Approved 4/28/84
Date

MINUTES OF THE House COMMITTEE ON Energy and Natural Resources.

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

3:30 ~~a.m.~~/p.m. on March 21, 1984 in room 519-S of the Capitol.

All members were present except: Representatives Roe and Runnels

Committee staff present:

Ramon Powers, Legislative Research

Theresa Kiernan, Revisor of Statutes' Office

Pam Somerville, Committee Secretary

Conferees appearing before the committee:

Senator Jack Steineger, Kansas State Legislature

Ed Peterson, Kansas Corporation Commission

Roger McCoy, Kansas Independent Oil and Gas Association

George Sims, Mobil Oil Corporation

Dave Black, Kansas Power and Light Company

Hearing on SB 540: An act relating to natural gas; providing to continue certain provisions for one year; amending K.S.A. 55-1411, 55-1421, and 55-1422, and repealing existing sections.

Senator Steineger, co-sponsor of the bill, appeared in support and explained the bill to committee members. The main emphasis in the bill is designed to propose an extension of the freeze on intrastate natural gas prices for one year. The extension would apply from December 31, 1984 to December 31, 1985.

Mr. Ed Peterson, Kansas Corporation Commission, stated the Commission supported the measure by a two to one vote. He went on to say that the commission supported the price control act of 1983; however, the commission would like to draw attention to the fact that certain circumstances which prompted passage of the price control act are either no longer in evidence today or are of much less significance than at this time last year (See Attachment 1).

Roger McCoy, Kansas Independent Oil and Gas Association, appeared in strong opposition to SB 540. Mr. McCoy cited electrical generation and decreased drilling operations due to exemption factors as major concerns within the industry. In closing, Mr. McCoy stated there was "much more to be lost than gained" by enacting SB 540. (See attachment 2).

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.

CONTINUATION SHEET

MINUTES OF THE House COMMITTEE ON Energy and Natural Resources,

room 519-S, Statehouse, at 3:30 ~~a.m.~~/p.m. on March 21, 1984

Mr. George Sims, Mobil Oil Corporation, appeared in opposition to SB 540. Mr. Sims submitted detailed statistics to support his contention that SB 540 is a very complex and complicated piece of legislation. One major point of concern was that Kansas has the lowest price for natural gas in the nation, therefore, freezing the price would limit the ability to compete for new gas on the market. (See Attachment 3).

Dave Black, Kansas Power and Light spoke briefly and stated his organization took no position on the measure.

Due to limited time because of the House reconvening at 4:30, written testimony was submitted by the Governor's Office (Attachment 4); the Maurice L. Brown Co. (Attachment 5); and The League of Women Voters of Kansas (Attachment 6).

The Chairman announced a revised agenda would be forthcoming to arrange for opponents to be heard on SB 540 on March 28, 1984.

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

The next meeting of the House Energy and Natural Resources Committee will be held March 27, 1984 at 3:30 p.m. in Room 519-S.

David J. Heinemann, Chairman

TESTIMONY OF C. EDWARD PETERSON

ON BEHALF OF THE KANSAS STATE CORPORATION COMMISSION

ON SENATE BILL 540

The State Corporation Commission by a two to one vote supports Senate Bill 540. The Commission supported the Price Control Act of 1983; however, the Commission would like to draw to the attention of the Commission the fact that certain circumstances which prompted passage of the Price Control Act are either no longer in evidence today or are of much less significance than at this time last year. Commissioner Dick does not support Senate Bill 540.

In early 1983 natural gas consumers faced a very uncertain future. The preceding 12 months had witnessed dramatic increases in the price for natural gas. Several problems were surfacing within the natural gas industry including the impact of take-or-pay contracts, indefinite price escalator clauses, and exorbitant prices for certain types of gas including foreign imports. Efforts at the Federal level aimed at providing rate relief for consumers had either not been resolved or had been resolved unsatisfactorily from a consumer perspective. In the context of these rising prices and uncertainty within the natural gas industry, the Price Control Act of 1983 was passed by the Kansas Legislature to provide protection for consumers of intrastate gas.

