

MINUTES OF THE HOUSE COMMITTEE ON ENERGY AND NATURAL RESOURCES

The meeting was called to order by Representative Ron Fox at
Chairperson

3:30 ~~am~~ p.m. on February 18, 1985 in room 313-S of the Capitol.

All members were present except:

Representative Holmes (excused)

Committee staff present:

Ramon Powers, Legislative Research
Theresa Kiernan, Revisor of Statutes' Office
Raney Gilliland, Legislative Research
Betty Ellison, Committee Secretary

Conferees appearing before the committee:

Representative Edwin Bideau, III
Don Schnacke, Kansas Independent Oil and Gas Association
Bill Fuller, Assistant Director, Kansas Public Affairs Division,
Kansas Farm Bureau
Representative J. C. Long
Randy Ethridge, General Manager, Alfalfa Electric Cooperative, Inc.

The meeting began with the hearing on House Bill 2229. Representative Bideau, a sponsor of the bill, explained that the bill would clarify the intent of the plugging statute to provide that a farm owner or landowner would not be "the person legally responsible" for abandoned oil and gas wells upon his property unless he has operated or produced it, deliberately opened or tampered with the well causing pollution or has assumed responsibility by contract. Following his testimony, there were some questions and discussion on the bill.

Mr. Don Schnacke spoke on behalf of the Kansas Independent Oil and Gas Association. He noted that his organization did not see a need for House Bill 2229, but if the Legislature wanted it, he suggested that in line 78, the word "lease" be used rather than "well" to be consistent with the act. (Attachment 1)

Mr. Bill Fuller represented the Kansas Farm Bureau. He spoke in support of the concept of House Bill 2229 and had no objection to the suggested language changes that had been made. (Attachment 2)

In support of House Bill 2264, Representative Long, sponsor of the bill, noted that it would eliminate some of the over-regulation imposed on the Alfalfa Rural Electric Cooperative by the corporation commissions of Kansas and Oklahoma. He noted that the Kansas Corporation Commission supported the bill. (Attachment 3)

Mr. Randy Ethridge, General Manager of Alfalfa Electric Cooperative, Inc., testified in favor of House Bill 2264. He explained the problem of duplicate regulation that his company had experienced, noting that the legislation would affect only 478 consumers within the State of Kansas. (Attachment 4)

Turning to House Bill 2317, Chairman Fox said that the one private water company in Johnson County, Kansas Water Company, was having some problems. Under present law, the Water District 1 or public water company, cannot consider possible takeover. This bill would open the window for Johnson County Water District 1 to do a study of the Kansas Water Company to see if it would be feasible to take it over. He noted that this was purely a local matter which was regulated by the Kansas Corporation Commission. After some discussion, it was decided to come back to House Bill 2317 at another time.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON ENERGY AND NATURAL RESOURCES,

room 313-S, Statehouse, at 3:30 ~~xxx~~/p.m. on February 18, 1985.

Going back to House Bill 2229, Representative Ott moved that the bill be amended, changing the word "lease" to "well". Representative Barr seconded the motion. The motion carried. After some discussion, Representative Ott made a motion that House Bill 2229 as amended be recommended favorably. Representative Acheson seconded the motion. Motion carried.

Regarding House Bill 2264, Representative Heinemann moved that the bill be recommended favorably for passage. The motion was seconded by Representative Acheson. Following discussion, Representative Heinemann made a motion that this bill be placed on the Consent Calendar. Representative Acheson accepted this amendment. The motion carried.

In reference to House Bill 2113, Chairman Fox noted that this bill would raise the mill levy to 2 mills or \$55,000 for conservation districts. Representative Fry made a motion to pass out House Bill 2113 favorably. The motion was seconded by Representative Acheson. The motion carried.

It was decided to postpone action on House Bill 2317 until some clarification could be made.

The minutes of February 7 and February 11 meetings were adopted.

The following bills were assigned to the subcommittees:

<u>Energy</u>	<u>Natural Resources</u>
HB 2277	HB 2307
HB 2331	HB 2255
HB 2332	HB 2336
HB 2382	HB 2357
HB 2386	HB 2358
HB 2387	HB 2361
HB 2389	SB 43
HB 2390	SB 61
	SCR 1602

The Chairman noted that subcommittee reports would be due March 4, 1985. Chairman Fox reviewed the agenda for the following week which would be dealing with the state water plan.

