

Approved March 13, 1990
Date

MINUTES OF THE HOUSE COMMITTEE ON ENERGY AND NATURAL RESOURCES

The meeting was called to order by Representative Dennis Spaniol at
Chairperson

4:03 ~~am~~ p.m. on February 28, 1990 in room 526-S of the Capitol.

All members were present except:
Representative Lucas

Committee staff present:

Raney Gilliland, Principal Analyst, Legislative Research
Mary Torrence, Revisor of Statutes' Office
Pat Mah, Legislative Research
Maggie French, Committee Secretary

Conferees appearing before the committee:

Representative David G. Miller, 43rd District
Mr. Harold Poland, Manager of Wholesale Sales for Texaco Natural Gas
Liquids Division, Tulsa, Oklahoma
Ms. Lee Eisenhauer, Executive Vice President, Kansas LP-Gas Association
Mr. Kenneth E. Weishaar, Ruralgas Co., Inc., Nortonville, Kansas
Mr. Dale Rose, Sterling Butane Company
Mr. Don Schnake, Executive Vice President, Kansas Independent Oil and Gas
Association
Mr. Darrel Montei, Legislative Liaison, Kansas Department of Wildlife and
Parks

Chairman Dennis Spaniol called the meeting to order.

House Bill No. 3056 -- An Act authorizing the state corporation commission to regulate rates for certain wholesale sales of LP gases.

The chair recognized Representative David G. Miller, 43rd District, who testified as a proponent on House Bill No. 3056. He urged the committee to report favorably on the bill since he believes there is a question of equity when those who use natural gas have some protection on prices and those who use propane have virtually no protection (Attachment 1). Discussion included possible ways the Kansas Corporation Commission would regulate these prices; deregulation of natural gas, and the possibility of regulation creating more shortages.

Mr. Harold Poland, Manager of Wholesale Sales for Texaco Natural Gas Liquids Division, presented his testimony in opposition of House Bill No. 3056, stating the proposed bill would give the Kansas Corporation Commission the authority to establish price changes in Kansas and this should be a function of supply and demand (Attachment 2). Discussion by the committee included a question as to why prices would rise if the demand remained high; other sources of fuel; recurrent shortages; propane inventories; states where the price of propane is controlled; trading of propane on the commodities market and within the industry; tripling of the price of propane during the cold snap which occurred at the spot market inventory location; and purchase of propane at artificially low prices during summer months, etc. Mr. Poland furnished the committee with a graph showing propane price average (Attachment 3).

Ms. Lee Eisenhauer, Executive Vice President of the Kansas LP-Gas Association, spoke as an opponent to House Bill No. 3056, pointing out the propane industry is a competitive industry and if sales are regulated the elimination of competition and costs of regulation would undoubtedly increase consumer costs on a constant basis (Attachment 4). No questions were forthcoming following Ms. Eisenhauer's testimony.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON ENERGY AND NATURAL RESOURCES,

room 526-S, Statehouse, at 4:03 ~~xxx~~ p.m. on February 28, 1990

Mr. Kenneth E. Weishaar, Ruralgas Co., Inc., Nortonville, Kansas, presented his testimony in opposition of House Bill No. 3056, indicating he fears wholesalers and dealers will leave the state if the price of propane is regulated which would affect supply to dealers (Attachment 5). Discussion included time frame for rises in propane prices and contracts of dealers with supply sources which assure availability of propane.

Representative Fry requested the chair to permit Mr. Dale Rose, Sterling Butane Company, to explain the challenge he had with pricing in supply and distribution of propane when prices were at their highest peak. Mr. Rose stated his company worked with the customers by not completely filling the tanks when prices were the highest.

Mr. Don Schnake, Executive Vice President, Kansas Independent Oil and Gas Association, presented the views of his association as an opponent to House Bill No. 3056. He urged the committee to review the bill, pointing out federal price controls on natural gas production led to extreme shortages (Attachment 6). Discussion included possibility of ceiling price becoming the standard price as a result of controls and shortages of propane caused by distribution problems in natural gas and propane supplies resulting from weather.

Chairman Spaniol concluded the hearing on House Bill No. 3056.

House Bill No. 2919 -- An act concerning state parks; changing the name of Melvern state park to Eisenhower veterans memorial state park.

Representative Freeman motioned to report favorably on House Bill No. 2919. Motion was seconded by Representative Grotewiel. Representative Patrick presented a substitute amendment to House Bill 2919 proposing to change the name of Dickinson County to Eisenhower County (Attachment 7). Discussion followed and Representative Patrick stated he believed the name change would be a tremendous marketing tool for Abilene for tourists and economic development. Representative Patrick moved to adopt the proposed amendment. Motion was seconded by Representative Krehbiel. The costs of changing the county name for signage and maps were discussed, etc. Motion failed. Discussion was closed on House Bill No. 2919 and motion to report favorably passed.

House Bill No. 2854 -- An act requiring certain labeling of plastic containers.

Representative McClure discussed a proposed amendment to House Bill No. 2854 (Attachment 8). Representative McClure motioned to report favorably on the amendment to House Bill No. 2854. Motion was seconded by Representative Fry. Discussion continued about increase in cost and exemption of containers five gallons and over. Motion to amend House Bill No. 2854 passed. Representative McClure moved that House Bill No. 2854 be favorably reported as amended. Motion was seconded by Representative Freeman. Motion passed.