Since 1983, several changes have taken place which have placed the consumer in a relatively better position, at least temporarily. The most noticable change that has taken place is a moderation of natural gas prices. In fact, natural gas prices have either declined slightly or remained very stable over the past 12 months.

Attachment 1   3-21-84

It also appears that certain changes may be taking place within the industry. Although it is too early to determine whether these changes are merely cosmetic, current activity within the natural gas industry suggests that the industry is attempting to police itself in order to resolve some of the problems. For instance, pipelines have renegotiated a very small number of gas purchase contracts. Several new programs to spur additional natural gas sales have been implemented by pipelines, including transportation programs and industrial sales programs. A spot market is being developed by the Tenneco Oil Company with another spot market being proposed by Cities Service Oil and Gas Company. By contrast, in 1983 observers of the gas industry saw a glut of natural gas with little or no activity by the industry to reduce prices in order to prompt additional sales of the surplus gas.

These changes have not resolved the problems within the industry, and, in fact many of these problems are likely to resurface next fall and winter in the form of requests for substantial price increases. Senate Bill 540 would provide intrastate pipelines with an operating advantage by assuring a stable price on the portions of their gas supply which is dedicated to the intrastate market. This advantage may be important during 1985 when certain pricing provisions of the NGPA are due to expire.

Despite this advantage, the price savings that could be anticipated from enactment of Senate Bill 540 will not be as great as the savings experienced under the Price Protection Act of 1979 and the Price Control Act of 1983. The reason for the lower savings to be expected from Senate Bill 540 is the stabilization of gas prices during the past few months. Prices are anticipated to continue at levels equal to current prices during the next 12-month period. Without an escalation in natural gas prices, additional savings from a continuation of the price freeze will be much lower than previously anticipated.

In summary the majority of the Commission believes that there are advantages to Senate Bill 540 which justify its passage. However, the need for such legislation is not as critical at this juncture as it was when the original Price Control Act was passed one year ago.

TESTIMONY OF ROGER McCOY

ON BEHALF OF THE KANSAS INDEPENDENT OIL AND GAS ASSOCIATION

HEARING ON SB 540

HOUSE COMMITTEE ON ENERGY AND NATURAL RESOURCES

March 21, 1984

Mr. Chairman and members of the committee. My name is Roger McCoy. I am appearing today on behalf of the Kansas Independent Oil and Gas Association, which I currently serve as president. I am also a Petroleum Geologist and president of McCoy Petroleum Corporation, a Kansas company actively searching for and producing Kansas oil and gas.

We wish to express our strong opposition to SB 540, a one year extension of the Kansas Natural Gas Price Protection Act (KNGPPA) and the Kansas Natural Gas Price Control Act (KNGPCA).

During hearings on the KNGPPA and the KNGPCA, testimony was presented pointing out the negative effects of the legislation. These points are still valid.

Kansas producers of intrastate gas now have a new and additional negative situation developing in the intrastate gas market.

A good portion of the intrastate market for natural gas has been to provide fuel for electrical generation. As the result of new electrical generation facilities being constructed in the state, including the Wolf Creek Nuclear Power Plant, using alternate sources of fuel in place of natural gas, we are losing a market for our clean burning locally produced natural gas.

Attachment 2
3-21-84

Kansas Gas Supply, an intrastate gas purchaser supplying gas to KG&E for electrical generation has recently informed producers of drastic curtailment of gas takes due to KG&E switching to other fuel sources. Their announced policy would not only shut in gas wells but also oil wells selling casinghead gas. This will result in drastic drops in producer revenues, possible damage to wells and possible ratable take and correlative rights problems. The state and counties will lose severance tax and ad valorem tax revenue as Kansas gas is shut in and alternate sources of fuel are used. It might be noted that instead of receiving tax revenue for gas produced in Kansas, consumers will pay a severance tax for the Wyoming coal that is used in place of Kansas gas in part of the switch.

