

MINUTES OF THE House COMMITTEE ON Transportation

The meeting was called to order by Rex Crowell at
Chairperson

1:00 ~~xx~~ a.m./p.m. on April 7, 1986 in room 519-S of the Capitol.

All members were present except:

Representative Richard Schmidt - Excused

Committee staff present:

Bruce Kinzie, Revisor of Statutes
Hank Avila, Legislative Research
Donna Mulligan, Committee Secretary

Conferees appearing before the committee:

Mr. Onan C. Burnett, Topeka Public Schools
Mr. Allen Petri, Topeka Public Schools
Mr. Bill Curtis, Kansas Association of School Boards
Mr. Jim Sullins, Kansas Motor Car Dealers Association

The meeting was called to order by Chairman Crowell, and the first order of business was a hearing on HB-3147 concerning the use of dealer tags on driver training vehicles.

Mr. Onan C. Burnett, Topeka Public Schools, testified in support of HB-3147.

Mr. Allen Petri, Purchasing Agent, Topeka Public Schools, testified favorably on HB-3147 and said the main problem is with the dealer reselling the car because it must be sold as a used car.

Mr. Bill Curtis, Kansas Association of School Boards, gave favorable testimony concerning HB-3147. He told the Committee there are several other school districts having problems getting car dealers to provide vehicles for driver education because of difficulty in reselling them.

Mr. Jim Sullins, Kansas Motor Car Dealers Association, spoke in support of HB-3147. (See Attachment 1)

Mr. Sullins said the franchised dealers of Kansas support this measure and believe it will be beneficial for both the school districts and the dealers. He suggested the Committee amend the bill to relieve dealers from any potential liability which both the schools and dealers agree should be the responsibility of the schools.

The hearing on HB-3147 ended.

Representative Harper made a motion to recommend HB-3147 favorable for passage. The motion was seconded by Representative Freeman.

A substitute motion was made by Representative Erne to amend HB-3147 by adding language making it mandatory that it be disclosed the vehicle was used for driver's education at the time of sale. The substitute motion was seconded by Representative Adam. Substitute motion passed.

A motion was made by Representative Harper to recommend HB-3147 favorable as amended. The motion was seconded by Representative Freeman.

CONTINUATION SHEET

MINUTES OF THE House COMMITTEE ON Transportation

room 519-S, Statehouse, at 1:00 ~~xxx~~ p.m. on April 7, 1986

A substitute motion was made by Representative Adam that HB-3147 be tabled. The substitute motion was seconded by Representative Dillon. The substitute motion failed 9-5 on a division.

On the motion to recommend HB-3147 favorable as amended for passage, motion passed.

The next order of business was a hearing on HB-3142 concerning the transportation of natural gas.

Mr. Donald P. Schnacke, Kansas Independent Oil & Gas Association, testified in opposition to HB-3142. (See Attachment 2)

Mr. Schnacke said the bill is poorly worded and does not mandate any action. He pointed out it does not say a leaseholder shall supply gas or on what terms or at what price, it simply says if it is furnished, the transportation and use of the gas on property not subject to a lease shall not be prohibited and would authorize crossing unaffected lands without regard to damage.

Representative Gene Shore briefed the Committee concerning HB-3142. (See Attachment 3)

He said there should be a change in Line 22, and the wording should read "provided permission is granted by either the producer or the royalty owner and proper pipeline easements are obtained."

Representative Shore said that HB-3142 has to do with using agricultural gas on land other than that covered by the gas lease, and many times a farmer will farm adjoining land which is in different legal sections and usually covered by a different gas lease.

Representative Shore emphasized the irrigator is paying for all required equipment including necessary meters, regulators, pipeline, rights-of-way, and is getting permission from either the production company or the royalty owner, and is paying above the price the producer receives from the interstate or intra-state pipeline company. He added the producer has absolutely nothing to lose, and could gain a customer during the summer months when natural gas use is at its lowest point.

Mr. Larry R. Kepley, Southwest Kansas Irrigation Association, testified in support of HB-3142. (See Attachment 4)

He said HB-3142 is favored because it clearly defines a practice that is reasonable and is in fact approved by some producing companies. He said the bill would allow farmers to use natural gas across producer boundary lines for contract purposes, which makes good economic sense where hookups and extra gas lines by the farmers can be reduced and a cost savings realized.

The meeting was adjourned at 2:00 p.m.