House Bill No. 2985 -- An act concerning oil and gas; relating to payment of interest on proceeds from oil or gas production.

The chairman recognized Representative Patrick who discussed a proposed amendment to House Bill No. 2985 (Attachment 9). Representative Shore stated the issue in the bill is not whether or not the companies can withhold royalties; he believes this amendment is a reasonable compromise, and he motioned to substitute the new bill as described. Representative Krehbiel seconded the motion. Motion passed on the amendment to House Bill No. 2985. Motion to report favorably on House Bill No. 2985 as amended by Representative Shore was seconded by Representative Fry. Motion passed.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON ENERGY AND NATURAL RESOURCES,
room 526-S, Statehouse, at 4:03 ~~xxx~~ p.m. on February 28, 1990

House Bill No. 2213 -- An act concerning the secretary of wildlife and parks; prohibiting stocking of certain waters.

Representative Krehbiel reviewed House Bill No. 2213. Motion was made by Representative Krehbiel to substitute a bill (Attachment 10). He stated he had worked closely with the Kansas Department of Wildlife and Parks and the substitution will be assigned a bill number and become a part of the code of the Kansas Department of Wildlife and Parks. Discussion followed on exemptions from the bill and Mr. Darrel Montei, Legislative Liaison, Kansas Department of Wildlife and Parks, responded to a question about possible over-supply of fish. He stated if there was an over-supply that could not be stocked in private ponds, they would be stocked in state lakes. Representative Krehbiel moved to insert the language discussed into House Bill No. 2213 as a substitute bill. Motion was seconded by Representative Patrick. Motion passed on the amendment to the bill. Motion to report favorably on House Bill No. 2213 as amended was made by Representative Krehbiel; seconded by Representative Patrick and passed.

Meeting adjourned at 5:34 p.m.

Date: 2-28-90

GUEST REGISTER
HOUSE
COMMITTEE ON ENERGY AND NATURAL RESOURCES

NAME	ORGANIZATION	ADDRESS	PHONE
Robert Anderson	MidCont Oil Co	Ottawa	248-1434
Charlene Simard	Ks Natural Resource Council	Topeka	233-6707
DAVID STEVENS	Texaco	Tulsa	918 560-6035
Chiquita Cornelius	K.S. RIRP	Topeka	273-6928
Diane Houser	KS Coop Council	Topeka	233-4085
Don Martin	KCC	LI	237-0589
Richard Hui	K.L.P.G.A.	Jennings, Ks.	843-4251
MARK S BRAUN	Atty Gen's office	TOPEKA	296-2215
George Barber	Enron corp	Topeka	233-0555
Mike Ardis	KCC	Topeka	296-3306
Tom Day	KCC	TOPEKA	2963533
Monte Miltard	Hutco, Inc.	Jennings, Ks.	843-4655
Bob Williams	Redigas Inc.	McPherson Ks	241-5282
Dale Hise	Sterling Reserve Inc	Sterling, Ks	316 278-3413
PHILIP MADELL	KCC	TOPEKA	296-5960
Emory Wellman	KCC	TOPEKA	296-2756
Charles Garcia	KCC	Topeka	296-3361
Frank Caro	KCC	Topeka	296-3361
Randy Debenham	KCC	Topeka	296-4667
Bill Rogers	CURR	Topeka	296-7107
Harold Hland	Texaco	Tulsa	918-560-6557
Lee Swinburne	K.L.P.G.A.	Topeka	354-1749

BILL TITLE: An act authorizing the state corporation
 commission to regulate rates for certain
 wholesale sales of LP gases

CONFEREES	PROPONENT OPPONENT	NOTIFIED	ADDRESS	PHONE
Rep. David Miller	Proponent	2-28-90	43rd District	
Mr. Harold Poland	Opponent	2-26-90	Manager of Wholesale Sales, Natural Gas & Liquids Division, Texaco, Tulsa, Oklahoma	
Ms. Lee Eisenhower	Opponent	2-27-90	Kansas LP Gas Association Ruralgas, Inc.	
Mr. Kenny Weishaar	Opponent	2-27-90	Nortonville, Kansas Executive Vice-President	
Mr. Don Schnake	Opponent	2-28-90	Kansas Independent Oil and Gas Association	

STATE OF KANSAS

DAVID G. MILLER

REPRESENTATIVE, FORTY-THIRD DISTRICT
DOUGLAS AND JOHNSON COUNTIES
1312 FIR
EUDORA, KANSAS 66025-9423



TOPEKA

HOUSE OF
REPRESENTATIVES

COMMITTEE ASSIGNMENTS

CHAIRMAN: LEGISLATIVE POST AUDIT
MEMBER: EDUCATION
GOVERNMENTAL ORGANIZATION
LEGISLATIVE, JUDICIAL AND
CONGRESSIONAL APPORTIONMENT

Mr. Chairman and Members of the Committee:

Thank you very much for this opportunity to appear on HB 3056. I recognize that this committee has shown its sincere and real concern regarding this past winter's terrible crisis in propane supply and price. I was hopeful that the committee would produce some legislative options for the members of the House of Representatives to consider. Last week when we approached the deadline for introduction of bills, it occurred to me that no legislation had been introduced and I felt that it was important that we not only talk about this problem during the 1990 session but that we also attempt to do something. That was the reason that I came before you and asked for the introduction of the bill which is the subject of today's hearing.