KIOGA has called an urgent meeting on Monday, March 26, in Wichita to discuss the critical situation developing in the intrastate gas market. Invited to participate are natural gas producers, intrastate natural gas purchasers, crude oil purchasers affected by the shut down of oil wells selling casinghead gas, representatives of the State Corporation Commission, KG&E and other interested parties.

The market situation is just one of the problems confronting Kansas producers of intrastate gas. As a result of the KNGPPA and the KNGPCA, Kansas producers of intrastate gas now have the price of their gas controlled below that allowed if it were sold in the interstate market. This causes the gap to continually widen between the price Kansas producers and royalty owners can receive for gas sold intrastate and what could be received if it were sold interstate. This makes it more advantageous for producers to dedicate gas reserves to consumers outside the state thus depriving Kansas consumers of Kansas gas reserves.

Producers were assured during hearings by the legislature on the KNGPPA and the KNGPCA that the acts were as the result of an "economic emergency", were temporary in duration and would expire at the end of 1984.

So that new drilling would not be discouraged, new drilling was exempt from the controls under the KNGPPA. Producers were somewhat skeptical about the exemption at the time, but continued to drill since the exemption was included in the law.

This skepticism proved justified with the enactment of the KNGPCA last year that placed under control gas that had previously been exempt.

Both of these acts impact negatively on Kansas producers of intrastate gas. The currently active explorers for new Kansas intrastate gas reserves are predominately independent Kansas companies and individuals that must rely on income from these wells to justify continued exploration in Kansas.

The current plight of the intrastate natural gas producer in Kansas is very serious! This segment of our industry has seen its contracts impaired and its wellhead prices frozen by actions of the state legislature; it is being taxed at a rate that now exceeds the tax rate in any other state without the ability to pass through these taxes; current drilling activity and completion reports indicate little effort to replace depleting gas reserves in the intrastate market due to lack of proper economic incentive and we are now faced with losing a large part of our market to alternate fuels used to replace clean burning, safe, natural gas as fuel to generate electricity. All this is a bad omen for the future of what has been a vital segment of the Kansas economy.

We hear much about efforts to lure new industry to Kansas to create new jobs and to help the economy of the state. Does legislation such as SB 540 that extends state imposed penalties on Kansas business for doing business in Kansas make sense? The extension of the price controls will assure increasing dependence on less secure, more expensive sources of fuel from outside the state. As intrastate gas production declines and is not replaced because of state imposed disincentives on the exploration and production of Kansas natural gas, ad valorem tax and severance tax revenue will be lost to the citizens of the state and a secure supply of locally produced gas will be lost.

Much of the testimony presented by proponents of the natural gas price control legislation and the extension of the freeze on natural gas prices used figures representing the cost to Kansas consumers if this legislation was not passed. These projected costs to consumers were based in part on the cost of natural gas used to generate electricity. These figures cannot be valid in our present situation where the use of safe, secure and available supplies of intrastate natural gas are being phased out and imported "dirty" alternate sources of fuel are used in new facilities designed to use only these alternate fuel sources. In balance, there is much more to be lost than to be gained by extending the price controls as called for in SB 540.

For the good of all Kansans, I urge your rejection of SB 540.

(George Sims)

Mr. Chairman, we appreciate the opportunity to discuss this bill and its full impact on Kansas and Kansans. We believe that a majority of you will not support this bill if you understand the long-term impact of this bill. On the face of it there appears to be no good reason to oppose it, but an in-depth study will disclose otherwise.

Senate Bill 540 deals with a very complex and complicated subject. While the proponents say it is a very simple matter of savings to consumers on the K.P.L. system of $9,430,000, I will attempt to put in perspective what this bill really does.