Rex Crowell, Chairman

GUEST LIST

COMMITTEE: Transportation

DATE: 4-7-86

PLEASE PRINT

NAME	ADDRESS	COMPANY/ORGANIZATION
Mike Germain	Topeka	Ks Railroad Ass'n.
Jim Sorens	"	Ks Motor Car Drivers Assn.
Ken Roga	Paula	S B E
Allen & Ford	Topeka	USD501
Bill Curtis	Topeka	Ks. Assoc. of School Bds.
TED JULIAN	JOHNSON	SW Kansas Irrigators
Ivan Jossrand	Johnson	SW Ks Irrigators
DENNIS PEARCE	JOHNSON	SW Ks IRRIGATORS
Marcie Floyd	Johnson, Ks	SW Ks. Irrigator
Kenny Tilley	Johnson, Ks	SW Ks Irrigator
Raymond Parks	Johnson, Ks	" " "
Bill Greer	Topeka Ks.	KCC
Marge Turkington	Topeka, Ks	Kansas Motor Carriers Assn.
Tom Whitaker	Topeka	Kansas Motor Carriers Assn.
BRUCE GRAHAM	TOPEKA	Ks MOTOR CARRIERS ASSN.
RICHARD SCHLEGEL	MANHATTAN	ABATE of KANSAS
Bill Merks	Wichita	USR. 259
Ken Stanton	Topeka	NORTHERN NATURAL GAS
Tom Albion	Lawrence	Farm Bureau
Ken Baker	Topeka	Ks. & Almond Assn.
Walter Dunn	✓	EKOCA
Ken Peterson	Topeka	KS PETROLEUM Council

Statement Before The
HOUSE COMMITTEE ON TRANSPORTATION
by the
KANSAS MOTOR CAR DEALERS ASSOCIATION
Monday, April 7, 1986

Mr. Chairman and Members of the Committee. I am Jim Sullins, Executive Vice President of the Kansas Motor Car Dealers Association, representing 392 franchised new car and new truck dealers in Kansas. We are appearing before you this afternoon in support of this bill which will allow the use of dealer tags on driver's education vehicles.

KMCDA members for many years have been avid supporters of the driver's education programs offered by the school districts of Kansas. Over the years, we have provided millions of dollars of vehicles to the local school districts for this program.

Under the current situation, a dealer provides a vehicle to the school district and assigns the ownership of that vehicle to the school district, which then acquires title and registration in the name of the school. The dealer providing the vehicle is then shown as a lienholder on the title. Once the vehicle has served its useful life with the district, the district reassigned the title back to the dealer who provided the vehicle, who in turn sells the vehicle as a used car.

By assigning the ownership of the vehicle to the school district, under Kansas law, the vehicle becomes a used vehicle. The situation then occurs that when the dealer sells the vehicle, that vehicle does

*H. Transp. 4/7/86
Attachment 1*

not qualify under any special financing programs which may be in effect as those finance programs only apply to new vehicles. Additionally, the manufacturer's warranty started as soon as the vehicle was assigned to the school district. This means that when the vehicle is sold to the ultimate consumer, there may be no warranty still in effect, or at the very most, only a partial warranty still applicable.

Under the provisions of the bill before you, the dealer would retain ownership of the vehicle, and would effectively lend the car to the school district on a dealer tag. By law, the vehicle would still be a new vehicle when returned to the dealer, much the same way a demonstrator vehicle is still a new vehicle. With the vehicle still being new, it would qualify for all of the finance programs which are applicable for that make or model of vehicle. It would also still qualify for the full manufacturer's warranty, or at the very least, an extension of the manufacturer's warranty so that the ultimate consumer receives coverage for at least the first year of ownership.

The only reservation we have concerning the bill deals with the insurance coverage and who is responsible for the insurance and any liability. Under Kansas law, the owner of the vehicle is the "primary" insurance. The owner's insurance is the one which will pay. If dealers are going to loan these vehicles to schools for drivers education, on d-tags and still own the vehicles, we do not feel that the dealers should have primary responsibility on his insurance.