I have had the opportunity to review the report to the Governor, prepared by the staff of the Kansas Corporation Commission, as well as the material provided by our Legislative Research Department and some of the testimony presented to this committee regarding the propane problem. I do not in any way wish to understate the complexities of the problem of propane supply and price. At the same time, a complex problem does not in and of its self excuse one from addressing the important public policy issues that surround it.

The bill before you simply provides the Corporation Commission with the authority to regulate this industry. I recognize that immediate price regulation of propane would present some enormous difficulties: The interstate movement of the product and the limited ability of Kansas to regulate only the intra-state use of propane. It is clear that Kansas is both a major producer of propane and a major user of propane. It is important to many people in this state - both for employment and for consumers.

If the committee feels that regulation of propane is not a viable option at this time, I would suggest that you give serious consideration to the regulation of the price of propane at some future point. By that I suggest that you might pick a date like July 1, 1993 and set that as the date at which time the KCC will have the authority to regulate the price of propane. In the interim, hopefully, some other states would follow the lead and take up that issue and provide for their own regulation of propane at that time. Or, a multi-state pact might evolve that would permit the regulation of the product in more than one state. The advantage of an out-date is that if those things do not occur, such pricing authority could be repealed. In any event, such a proposal would

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ATTACHMENT 1

send a clear message to the propane producers that a replecation of the winter of 1989-90 would be absolutely unacceptable to the people of this state.

Another option with the bill which I would strongly encourage, would be to give the KCC the authority to require basic information on production, supply, and marketing of propane. Such reports would be useful for our review of this issue. The problem with voluntary reports is you don't always know that you are getting all the information. A voluntary report simply does not carry the same level of obligation that a report that is required by law carries. At a minimum, it seems to me we need to have good reliable, verifiable information about this product and about its production, supply and pricing if we are to ever get the public justifiable reasons for what may or may not happen in the propane market. Such information would, in my view, in no way put us in any disadvantaged position in the inter-state market place and I would strongly urge you to at least pass legislation that gives the KCC the authority to require information.

Finally, you might give some serious consideration to an interim study on the issue of propane in order to oversee the KCC's implementation of any authority you will give the KCC regarding propane. It would be a real mistake if the winter of 1989-90 simply got forgotten in the shuffle to finish the 1990 session of the legislature.

It will be cold again before we are all back here, (if we are all back here in 1991) and I believe the public expects us to make some effort to address this important problem.

In closing, I want to note that the price of natural gas, which is one of the most important natural resources we have, is governed by price regulation; while propane which is one derivative of natural gas, is not. I think there may be a real question of equitity when those of who use natural gas have at least some protection on prices while those Kansans, I understand nearly 10% of our people, have virtually no protection.

I urge you to provide meaningful leadership to your House colleagues who are depending on you to give us a fair, reasoned solution to this crisis.

TESTIMONY
PROPANE LEGISLATION
STATE OF KANSAS

Thank you Mr. Chairman.

My name is Harold Poland. I am Manager of Wholesale Sales for Texaco Natural Gas Liquids Division.

The circumstances which bring us together today are obviously very important. We at Texaco hope to provide some information that will help you understand our concerns on HB 3056.

Texaco is a major producer and wholesaler of propane in the state of Kansas and we oppose HB 3056. The proposal would, in effect, give the Kansas Corporation Commission the authority to establish price controls on propane sold in Kansas. Price changes should be a function of supply and demand. The consumer is much better served under a free enterprise system than in an environment where prices are artificially controlled by a regulating authority.

The pervasive question that is being asked by the public and is driving this legislation is quite simply - why did the price of propane go up during December of this past year? While this is both an obvious and understandable question, I think it is equally important to ask two perhaps less obvious questions - why was demand for propane so high and what factors impacted the Industry's and our company's ability to supply that demand?

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ATTACHMENT 2

The more important conditions which impacted the supply, demand and price of propane this winter are as follows:

The propane gas situation is only part of a larger energy demand that resulted from unprecedented and sustained December cold weather.

Because of heavy demand for fuel, the nationwide distribution system was strained to the limit. There were regional shortages because of the inability of the system to move the product from the point of production or storage to that of consumption with sufficient speed.

Industry propane inventory levels of approximately 60 million barrels in the fall appeared to be adequate for a normal heating season. However, these inventories, which were based on several consecutive warm winters, were rapidly drawn down due to abnormally cold temperatures.

Imports from Canada have been declining by 5 percent per month beginning in the 2nd quarter of 1989. This reduction of available Canadian propane resulted in an even quicker draw down of inventories held in the Mid-Continent part of the United States.

The sudden and unexpected demands for propane caused wholesale prices to increase rapidly, in some instances as much as three times what they were at the beginning of December. In recent weeks, however, wholesale prices have retreated as the weather has moderated and the supply situation has improved.

The U.S. propane market is made up of smaller but not independent markets. Product moves from Kansas into Nebraska, Colorado, Oklahoma and other non-adjointing states such as Texas. It also moves into Kansas from other producing and non-producing states. Sales of propane in Kansas are affected by economics and events outside of Kansas. The price of propane at Mt. Belvieu, Texas, indirectly affects the price of propane at Clay Center, Kansas. Artificially controlled pricing would not attract incremental propane supplies to Kansas from other states.