1. Consumers cover a broad range of customers. K.P.L. public filings reveal they are broken down in approximately the following manner:

	Residential	22%
	Commercial	17%
	Industrial	43%
	Resale	6%
(K.P.L.'s own use)	Inter-Department	12%
		100%

Using this breakdown and the dollars furnished by the proponents it will be as follows:

	Residential	22%	2,074,600
	Commercial	17%	1,603,100
	Industrial	43%	4,054,900
	Resale	6%	565,800
(K.P.L.'s own use)	Inter-Department	12%	1,130,000
		100%	9,430,000

These figures reveal only 22% or $2,074,600 of the $9,430,000 going to residential consumers. Of these residential customers no more than 25% should be considered as in need of a subsidy or welfare to pay their utility bills. We do not give this relief to customers of any other natural gas system in the state and they are in the same need as these people are. By using that figure residents in need represent only $518,650 of the potential savings. The remainder 78% or $7,355,400 goes to various types of industry. This figure indicates that industry located in this service area has,as a result of this bill, unfair advantage over the same type of business located in an area not served by this system. It also gives the cities of this area an unfair advantage in the competition for industry to move to their city from other areas of the state.

Attachment 3
3-21-84

The proponents fail to mention the tax loss to the state caused by this bill. There is a loss of severance tax, ad-valorem tax, income and sales tax. Our estimated figures for this loss on their figure are as follows:

Severance 7% of $9,430,000	=	$ 660,100
Average ad-valorem 6% of $9,430,000	=	565,800
Estimated income tax 5% of $9,430,000	=	471,500
Sales tax 1/3 of total 3% of $3,143,330	=	94,299
		$1,791,699

This tax loss to the rest of the state is over three times the amount attributable to those in need of assistance or welfare. The rest of the state would be much better off if the proponents would recommend budgeting this amount as assistance or welfare instead of recommending passage of this bill. It should be noted these customers already have some of the lowest priced gas in Kansas. It appears unfair to the other 70% of Kansans to take 3 times the needed savings out of the state treasury by freezing the price for 30%.

If you add the Kansas resident royalty owners loss you would add about 75% of 1/8 or 9.375% of $9,430,000 = $ 884,063

This figure added to the tax loss gives you a $1,791,699
total of - $2,675,762

The royalty figure exceeds the needed residential savings by $300,000.

When you consider the fact that there are probably as many Kansas resident producers as there are Kansas resident businesses located on this system, it appears to be unfair to the producers of the state and other business of the state to pass this bill giving preferential treatment to a portion of one type of business over other state business residents.

Let us now focus on what a study of the Office of Technology Assessment revealed that would probably happen if you deregulated natural gas or in other words removed the price freeze. For those of you who are not familiar with the O.T.A., it is a research arm of the Congress. This particular study was requested by Rep. John D. Dingell, Chairman of the House Committee on Energy and Commerce, and Rep. Philip R. Sharp, Chairman of the Sub-Committee on Fossil and Synthetic Fuels. As you will note, these men are not known as friends of the oil and gas industry. You may safely assume this is not a biased study by the oil and gas industry. Attached to this report for your information are pages 5 and 6 which are the conclusions of the study. The general conclusion of this study is as follows:

> "If old gas could obtain a price approaching the $3.50-$4.00/mm BTU range (in 1983 dollars) by the later part of this decade, the potential "old gas" reserve growth from delayed well abandonments, infill drilling, and well stimulations is about 43-65 TCF, or about 10-15 percent increase in total recovery from the nation's old gas fields. Most of this gas would become available only gradually, however, over the course of a decade (ten years) or more."

The O.T.A. then states that if the Natural Gas Policy Act is allowed to function, that is if the various State Corporation Commissions and contracting parties agree, that the following could happen:

> "of the 43-65 TCF potential reserves additions, the NGPA is likely to capture at least 20-35 TCF. However, as much as 19 to 38 TCF of the potential additions could be lost without full decontrol or some other new supply incentives, although this loss will be reduced if the NGPA's stripper well and production enhancement incentives prove to be effective in adding new reserves."