Representative Ott made a motion to introduce RS 1042, an act concerning electrical facilities. Representative Patrick seconded the motion. Motion carried.

The meeting was adjourned at 4:20 p.m.

The next meeting of the House Committee on Energy and Natural Resources will be held on February 19, 1985 at 3:30 p.m. in Room 313-S.



KANSAS INDEPENDENT OIL & GAS ASSOCIATION

500 BROADWAY PLAZA • WICHITA, KANSAS 67202 • (316) 263-7297

February 18, 1985

TO: House Energy & Natural Resources
Committee

RE: HB 2229

We are not familiar with instances where this bill might be helpful - but we did cooperate in 1984 with the development of this language in the event you felt it was important to pass such a law.

It is normal for producers to sell gas wells for irrigation and farm use. There is the possibility of tampering. Most contracts provide for the responsibility. As we see it, this act would not place the responsibility on a landowner who also was a pumper for an operator.

If you want this bill, we suggest in line 78 the word "lease" be changed to "well" to be consistent to the balance of the act.

Donald P. Schnacke

DPS:pp

Attachment 1 -- 2/18/85
Energy and Natural Resources



Kansas Farm Bureau, Inc.

2321 Anderson Avenue, Manhattan, Kansas 66502 / (913) 537-2261

STATEMENT

of

KANSAS FARM BUREAU

to

HOUSE ENERGY and NATURAL RESOURCES COMMITTEE
Representative Ron Fox, Chairman

RE: H.B. 2229--Exempting the landowner from legal
responsibility for the proper care and control
of abandoned oil and gas wells

by

Bill R. Fuller, Assistant Director
Public Affairs Division
Kansas Farm Bureau

February 18, 1985

Mr. Chairman and members of the Committee:

We are pleased to have this opportunity to speak on behalf of the farmers and ranchers who are members of the Kansas Farm Bureau as you consider H.B. 2229.

We support the proposed legislation (new section (d)):

(d) For the purpose of this section, the person legally responsible for the proper care and control of an abandoned well shall not include the landowner or surface owner unless the landowner or surface owner has operated or produced the lease, has deliberately altered or tampered with such well thereby causing the pollution or has assumed by contract such responsibility.

In 1982, the Legislature amended the statutes concerning abandoned oil and gas wells. At that time the language selected in K.S.A. 55-140 includes "person legally responsible." Under this new language, it is our understanding that the KCC is taking the position that the plugging responsibility may be with the farmer. We do not believe that plugging has ever been a responsibility of the landowner.

Therefore, we support this proposed legislation as a means to carry out what we believe has always been the intent of this legislature. In other words, we do not see H.B. 2229 as a change of policy.

We view the language in lines 0075 to 0081 of the bill to provide the exemption to landowners who may be using gas for irrigation, home heating, grain drying, etc. However, if the committee is in doubt about the landowner exemption under these conditions, we suggest language be developed to clarify such cases.

H.B. 2229 is the same as S.B. 853 which was approved by the Senate Committee, Senate and House Committee last session. Speculation has it that S.B. 853 did not complete the legislative process last session because of the threat of other legislation might be amended into the bill, not because of opposition to the proposal.

The voting delegates at the most recent annual meeting of the Kansas Farm Bureau approved several policy statements concerning water quality, including:

"We recognize the need for reasonable standards to protect and maintain the quality of our surface waters and groundwaters."

"We urge the Legislature to make adequate appropriation of funds, to assure that the agency or agencies responsible for issuance of well drilling permits and the maintenance of water quality are enforcing existing statutes and regulations relating to salt water disposal and proper plugging of dry holes."

In closing, we again express our support for H.B. 2229. Thank you!

Mr. Chairman and members of the committee:

House Bill 2264, in a nutshell, deals with the over regulation of a utility domiciled outside the state. Now, present law requires that any utility doing business in this state must file with the Kansas Corporation Commission a request to reduce or increase utility rates. With this bill Alfalfa Rural Electric Cooperative will not have to implement two different sets of rates and rules and regulations or make different filings for two corporation commissions, Oklahoma and Kansas.

Presently, Alfalfa Rural Electric provides retail service to approximately 4,000 members, of which only 478 persons live in Kansas. Alfalfa wants to charge the same rates and adopt the same service rules and regulations in Kansas and Oklahoma. Adjusting the Kansas rates would slightly decrease the overall revenues collected in Kansas and due to a rate restructuring actually reduce residential customer bills in Kansas by approximately 6%. Under present law, Alfalfa would be required to fill out an application for a full-blown hearing, at a cost of nearly \$25,000 or \$52.90 per customer (remember, just 478 customers). How feasible is this?