Fundamental laws of supply and demand dictate that as supplies of a scarce resource decline, and demand for that same resource increases, the price will invariably rise to a level sufficient to equalize the supply and demand equation as it did recently in the propane market. Likewise when supplies increase and demand decreases prices will fall. Prices of propane rose dramatically between December 12, 1989 and January 3, 1990 when prices reached their peak. It should also be noted that the prices fell almost as rapidly, reaching December 12 levels at Clay Center by early February.

We know that the first concern of our customers is availability of propane. Higher prices are never popular, but they are far preferable to the personal and economic hardships that would occur with a failure to supply. As consumers, we must recognize that our economic system - the free enterprise system - balances itself. During the December period when supplies of propane were tight, Texaco did supply all contractual commitments and did not require allocation below contracted volumes.

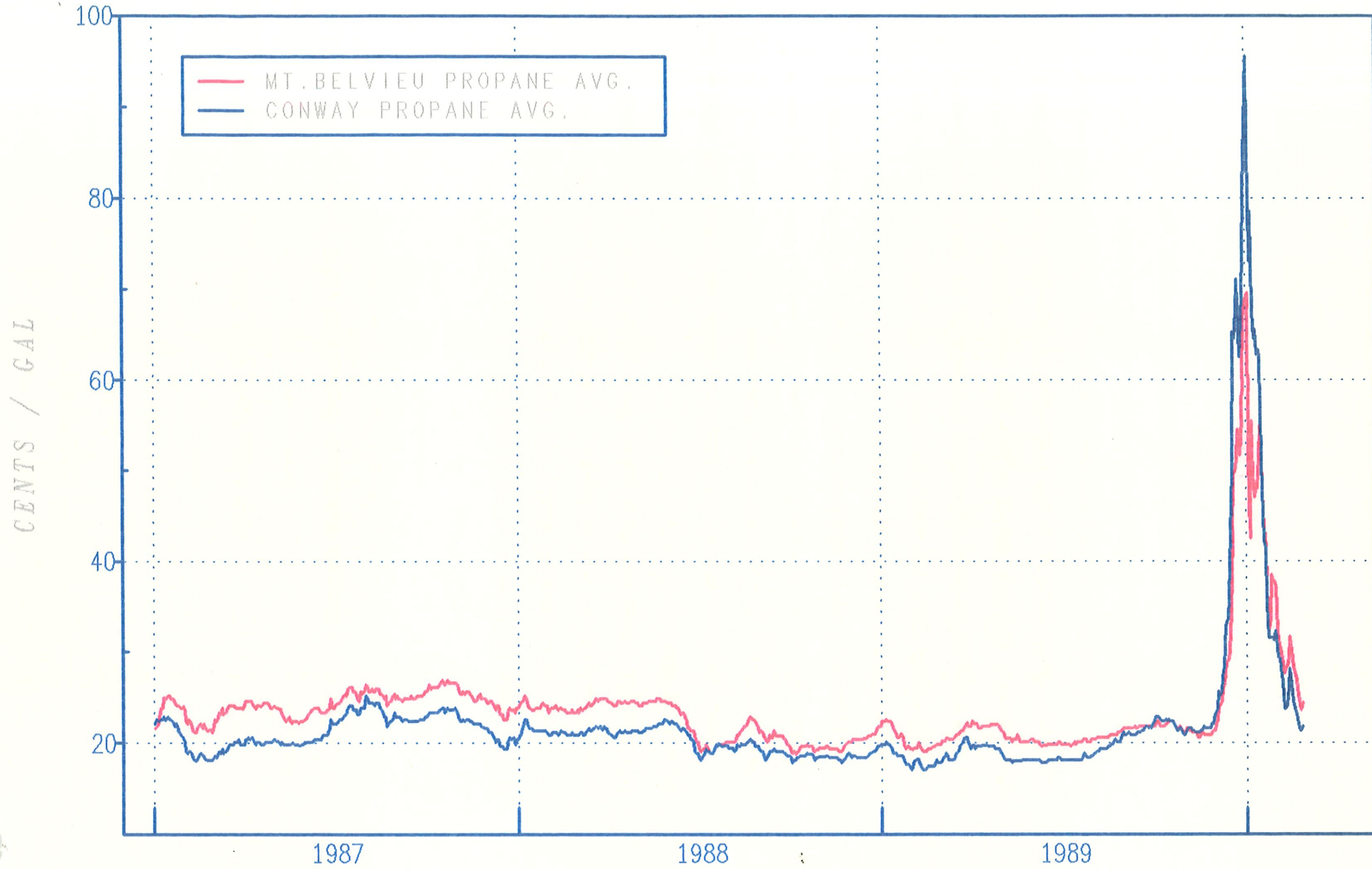
When competitive markets are operating freely, consumer needs are met at the lowest cost. Although there is a strong temptation to interfere with the workings of the free market during a period of rising prices, we have seen in the past how allocation systems, rationing or price controls have exacerbated shortages, increased prices and resulted in inequities greater than those under a competitive market.

I sincerely hope that I have been able to shed some light onto a subject that is so often misunderstood. I thank you for your attention and for giving me this opportunity to share this information with you.