What this study says in simple terms is that gas wells do not cease to produce gas but that they are abandoned when the operating costs exceed the income, and that without the income there is no money to pay for the operation, infill drilling and well stimulation. It is important to note these reserves, if they are to be recovered, will take over a 10 year period of time so you cannot expect to go to abandonment, then take action to recover these reserves.

The next point we wish to make is that Kansas has the lowest price for natural gas in the nation. As an example, Kansas average sales price was $1.15 per M.C.F. Mississippi has the highest price of $5.14 per M.C.F. Our neighboring states have prices as follows:

Kansas	$1.15	M.C.F.
Oklahoma	3.27	M.C.F.
Colorado	3.17	M.C.F.
New Mexico	2.57	M.C.F.
Texas	2.47	M.C.F.

The proponents do not mention this, and with the current bubble it is not noticeable, but when you freeze the price of natural gas to the Kansas utilities, you limit their ability to compete for the new gas that comes on the market. K.P.L.'s Ned A. Vahldieck make the following statement when we were considering Senate Bill 209 last year. "As written, the provisions of the bill seem to place K.P.L. in a future non-competitive position to obtain its full share of new intrastate gas as it becomes available. This if for the simple reason that producers will sell where they can get the better price or where they can avoid certain price uncertainties." The only other place for K.P.L. to contract for its supply is the higher priced interstate market. The reports for 1981 and 1982 show that while K.P.L.'s purchases remained almost constant for Hugoton area purchases; their other Kansas purchases declined and their higher priced interstate purchase increased. We believe, in the long run, the price freeze now will increase K.P.L.'s average price in the future more than it will be without the freeze.

K.P.L. could also have another severe supply problem by being in a non-competitive position to buy interstate gas. It is now estimated the present over supply bubble will end in the 1987-1989 period. K.P.L.'s and Mesa's contracts are up for renegotiation in 1989. When both of these occur at about the same time, K.P.L. could experience great difficulty in having sufficient gas to serve its customers. K.P.L. has already stated in present purchases from interstate lines the reason for the purchase was the need for a large enough volume and a reliable supply which was not available in the intrastate market.

For those of you who may not remember the supply problem we had in the 70's, it was caused by artificially regulated low prices. Only after the NGPA was passed raising the price of gas was the shortage relieved.

There is another potential problem which is much harder to prove but it can again, in the long run, cause Kansas interstate customer gas prices to rise more if you continue to freeze the price. As I stated before, K.P.L. Hugoton area purchases are staying almost constant, other Hugoton purchasers are reducing their takes. To illustrate this, K.P.L. has about 8% of the Hugoton reserves, but in 1982 it produced about 12% of the Hugoton runs. If this continues for a period of time and is not brought back in balance, there will be less Kansas low priced interstate gas to mix into the interstate stream that serves the other 70% of Kansas and their average price will rise. This extra gas will be drained off to the K.P.L. market and not available for the interstate purchaser and customer.

In summary, let me restate this matter in simple terms why we believe it is not in the best long term interest of all Kansas to continue the price freeze.

1. The bill only affects a total of 22% of K.P.L.'s residential customers and when reduced to those in need, it affects less than 6% of K.P.L. residential consumption.

2. Senate Bill 540 reduces Kansas tax collection by three times as much as it gives residential relief for those in need and this is unfair to all Kansans.

3. The Kansas royalty owners also suffer a large loss as a result of this bill many of whom live in all districts of the state.

4. The O.T.A. indicates a loss of reserves in the future which would become available over a 10 year period of time if the price is allowed to rise to offset operating drilling and stimulation expense. This additional recovery could be equal to the second largest gas field in Kansas.

5. Kansas already has the lowest price in the nation and to freeze it at that level is unfair and promotes waste and unfair competition.

6. Kansas utilities are placed in an unfair and non-competitive position to purchase Kansas gas for Kansans.

George A. Sims
Mobil Oil Corp.