The proposed legislation will allow this cooperative utility to serve its Kansas customers more economically under common rates and rules and regulations filed and approved by the Oklahoma Commission.

Mr. Chairman and members, when utility rates are forever on the increase, here we have a cooperative that wants to decrease operating expenses and reduce rates in the process. Please let them.

KCC supports HB 2264.

February 10, 1985

TO: Members of the Committee on Energy and Natural Resources
Kansas House of Representatives

RE: House Bill 2264 to exempt certain non-profit electric
utilities from the jurisdiction of the state corporation
commission.

My name is Randy Ethridge and I am the General Manager of Alfalfa Electric Cooperative, Inc. which provides service to four hundred seventy-eight (478) member-owners in Harper and Barber Counties, Kansas. We appreciate the opportunity to present testimony in support of House Bill 2264.

First, we believe it would be helpful to you to understand how this problem has arisen.

In the early 1940's, a group of Kansas farmers in southern Barber and Harper counties needed electricity.

After many years of negotiations with the power companies, they contacted Alfalfa Electric Cooperative located at Cherokee, Oklahoma. The Cooperative understood their problems and agreed to extend them electric service even though it was across state lines.

Over the years, the Cooperative has enjoyed excellent member relations. Almost too good, in fact! Now that regulatory costs have drastically increased, the Cooperative would like to relinquish these consumers to its neighboring Cooperatives in Kansas. One problem exists; the Kansas members don't want to be sold off! In a cooperative, the members come first.

Attachment 4 -- 2/18/85
Energy and Natural Resources

There are two primary reasons they wish to remain with Alfalfa Electric:

RATES - Alfalfa Electric has consistently had lower retail rates than any of its northern neighbors. This is primarily because a substantial portion of Alfalfa Electric's wholesale electricity comes from the Southwestern Power Administration. This relatively cheap hydro power is committed past the year 2000. Alfalfa Electric's rates will remain stable for the next decade.

SERVICE - Even though this area is sparsely settled and the Cooperative has less than two meters per mile of line, the area has had an excellent service record. Several hundred thousand dollars have been spent over the years to integrate the system and maintain the quality of service. It would be very expensive to try to separate the system and build new lines from the north.

To the farmers in this area, everything seems fine. However, one big problem exists - the Oklahoma/Kansas state line. Duplicate regulatory expenses are the result.

We first approached this problem by meeting with the Kansas Corporation Commission Chairman Michael Lennen and discussing the merits of such legislation. Subsequently, we met with Keith Henley and also outlined the problem. Both Commissioners indicated their support of reciprocity legislation and asked that we meet with the Commission's staff to prepare acceptable legislation. We met with Don Lowe, Utility Director,

who reviewed this bill and made several suggested changes which have been incorporated.

Similar legislation for small telephone companies was passed by the Kansas Legislature in 1980. They also had experienced the problems associated with duplicate regulatory expenses and recognized reciprocity legislation as a practical approach. The State of Maryland passed similar reciprocity legislation last year. Many other states have reciprocity rules, such as Oklahoma and Texas. If a Kansas-based cooperative's service area overlapped into Colorado, Nebraska, Missouri, or Oklahoma such duplicate regulation would not occur. In Nebraska and Missouri, the cooperatives are not regulated. In Colorado, the cooperatives' members are allowed to decide. In Oklahoma, there is a reciprocity rule.

The Kansas consumers would be protected in that cooperative rates and terms of service are established by the Oklahoma Corporation Commission and would become uniform in both states.

For almost forty years, the Cooperative has had the same rates in both states. In 1983, it became too expensive to file a full rate case in order to maintain identical rates in both states. The cost of a rate case would exceed \$25,000 or \$52.90 per Kansas member.

The Cooperative's Kansas members are supportive of such legislation. Rates to the residential consumers would be immediately lowered. All of the Cooperative's rates are competitive because a significant portion of our wholesale power

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is from hydro-generation purchased from the Southwestern Power Administration. Alfalfa Electric is not involved in any nuclear projects.

In summary, we believe that this is a very practical approach to duplicate regulation. It would result in saving Kansas consumers considerably on their electric bills. The legislation would effect only four hundred seventy-eight (478) consumers within the State of Kansas.

We thank you for your time and would very much appreciate your support.