CHM
K27/1

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PROPANE PRICE AVERAGE



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ATTACHMENT 3

STATEMENT

By The

KANSAS LP-GAS ASSOCIATION

Concerning House Bill 3056

Presented Wednesday, February 28, 1990 to the
House Energy & Natural Resources Committee
Rep. Dennis Spaniol, Chairman

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

I am Lee Eisenhauer, Executive Vice-President of the Kansas LP-Gas Association with offices in Topeka. I am appearing here today on behalf of our member firms and the propane industry in Kansas in opposition of House Bill 3056.

From testimony before this committee in January, and from information contained in the Kansas Corporation Commission's initial Report to the Governor, you were informed that propane is produced and distributed in interstate and international markets; therefore, wholesale pricing is determined by nationwide and international supply and demand.

During the last two weeks of 1989, as the unexpected Arctic blast hit and blanketed almost two-thirds of the U.S. in the coldest weather of a century, that nationwide system was strained beyond limits of performance. Additionally, product ordinarily imported from Canada and Europe was drastically reduced due to their own unusually cold weather.

I would like to stress that without realizing the total picture, it is difficult to appreciate the fact that we in Kansas were fortunate to

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ATTACHMENT 4

have been provided sufficient supplies during the crunch while many areas of the country had product allocated or curtailed.

The U.S. Department of Energy is investigating and monitoring the propane and heating oil price and supply problems. In its first report to Congress it states, "The distribution system responded to temporary imbalances in supply and demand through higher prices, which were quickly followed by increased supplies and declining prices, approaching those of last November." They plan to issue a final, detailed report in several months.

The DOE's Energy Information Administration is initiating a weekly telephone survey securing data on propane stocks and wholesale and retail prices in East Coast and Midwest regions.

Here in Kansas, the corporation commission staff is conducting a similar survey weekly. Their tabulations at the end of March will aid in their final Report to the Governor.

The propane industry is a competitive industry. In Kansas, that competition has kept propane a very economical fuel. If sales were regulated by the corporation commission as set forth in H.B. 3056, the elimination of competition and costs of regulation would undoubtedly increase consumer costs on a constant basis. We do not believe this to be in the best interest of propane consumers.

Price regulation cannot control the weather or availability of product. A more workable solution is being sought by our industry on local and national levels in minimizing problems such as those encountered in December, in the event such extreme conditions should prevail any time in the future.

In summary: propane has been around for 75 years; Kansans have enjoyed low prices and good service; the system of free enterprise has worked; this type of regulation could seriously affect the industry in Kansas. We would hope that one period of extreme circumstances would not hinder many more years of service and availability.

We urge your "No" vote on H.B. 3056.

Thank you, Mr. Chairman and members of the committee, for allowing me this time.

TESTIMONY ON HB 3056

HOUSE COMMITTEE ON ENERGY AND NATURAL RESOURCES

FEBRUARY 28, 1990

Mr. Chairman and Members of the Committee, I am Kenneth E. Weishaar, Ruralgas Co. Inc., Nortonville, Jefferson County.

I believe this bill 3056 will not work in Kansas for retail dealers.

There are a lot of wholesalers and brokers in the state of Kansas. I'm afraid that if this bill is passed many of them will leave the state and stop doing business in the state and this would seriously affect the supply of propane to us dealers. Our concern is availability.

If we could keep customer tanks full many of the problems we had this last December would not have happened.

I had very few complaints about the price of propane from my customers -- more concern was is it available.

Any questions? I'd be glad to answer.

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ATTACHMENT 5

RURALGAS CO., INC.

NORTONVILLE, KANSAS 66060

TELEPHONE 886-6420

January 12, 1990



Dear Propane Customer,

What a cold snap! As many of you know the price of propane has gone up drastically. This has happened all over the United States. Propane in Kansas has been a bargain for many years with probably the lowest price range in the U.S. At current rates the cost of heating with propane is less than that of electricity. Our cash price here at Ruralgas has risen from a low of 50¢ Dec. 13 to 99¢ cash for a high as I write this letter. They say it will go down some, but when? There is a possibility of it going even higher before it goes down if we experience another cold spell in the United States.

I have just returned from setting in on two days of hearings at the State House in Topeka. The House Energy and Resources Committee met January 10 & 11 to explore the radical increase in propane prices. I also have been asked to meet with Governor Hayden next Wednesday to discuss this situation. This year I am serving as President of the Kansas L. P. Gas Association. I did call our Legislators early in December letting them know my concerns about the price of propane jumping.

The Low Income Energy Assistance Program (LIEP) is available to those who qualify. Anyone who is not aware of this can contact your local S.R.S. office.

There are many reasons for the sharp increases. First of all the whole U.S. was effected by record cold weather all the southern states experienced unusual cold temperatures that they were not use to. A refinery in Louisiana lost production and the supply to the southern states had to come from somewhere else. Eastern Europe experienced unseasonably cold weather early and many ships headed for the Northeast coast were diverted to Europe. Canadas supply into the U.S. was cut by 10%. Many people panicked and bought propane that normally they would have waited and this too caused a sort of shortage not normally experienced. Many of the Pipe lines, including the one we receive our propane from was put on allocation.