CONCLUSIONS

The basic conclusion of Shell's analysis is that full price decontrol will cause substantive increases in the prices of old gas reserves, and that these price increases will stimulate producers of this gas to take a variety of measures that will allow the recovery of an additional 52 TCF of gas.

In conducting its review and evaluation of Shell's analysis, OTA tried to separately address the two key issues:

- Are old gas reserves essentially a fixed quantity, or will they grow in response to higher prices?

- If old gas reserves are responsive to price increases, what would be the effect of the current law (the NGPA) compared to the additional, incremental effects of the decontrol of all gas prices?

A conclusive estimate of the physical potential for further reserve growth in the Nation's old gas fields is made difficult by a lack of experience with some of the key mechanisms that would provide such growth. However, the limited experience that has been gained in the Nation's gasfields, along with a few decades of experience with enhanced recovery of oil, point towards a fairly optimistic view of the growth potential in the old fields. Reflecting this optimistic view, OTA estimates that, if old gas could obtain a price approaching the $3.50-$4.00/mmBTU range (in 1983 dollars) by the latter part of this decade, the potential "old gas" reserve growth from delayed well abandonments, infill drilling, and well stimulations is about 43-65 TCF, or about a 10-15 percent increase in total gas recovery from the Nation's old fields. Most of this gas would become available only gradually, however, over the course of a decade or more.

How much of this reserve growth potential will be captured by the current law regulating natural gas--the NGPA--and how much would be lost if new legislation is not passed? There are mechanisms in the NGPA that will capture a considerable portion of the 43-65 TCF potential. These mechanisms include partial decontrol, price escalator clauses, incentive pricing for low output(stripper) wells, and others. Taking account of those mechanisms whose effects can be measured with acceptable precision, OTA estimates that, of the 43-65 TCF potential reserve additions, the NGPA is likely to capture at least 20-35 TCF. However, as much as 19-38 TCF[2] of the potential additions could be lost without full decontrol or some other new supply incentives, although this loss will be reduced if the NGPA's stripper well and production enhancement incentives prove to be effective in adding new reserves. OTA believes that these latter two incentives could have some effect on reserve additions and thus might be able to capture part of the 19-38 TCF, but we had no basis upon which to make a quantitative estimate.

OTA's detailed conclusions about the potential for reserve growth in the Nation's old gas fields follow.

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[2] The various ranges do not "add" because the assumptions associated with the minimum and maximum points are different for each range.

STATE OF KANSAS

OFFICE OF THE GOVERNOR
State Capitol
Topeka 66612-1590

John Carlin *Governor*

March 21, 1984

The Honorable David Heinemann
Chairperson
House Energy and Natural Resources
Room 523-S, Statehouse
BUILDING MAIL

David

Dear Representative Heinemann:

Your House Committee on Energy and Natural Resources has before it today Senate Bill 540. SB 540 is a bill which extends for one year the Kansas Natural Gas Price Protection Act and the Kansas Natural Gas Price Control Act.

These Acts are ones which I recommended to the Kansas Legislature. My original recommendation to the Legislature would have extended the Kansas Natural Gas Price Control Act through 1985. The Act was subsequently amended and the sunset day of 1984 was inserted.

Consequently, the Bill which you have before you today is consistent with my original recommendation to the Legislature and one which I support.

Sincerely,

John Carlin

JOHN CARLIN
Governor

JC:mw

Attachment 4
3-21-84

THE MAURICE L. BROWN COMPANY
P. O. BOX 11320 KANSAS CITY, MISSOURI 64112 (816) 361-6000

March 19, 1984

House Energy & Natural Resource Committee
House of Representatives
c/o State Capitol
Topeka, KS 66612

Re: S. B. 540

Dear Representative Don Rezac:

We find it ironic that while the Senate Bill 540 is being considered by the distinguished Representatives of Kansas, we should receive a copy of the Application of Producers Gas Equities, Inc., for increases in their gas revenues.