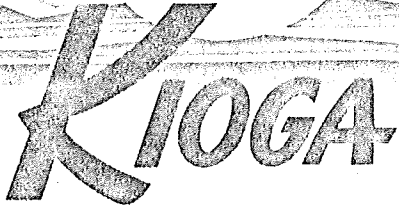
We have visited with representatives of the school districts and insurance companies, and feel this can be handled by some type of agreement between the school and dealer whereby the school takes

responsibility for the insurance coverage and would be the primary coverage in the event of an accident or injury. We would ask this Committee to add some type of language to the amendment in the bill before you which would require the school to indemnify the dealer for any loss, or, would require the school to carry the insurance and stipulate that the school's insurance is primary in this case. We do not have any proposed language due to lack of time, but are sure that this can be done, and it has the agreement of all parties involved.

Mr. Chairman and Members of the Committee, the franchised dealers of Kansas support this measure and feel that it will be beneficial for both the school districts and the dealers. We would ask that you give strong consideration to amending the bill to relieve dealers from any potential liability which both the schools and dealers agree should be the responsibility of the schools.

Thank you for the opportunity to come before you this afternoon, and I would stand for any questions from the Committee.

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KANSAS INDEPENDENT OIL & GAS ASSOCIATION
500 BROADWAY PLAZA • WICHITA, KANSAS 67202 • (316) 263-7297

April 7, 1986

TO: House Transportation Committee

RE: HB 3142

KIOGA opposes HB 3142. It was introduced as a package of three bills by the Committee on Ways and Means. The other two bills relate to in-fill drilling in the Hugoton Field. HB 3142 would have statewide application.

It's a poorly worded bill and, frankly, we are not able to understand its meaning. I have several questions concerning its application.

The bill does not mandate any action. It does not say a leaseholder shall supply gas or on what terms or at what price. It simply says if it is furnished, the transportation and use of the gas on property not subject to a lease shall not be prohibited. It would authorize crossing unaffected lands without regard to damage - sort of an eminent domain power being granted.

We're not sure if this bill would make the leaseholder a public utility or not.

We don't believe this legislature can mandate activity of this type for inter-state dedicated natural gas which is 90% of all gas in Kansas and subject to regulation of the Federal Energy Regulatory Commission.

We wonder why this bill is limited to grain drying and irrigation -- although I must reflect, every year about this time, a similar scheme applicable to grain drying and irrigation use usually arises for consideration.

For all these reasons, we feel the bill should not pass.

Donald P. Schnacke

DPS:pp

*H. Transp. 4/7/86
Attachment 2*

STATE OF KANSAS

EUGENE L. SHORE
REPRESENTATIVE, 124TH DISTRICT
GRANT, W. HASKELL, MORTON,
STANTON AND STEVENS COUNTIES
ROUTE 2
JOHNSON, KANSAS 67855
(316) 492-2449



TOPEKA

HOUSE OF
REPRESENTATIVES

COMMITTEE ASSIGNMENTS
MEMBER: COMMUNICATIONS, COMPUTERS AND
TECHNOLOGY
PENSIONS, INVESTMENTS AND
BENEFITS
TRANSPORTATION
KANSAS WATER AUTHORITY

House Bill 3142

HB 3142 has to do with using agricultural gas on land other than that covered by the gas lease. Many times a farmer will farm adjoining land which is in different legal sections and usually covered by a different gas lease.

In irrigation farming it is common practice to have an irrigation well on one section and use water in the adjoining section as well. In some instances an irrigator may have irrigation wells in both sections, and be required to have two gas meters and other equipment where one would obviously serve the same purpose and do it cheaper. Some producer companies allow gas to cross lease lines, others will not, some will not even allow the water pumped from gas produced in one section to be used in another section. There seems to be no ruling on this problem, F.E.R.C. tells us it can and should be handled in state. Some producers say it requires an abandonment approved by F.E.R.C. since the gas is dedicated to interstate use. The truth is it gets lost in trying to cut through the red tape and nothing gets accomplished.

With infill drilling becoming a reality we have the additional problem of deterioration of the old gas wells which are approaching 40 years old. As these wells require service, or become stripper wells, the irrigator who depends on a given well for irrigation fuel could be faced with the gas well being shut in for service or re-drilling, or gas priced so high he couldn't afford to use it. The availability of a gas supply a mile away would certainly be preferred to losing a crop, or using gas which would guarantee a loss to the irrigator. In Southwest Kansas corn must be irrigated every 10 to 14 days so time becomes a major factor. With this legislation the irrigator could accomplish the necessary provisions and not lose any more time than he would with any other equipment failure.

*H. Transp. 4/7/86
Attach. 3*

Page Two.