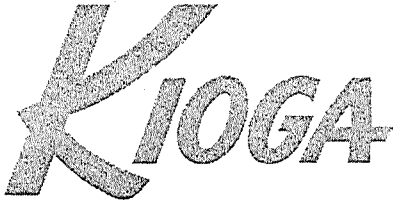
Phillips 66 Company has done a great job in supplying us with propane. We have a contract and are guaranteed so much each month so there should be ample supply. They also did a great job in keeping the price very competitive. As many of you know there were a lot higher priced propane around us. We will continue to stive to give you a fair market price. As of this date we have not exceeded a \$1.00 cash price a gallon but don't know if we can continue this.

Don't know what the rest of the winter will bring, but together we will make it through. Thank you for your past business and looking forward to serving you in the future.

Sincerely,

Kenny Weisker

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KANSAS INDEPENDENT OIL & GAS ASSOCIATION

105 SOUTH BROADWAY • SUITE 500 • WICHITA, KANSAS 67202 • (316) 263-7297

February 28, 1990

TO: House Committee on Energy & Natural Resources

**RE: HB 3056 - Regulation
of Propane**

Our producer members are big users of propane. It is used in large volumes to supply energy in pumping units on oil leases. We oppose HB 3056, a proposal to "regulate" propane. We assume by regulation the KCC would be authorized to restrict production and fix prices.

Our industry has been exposed to price control legislation on both the federal and state level. Federal price controls on natural gas production led to extreme shortages and resulted in near calamity for the country. Price controls on crude oil led to confusion, litigation, indictments, and increased reliance on foreign supply.

Price controls on intrastate natural gas were imposed by the Kansas legislature resulting in litigation and an industry that identified Kansas as a hostile state in which to do business.

The recent propane shortage and rising prices in December 1989 are well defined in the attached IPAA analysis, which I believe is subscribed to nationally by our industry. Propane and heating oil react temporarily to supply and demand pressure. Prices today are back to normal.

I like to tell people it's like today at Topeka's Falley's grocery store. Tomatoes are at about \$3.00/pound. They were a victim of the December freeze, too! This summer I predict tomatoes will be \$0.25/pound.

We urge you to reject price controls for propane as proposed in HB 3056.

**Donald P. Schnacke
Executive Vice President**

DPS:pp
Attch

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ATTACHMENT 6

THE EFFECT OF PETROLEUM PRODUCT PRICES ON CRUDE OIL PRICES

The coldest month in 60 years froze the U.S. from the Rocky Mountains to the East Coast during the month of December, 1989. The result was an unexpected skyrocketing in wholesale and retail prices of distillate oil products such as home heating oil and diesel fuel, as well as residual fuel oil and kerosene jet fuel. Natural gas and propane prices also were affected.

The record cold weather caused major refineries and petrochemical plants to shut down in the Gulf Coast, which is the nation's primary refining region. There also was an explosion at Exxon's Louisiana refinery, which is the nation's second largest. In addition, propane shortages on the East Coast were worsened by the Jones Act restriction that prohibits foreign vessels from carrying cargo from one domestic port to another as long as U.S. ships are available.

Europe also suffered from severe winter weather, at a time when petroleum shortages had been worsened by the Soviet Union's refining problems. Some of the petroleum imports that ordinarily supply the U.S. market were diverted to Europe. This was particularly a problem in the Northeast U.S. which typically imports 8-10 percent of its distillate supply.

Combined with these supply problems, there was a sharp weather-induced rise in distillate demand. The Energy Information Administration estimates that home heating oil consumption rose 1 million barrels per day in December 1989, up 33 percent from a year earlier. Additionally, it was the largest one-month increase in at least a decade.

Free market forces worked in response to the reduced supply and higher demand -- resulting in a price explosion that was inevitable under such market conditions. During December 1989, heating oil prices in New York harbor rose 40 cents per gallon, or 65 percent in just one month. This compares with 3 cents per gallon that prices had risen during the entire January to November period of last year.