Please understand we are making no comment at this time on the justification for such an increase by a utility company, but in that we, as an oil and gas exploration and production company operating in the State of Kansas and having had our intrastate gas sales prices frozen, are concerned in the apparent contradiction. The utilities may increase their prices to customers even while the cost of intrastate gas to the utilities is frozen.

Kansas natural gas producers and royalty owners have been denied their contractually agreed upon price increases since the 1979 enactment of the Kansas Natural Gas Price Protection Act and the 1983 Kansas Natural Gas Price Control Act. In looking to the future we have relied on restoration of operations under long established contracts, as legislation mandated the termination of these acts be December 31, 1984. We urge you to vote AGAINST Senate Bill 540, whereby this legislative injustice be ended and the basis of faith in our legislative mandates be restored, maintaining the promise of an end to this abrogation of contracts by legislation.

Sincerely,

THE MAURICE L. BROWN COMPANY

Christopher A. Glenn/ew

Christopher A. Glenn
Assistant Vice President,
Administration

CAG/sw

Attachment 5.

KCC MAR 5 1984

RECEIVED FEB 27 1984

THE STATE CORPORATION COMMISSION

OF THE STATE OF KANSAS

BEFORE COMMISSIONERS: MICHAEL LENNEN, CHAIRMAN
RICHARD C. (PETE) LOUX
PHILLIP R. DICK

IN THE MATTER OF THE APPLICATION OF PRODUCERS GAS EQUITIES, INC. FOR AN ADJUSTMENT OF ITS NATURAL GAS RATES IN THE STATE OF KANSAS.) DOCKET 140,396-U 84-PDRG-48-R

NOTICE OF HEARING

THE ABOVE-CAPTIONED MATTER HAS BEEN ASSIGNED FOR HEARING BEFORE THE STATE CORPORATION COMMISSON, HEARING ROOM B, FOURTH FLOOR, STATE OFFICE BUILDING, 10TH AND HARRISON, TOPEKA, KANSAS, COMMENCING ON APRIL 10, 1984, AT 10:00 A.M. INTERESTED PARTIES DESIRING TO FORMALLY PARTICIPATE IN THE PROCEEDING MAY FILE A REQUEST TO INTERVENE PRIOR TO OR AT THE TIME THE MATTER IS CALLED FOR HEARING.

ON JANUARY 26, 1984, PRODUCERS GAS EQUITIES, INC. FILED A RATE APPLICATION WITH THE STATE CORPORATION COMMISSION FOR PERMISSION TO INCREASE ITS RATES FOR GAS SERVICE, WHICH APPLICATION IS NOW PENDING BEFORE THIS COMMISSION. APPLICANT REQUESTS PERMISSION TO INCREASE ITS GAS REVENUES APPROXIMATELY $536,461.00 ANNUALLY AND TO COLLECT A ONE-TIME SURCHARGE OF $354,485.00. TOTAL INCREASE IN GAS REVENUES FOR THE FIRST YEAR AS PROPOSED IS $890,946.00. THE PURPOSE OF THE PROCEEDING IS TO RECEIVE EVIDENCE CONCERNING THE REASONABLENESS OF THE APPLICATION.

IN NO EVENT WILL THE RATE INCREASE GRANTED BE MORE THAN THAT REQUESTED IN TOTAL BY PRODUCERS GAS EQUITIES, INC.

PRODUCERS GAS EQUITIES, INC. SHALL SERVE BY DIRECT MAILING, UPON EACH OF ITS CUSTOMERS NOTICE OF THE HEARING IN THE CAPTIONED MATTER. FORMAT OF NOTICE SHALL BE APPROVED BY THE COMMISION STAFF AND RECEIVED BY CUSTOMERS AT LEAST 30 DAYS PRIOR TO HEARING DATE. SAID NOTICE SHALL STATE THE APPROXIMATE REVENUE INCREASE WITH A CLASSIFICATION REPRESENTING ANNUAL INCREASE AND A CLASSIFICATION

REPRESENTING ONE-TIME SURCHARGE AMOUNTS. THE AMOUNT OF INCREASE PER CUSTOMER CLASSIFICATION AS PROPOSED IN APPLICATION MUST ALSO BE SHOWN IN NOTICE.