HB 3142

I want to emphasize, the irrigator is paying for all required equipment including necessary meters, regulators, pipeline, right of ways, and is getting permission from either the production company or the royalty owner, and is paying above the price the producer receives from the interstate or intra-state pipeline company. The producer has absolutely nothing to lose, and could gain a customer during the summer months when natural gas use is at it's lowest point.

TRANSPORTATION COMMITTEE

Rex Crowell, Chairman
April 7, 1986

Presented by:

Larry R. Kepley, Chairman
Southwest Kansas Irrigation Association
Legislative Committee
Route 2, Box 127, Ulysses, Kansas

*H. Transp. 4/7/86
Attach. 4*

Mr. Chairman and Members of the Committee:

I am Larry Kepley, an irrigation and dryland farmer from Ulysses, Kansas. I am appearing on behalf of the Southwest Kansas Irrigation Association and farmers in the Hugoton Natural Gas Field. It represents farmers, landowners, and allied agriculture business members who use about 9800 irrigation wells in the 22 Southwest Kansas counties.

The majority of these irrigation wells use natural gas from the vast Hugoton Field to pump water. Irrigation and the development of the Hugoton Natural Gas Field have a common history that will be severely threatened by the infill drilling that has been allowed by the Kansas Corporation Commission unless House Bills No. 3141, 3142 and 3143 are passed.

I appear as a Proponent on behalf of passage for all of these House bills. The Southwest Kansas Irrigation Association has watched very closely the efforts of those producing gas companies who have asked and have received permission to infill drill. We asked for the provisions outlined in House Bill No. 3141, 3142 and 3143 to be a part of the producing companies request order, and/or a part of the Corporation Commissions grant order. Since neither of our requests were honored and in both cases the parties being requested by us, felt that legislation would be necessary to approve these measures, we appear before you today.

Southwest Kansas is a "multa-faceted economic diamond". It has irrigation farming that depends in large part on natural gas as an energy source that is assessable at reasonable rates and terms. The multiple beef feedlots depend upon the irrigated feed supply.

The large volume beef packing plants are there because of the fat cattle supply. Almost all citizens individually and collectively in the 22 counties share in the interrelated benefits of the marriage of natural gas and irrigation in Southwest Kansas. I need not remind you of the positive tax revenue that flows from this area to many of the other 83 counties of the state of Kansas that helps pay for state school support and other public benefit.

House Bill No. 3141 gives the landowner a $1/32$ of the total production from the producer for ongoing payment for damage to soil and growing crops for normal operation of the gas well as more wells are drilled and as field pressures go down there is a need for more gas producer operational traffic, roads, valves, tanks, drips, markers, etc. to be installed on the land surface. Because of the space this equipment occupies (and no crops can grow), the dangers, and extra cost of farming around them we believe at least the $1/32$ of the production should be paid the landowner. A $1/32$ to $1/16$ payment is not uncommon in other states (Colorado, North Dakota, Montana, Oklahoma, and Nebraska) and current Kansas leases.

House Bill No. 3143 addresses the need for reasonable price protection to agricultural natural gas users. It is commonly assumed that the infill drilled wells will command "New Gas" price which may exceed by twice "Old Gas" price. No one knows for sure what the infill gas wells price will be, but it is safe to assume that a major impetus of the producing companies is the belief that the infill wells will be able to be produced at a higher price per MCF than older Hugoton Field wells.

We feel that those farmers like myself who are paying as much as nine times the price per million BTU now as they did 12 years ago can not stand any additional natural gas price increase due to a "legislated" decree that a BTU from a new gas well drilled in 1987 should be worth more than a BTU from an old gas well drilled in 1948. Our members fear that the producing companies may either by order or by allowing old wells to become stripper wells will make it necessary for farmers to use from the infill wells producing higher priced gas. House Bill No. 3143 would protect farmers in the Hugoton Field to the extent that their present contract would be transferable to the infill gas.

House Bill No. 3142 is favored by the Southwest Kansas Irrigation Association because it clearly defines a practice that we feel is reasonable and in fact is approved by some producing companies, but not all. It would allow farmers to use natural gas across producer boundry lines for contract purposes. This makes good economic sense where hookups and extra gas lines by the farmers can be reduced and a cost savings realized.

I or any of the other Southwest Kansas Irrigation Association members present will be happy to respond to any questions you may have dealing with our support of House Bills No. 3141, 3142, & 3143.

Thank you for allowing us to appear before you and we appeal to you for an early and favorable vote on behalf of Southwest Kansas farmers.