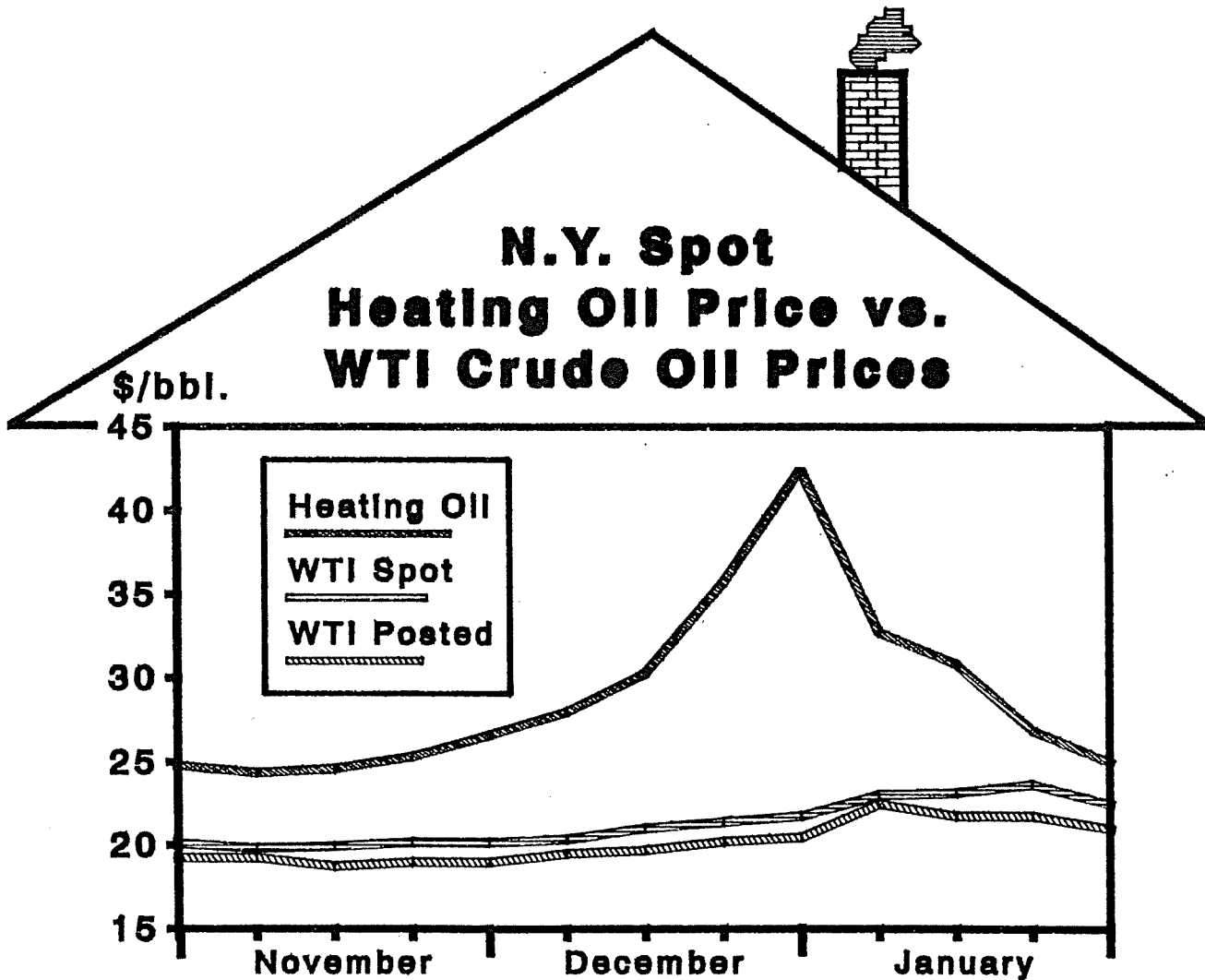
Heating oil prices at New York harbor for the latest three months are compared with the spot and posted prices of West Texas Intermediate (WTI) crude oil on the accompanying graph. The price of heating oil has been converted from gallons to barrels for purposes of comparison with crude oil.

The graph shows that the upward spiral in heating oil prices was a temporary aberration. Crude oil prices were affected significantly less than product prices on a relative basis. There was also a time lag between the rise in product prices and any movement in crude oil prices. After the weather returned to normal temperatures in January 1990, prices fell to around their original level.

Although the entire petroleum industry has been under scrutiny for the dramatic price increases that occurred late last year, the situation has highlighted the relationship between petroleum product prices and the prices that crude oil producers receive at the wellhead.

IPAA
2/6/90

N.Y. Spot Heating Oil Price vs. WTI Crude Oil Prices



Source: Heating Oil - #2 New York Harbor and
 Crude Oil - WTI Spot from
 Platt's Oilgram Price Report, Fri. quotes
 Crude Oil - WTI Posted from Amoco oil Co.

IPAA
 2/80

6-3

PROPOSED AMENDMENT TO H.B. 2919

Add a new section to read as follows:

"New Sec. 3. (a) At the state general election held in November 1990 there shall be submitted to the qualified voters of Dickinson county a proposition to change the name of Dickinson county to Eisenhower county. The county election officer of Dickinson county shall cause the following proposition to be placed on the ballot at such election:

"Shall the name of Dickinson county be changed to Eisenhower county?"

If a majority of the votes cast and counted is in favor of the proposition, the name of Dickinson county shall become Eisenhower county on July 1, 1991.

(b) The election provided for by this section shall be conducted, and the votes counted and canvassed, in the manner provided by law for question submitted elections of the county.";

Renumber the remaining sections and amend the title accordingly

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ATTACHMENT 7

HOUSE BILL No. 2854

By Representatives McClure, Adam, Campbell, Fry, Gross,
Harder, J.W. Long and Lynch

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H ENERGY AND NR
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ATTACHMENT 8

AN ACT requiring certain labeling of plastic containers.

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

Section 1. (a) As used in this section:

(1) "Label" means ~~one of the code labels described in subsection (b) which is molded into the bottom of a~~ plastic container.

a molded, imprinted or raised symbol on or near the bottom of a plastic bottle or rigid

(2) "Person" means any individual, association, partnership, limited partnership, corporation or other entity.

(3) "Plastic" means any material made of polymeric organic compounds and additives that can be shaped by flow.

(4) "Plastic bottle" means a plastic container which: (A) Has a neck that is smaller than the body of the container; (B) accepts a screw-type, snap-cap or other closure; and (C) has a capacity of 16 fluid ounces or more but less than five gallons.

(5) "Rigid plastic container" means any formed or molded container other than a bottle, intended for single use, composed predominantly of plastic resin and having a relatively inflexible finite shape or form with a capacity of eight ounces or more but less than five gallons.