COPIES OF THE APPLICATION AND ATTACHED EXHIBITS ARE AVAILABLE FOR INSPECTION AT THE OFFICES OF PRODUCERS GAS EQUITIES, INC., HAYS, KANSAS, AND AT THE OFFICES OF THE STATE CORPORAION COMMISSION. ANY QUESTIONS REGARDING THE APPLICATION OR REQUEST FOR INFORMATION MAY BE DIRECTED TO THE STATE CORPORATION COMMISSION, FOURTH FLOOR, STATE OFFICE BUILDING, TOPEKA, KANSAS 66612.

LENNEN, CHM.; LOUX, COM.; DICK, COM.

Judith McConnell

JUDITH MCCONNELL
EXECUTIVE SECRETARY

GD:MCB
DATED: February 24, 1984
TOPEKA, KANSAS

PRODUCERS GAS EQUITIES, INC.

EXHIBIT A

Present Rates	Proposed Rates
General Gas Service (GGS-383)	**General Gas Service (GGS-184)**
$ 2.3670 per MCF	$ 2.8913 per MCF
	one time surcharge
.8546 current eff. PGA	.0845 per MCF
$ 3.4216 total rate per MCF	$ 2.9758 rate per MCF
Customer Charge Is $ 3.50 Per Meter Per Month.	Customer Charge Is $ 5.00 Per Meter Per Month.
Oil Field and Farm Industrial Gas Service (OF-FI 383)	**Oil Field and Farm Industrial Gas Service (OF-FI 184)**
$ 2.4938 per MCF	$ 2.9788 per MCF
	one time surcharge
.8546 current eff. PGA	.0845 per MCF
$ 3.3484 total rate per MCF	$ 3.0633 rate per MCF
Customer Charge Is $ 3.50 Per Meter Per Month.	Customer Charge Is $ 6.00 Per Meter Per Month.
Producers Gas Equities, Inc. Purchased Gas Cost Adjustment (PGA-383)	**Producers Gas Equities, Inc. Purchased Gas Cost Adjustment (PGA-8**
All of the above tariffs are subject to an adjustment on a monthly basis. The adjustment takes place as the cost of gas to Producers Gas Equities, Inc. from their suppliers increases or decreases. An adjustment occurs whenever the price of purchased gas increases or decreases by .001¢ per MCF. A base cost of 230.33¢ per MCF has been established in the current tariffs.	All of the above tariffs are subject to an adjustment on a monthly basis. The adjustment takes place as the cost of gas to Producers Gas Equitie Inc. from their suppliers increases decreases. An Adjustment occurs whe ever the price of purchased gas increases or decresaes by .001¢ per MC A base cost of 262.65¢ per MCF has been established in the current tariffs.

The total proposed increase of $ 890,946.00 which includes the one-time surcharge will affect each class of customer on the average as follows:

(GGS) Residential Customer	$ 3.27 per month
(OF-FI) Industrial Customer	$ 57.06 per month

LEAGUE OF WOMEN VOTERS OF KANSAS

909 Topeka Boulevard-Annex 913/354-7478 Topeka, Kansas 66612

March 21, 1984

STATEMENT TO THE HOUSE COMMITTEE ON ENERGY & NATURAL RESOURCES.

If price decontrol of natural gas becomes law, the producers of natural gas, now holding old gas off the market, stand to make enormous profits.

The League of Women Voters of Kansas opposes price decontrol unless accompanied by a windfall profits tax.

Thank you.

Ed Reinert

Ed Reinert
LWVK Lobbyist

Attachment 6
3-21-84