ARKLA</u>	- KCC SUPPORTS MODIFICATION OF MINIMUM BILL - SETTLEMENT WITH FULL RELIEF FOR NWC SUBMITTED TO FERC 8/83

2. NORTHERN NATURAL (INTERNORTH)

A. RP82-71 (7/82	- CHALLENGE TO PURCHASING PRACTICES OF NORTHERN NATURAL	- KCC WILL FILE TESTIMONY DEMONSTRATING AVAILABILITY OF LOW-COST HUGOTON GAS AND IMPRUDENCE OF N.W. PURCHASING PRACTICES
B. RI-83-9-B	- WHETHER KANSAS AD VALOREM TAX IS PRODUCTION-RELATED, THEREFORE A RATEPAYER RESPONSIBILITY	

3. PANHANDLE EASTERN PIPELINE COMPANY

A. RP 82-58	- GENERAL RATE INCREASE - RATE DESIGN ISSUES 1) ZONE TRANS. AVE. 2) <u>UNITED v. SEABOARD</u> ALLOCATION 3) CUSTOMER BILLING PRACTICES (ABUSE OF MONOPOLY POWER ALLEGATION) - CREATION OF PANMARK, A GAS/BROKERAGE/ MARKETING SUBSIDIARY	- SETTLEMENT ON COST OF SERVICE ISSUES SUBMITTED TO FERC 12/83 - HEARING ON RATE DESIGN ISSUES TO BEGIN 3/26/84. - KCC WILL TESTIFY ON RATE DESIGN ISSUES

B. CP74-138	- Whether Trunkline/Panhandle should continue imports of Algerian LNG	- Imports suspended by Trunkline indefinitely 12/83

4. K-N Energy, Inc.

A. TA84-1-53 (9/30/83)	- Request PGA increase of $4.73 million (19.18¢/Mcf) - Whether increase from Mid-La decision should flow through to ratepayers - How Mid-La decision should be implemented - Several alleged deficiencies in filing	- FERC approved increase subject to refund (11/29/83) - KCC protesting Mid-La pass-through

5. Miscellaneous

A. RM82-26	- General Investigation into problems in gas industry	- KCC filed written comments urging FERC to act on take-or-pay and indefinite escalator contracts
B. RM83-96	- General Investigation - Should FERC establish national proration system?	- KCC strongly opposed national prorationing through 1) Appearance by Commissioner Dick 2) Written comments
C. RM84-	- General investigation into proper implementation of Mid-La decision	

B. <u>ELECTRIC</u>

1. KGE

A. ER83-628 (7/15/93)	- GENERAL RATE INCREASE - WOLF CREEK CWIP - APPROPRIATE BILLING DETERMINANTS	
B. ER82-257* (1/29/82) ER82-412* (3/30/82)	- PROPER TREATMENT OF KEPCO AS A CUSTOMER - GENERAL RATE INCREASE - APPROPRIATE BILLING DETERMINANTS - RATE DESIGN	- THESE CASES HAVE BEEN SETTLED - REFUND $171,000.00

2. KPL

ER83-418 (3/29/83)	- GENERAL RATE INCREASE (APPROX. $9 MILLION) - APPROPRIATE BILLING DETERMINANTS - RATE DESIGN	- KCC HAS FILED TESTIMONY RE: RATE DESIGN ISSUE

3. MISCELLANEOUS

RM80-26	- GENERAL INVESTIGATION - SHOULD ELECTRIC UTILITIES BE ALLOWED CWIP IN WHOLESALE RATE BASE - FERC HAS APPROVED PARTIAL ALLOWANCE OF CWIP IN RATEBASE	- KCC HAS JOINED IN APPEAL OF FERC DECISION

*CONSOLIDATED

AN ACT concerning public utilities; relating to electric transmission lines; amending K.S.A. 66-1,178 and repealing the existing section.

<u>Be it enacted by the Legislature of the State of Kansas:</u>

Section 1. K.S.A. 66-1,178 is hereby amended to read as follows: 66-1,178. No electric utility may begin site preparation for or construction of an electric transmission line, or exercise the right of eminent domain to acquire any interest in land in connection with the site preparation for a construction of any such line without first acquiring a siting permit from the commission. Whenever any such electric utility desires to obtain such a permit, it shall file an application with the commission setting forth therein that it proposes to construct an electric transmission line and specifying the proposed location thereof, the names and addresses of the landowners of record whose land or interest therein is proposed to be acquired in connection with the construction of such a line and such other information as may be required by the commission. Thereupon the commission shall fix a time for a public hearing on such application, which shall be not more than ~~sixty (60)~~ <u>60</u> days from the date the application was filed, to determine the <u>necessity for and the</u> reasonableness of the location of the proposed electric transmission line. The commission shall fix the place for hearing, which may be in any county through which the electric transmission line is proposed to traverse.

Sec. 2. K.S.A. 66-1,178 is hereby repealed.

Sec. 3. This act shall take effect and be in force from and after its publication in the Kansas register.

Brian Moline

1-11-84 Attachment 4