(b) On or after July 1, 1992, no person shall distribute, sell or offer for sale in this state any plastic bottle or rigid plastic container ~~manufactured on or after July 1, 1992, unless the product~~ is labeled

unless it

with a code indicating the plastic resin used to produce the bottle or container. Plastic bottles or rigid plastic containers with labels and basecaps of a different material shall be coded by their basic material. Such code shall consist of a number placed within a triangle of arrows and letters placed below the triangle of arrows. The triangle shall be equilateral, formed by three arrows with the apex of each point of the triangle at the midpoint of each arrow, rounded with a short radius. The arrowhead of each arrow shall be at the midpoint of each side of the arrow. The triangle, formed by the three arrows curved at their midpoints, shall depict a clockwise path around the code number. The numbers and letters used shall be as follows: 1 = PETE (polyethylene terephthalate), 2 = HDPE (high density

2
B

1 polyethylene), 3 = V (vinyl), 4 = LDPE (low density polyethylene),
2 5 = PP (polypropylene), 6 = PS (polystyrene), 7 = OTHER

3 [(includes multi-layer)]

strike bracketed language

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

(c) If the attorney general has reason to believe that a person is violating the provisions of this section, the attorney general shall give the person written notice thereof. If, after such notice is given, the attorney general has reason to believe that the person is continuing to violate the provisions of this section, the attorney general may bring an action to enjoin the violation and to recover a civil penalty of \$50 for each violation but not exceeding a total of \$500. Any such penalty recovered shall be collected by the attorney general, who shall promptly remit the entire amount to the state treasurer. The state treasurer shall deposit any such remittance in the state treasury and credit it to the state general fund.

PROPOSED SUBSTITUTE TO HOUSE BILL NO. 2985
By Committee on Energy and Natural Resources

AN ACT concerning oil and gas; relating to payment of proceeds from oil and gas well production.

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

Section 1. This act shall be known and may be cited as the oil and gas proceeds payment act.

Sec. 2. As used in this act:

(a) "Oil and gas" means crude oil, natural gas, casinghead gas, condensate or any other related hydrocarbons.

(b) "Oil and gas proceeds" means all payments derived from oil and gas production from any well located in Kansas, whether royalty interest, overriding royalty interest, production payment interest or working interest, expressed as a right to a specified interest in the cash proceeds received from the sale of oil and gas produced thereunder or the cash value thereof, subject to all taxes withheld therefrom pursuant to law but excluding net profits interests and other types of interest the extent of which cannot be determined with reference to a specified share of such proceeds.

(c) "Person" means any individual, corporation, limited partnership, partnership, association, joint stock company, living trust, irrevocable trust, trust where the interest of the beneficiaries are evidenced by a security, an unincorporated organization, a government or a political subdivision of a government.

(d) "Purchaser" means the person who undertakes to distribute oil and gas proceeds to the persons entitled thereto, whether as the first purchaser of such production, as operator of the well from which such production was obtained or as lessee under the lease on which royalty is due.

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Sec. 3. (a) The proceeds derived from the sale of oil or gas production from any oil or gas well shall be paid by the purchaser to the persons legally entitled thereto commencing no later than four months after the date of first sale and thereafter no later than 60 days after the end of the calendar month within which subsequent production is sold, except that:

(1) The purchaser may pay semiannually to the persons entitled to such proceeds the aggregate of six months' accumulation of monthly proceeds of amounts less than \$25; and

(2) if proceeds cannot be paid because the title thereto is not marketable, the purchaser shall cause all such proceeds due to earn interest at the rate of 6% per annum, compounded annually and calculated from the date of first sale, until such time as the title to such interest has been perfected.

(b) Any delay in determining a person legally entitled to an interest in oil and gas proceeds caused by unmarketable title to such interest shall not affect payments to persons whose title is marketable.

(c) For the purposes of this section, marketability of title shall be determined in accordance with the current title examination standards of the Kansas bar association.

(d) The purchaser shall be exempt from the provisions of this section and the owner of the right to drill and to produce under an oil and gas lease or unitization agreement shall be substituted for the purchaser herein if the owner and purchaser have entered into arrangements whereby oil and gas proceeds are paid by the purchaser to the owner, who assumes the responsibility of paying the proceeds to the persons legally entitled thereto.

Sec. 4. Any purchaser, or owner of the right to drill and produce substituted for the first purchaser as provided herein, that violates this act shall be liable to the persons legally entitled to the oil and gas proceeds for the unpaid amount of such proceeds with interest thereon at the rate of 12% per annum, compounded annually and calculated from date of first sale.

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Sec. 5 The district court of the county in which the oil or gas well is located shall have jurisdiction over all proceedings brought pursuant to this act. The prevailing party in any proceeding brought pursuant to this act shall be entitled to recover any court costs and reasonable attorney fees.

Sec. 6. This act shall take effect and be in force from and after its publication in the statute book.

Except for research, scientific or demonstration purposes, the Secretary shall not stock or restock fish in any private water impoundment constructed by man and located wholly within lands owned or leased by the individual maintaining such impoundment unless the fish are secured from a private fish grower. These private waters do not include any impoundment constructed, owned, leased, or operated by a federal, state or local governmental agency or by a person who has entered into an agreement with a federal, state or local governmental agency that such impoundment will be open to public access and use.

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ATTACHMENT 10