

Approved: 1-16-96
Date

MINUTES OF THE SENATE COMMITTEE ON ENERGY & NATURAL RESOURCES

The meeting was called to order by Chairperson Don Sallee at 8:00 a.m. on January 10, 1996 in Room 254-E of the Capitol.

All members were present except:

Senator Barbara Lawrence, excused
Senator Doug Walker, excused
Senator Phil Martin, excused

Committee staff present: Raney Gilliland, Legislative Research Department
Arday Ensley, Office of Revisor of Statutes

Conferees appearing before the committee:

Others attending: See attached list

The Chairperson called on staff to brief the committee on the activities of the interim Special Committee on Energy & Natural Resources. The briefing included proposed legislation introduced in the Senate as well as related information. The full report of the interim committee was published by Legislative Research in December, 1995.

Proposal No. 26 - Natural Gas Gathering Systems, Including Removing them from Regulation as a Public Utility.

Staff told members this study covered information contained in **HB-2041** presently in the Senate Energy & Natural Resources Committee. The Federal Energy Regulatory Commission through orders has unbundled various services including Gas Gathering. The aforesaid deregulation could put the regulation of gas gathering under state jurisdiction. Numerous opinions exist with large producers favoring the idea of deregulation and small producers opposing the idea.

Interim committee members expressed concern with the issues relating to natural gas and natural gas gatherers. Concern was expressed about preferential rates, also that the burden of proof for demonstration of just rates for natural gas gatherers should be the responsibility of the gas gatherer, not the producer. **House Bill 2041** allows the jurisdiction of the State Corporation Commission in gas gathering to be one of an arbitrator in disputes between natural gas producers and those that are gatherers. The SCC maintained their position on this issue although Commissioner McKee appeared before the committee proposing a number of amendments to **HB 2041**. The committee did not recommend any changes but did ask that **SCR 1614** be introduced which requests the State Corporation Commission to open one or more generic dockets to study the need for regulation of natural gas gathering lines and to report its findings and recommendations to the Legislature on or before March 1, 1996. This report should include the Commission's recommendations and findings regarding natural gas gathering lines. It was noted that the Commission has already responded to this request and it is hoped a timely report will be forthcoming in time for the legislature to respond prior to adjournment.

Staff reminded the committee that the Commission has authority in KSA 66 in the utility statutes and under **HB 2041** that authority would be moved to Chapter 55, the conservation statutes for oil and gas. The resolution also requests that the Commission submit a report to the Legislature by January 15 reviewing the Commission's authority to regulate natural gas under the provisions of Chapter 66.

Proposal No. 27 - Financing Remediation of Oil and Gas Pollution Sites

Senate Bill 76 passed in 1995 effected the transfer of certain sites from KDHE to the SCC and ultimately contained a provision prohibiting the raising of funds or fees to deal with the transferred sites. The committee received preliminary information concerning longterm costs and investigatory costs for conditions presently known, which total \$4.1 million. Staff suggested the committee may wish to define "remediated" at some point. Remediation normally means returning to its natural state and in some cases this may not be possible, therefore certain determinations may be necessary.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ENERGY AND NATURAL RESOURCES, ROOM 254-E-Statehouse, at 8:00 a.m. on January 10, 1996.

The interim committee's recommendations included a resolution calling for the SCC to submit a report February 1, 1996 regarding the contamination sites transferred from KDHE. This request came about due to the fact the SCC had not yet been able to access some of the transferred sites and therefore could not submit appropriate remedial costs.

The interim committee recommended a bill which would create the Abandoned Oil & Gas Sites Remediation Fund and monies from the severance tax would be going into the fund, \$1,000,000 per year. The fund would operate and be replenished when the fund balance reached \$200,000. In addition the bill requires a report to the Legislature each a year about the sites, what expenditures have been made and an up-date on any information on the site.

A member stated it appeared that the use of the severance tax would not be approved, therefore other sources would be needed.

Staff told members that there were 17 sites, some which would require minimal amounts of remediation and others such as the Burton site which involves a salt plume moving toward Wichita's water supply which will require extensive funds due to the large dimension of difficulties.

There was discussion concerning various issues of funding which will be looked at on a later date.

Proposal No. 28 - Review of the Waste Tire Program, Especially the Matter of Improper Disposition of These Tires.

Staff stated **SB 399** was recommended by the interim committee and would provide an additional exception providing for the disposal of waste tires in a landfill as a method of ultimate disposal. It also addresses the permitting of mobile waste tire processors and additionally, on July 1, 1999, lowers the tax by 25 cents per vehicle tire excise tax. It also changes the law pertaining to base and abatement grants which have been authorized under current law. The county or city designated official would be required to notify the secretary of any known waste tire site within the county by October 1, 1996.

Staff noted the issues raised in the post audit report were not addressed although a number of those issues were already being addressed administratively by the agency with regard to the waste tire program.

A member noted the grants were being used by some to run the waste tire programs and it was the intent of the members that the state remove themselves from providing these grants thereby necessitating counties and cities to establish their own programs.

Staff told the committee that **HB-2475**, presently in the Senate Energy & Natural Resources Committee, would replace an ad hoc committee which has been operating to advise the low-level radio active waste administrators and it had been suggested by the interim committee that the Senate committee take action on this bill.

Proposal No. 30 -- Retail Wheeling

Staff told members this was another issue involving deregulation of electricity which would provide opportunity for large consumers to negotiate charges. The issue of impact on the existing utility infrastructure was considered and **HB 2600** providing for establishing a task force has been introduced. Staff noted the SCC believes it cannot authorize competition under the present statutes. The task force would report to the Legislature by January 11, 1998 and in addition the bill would continue to regulate electric suppliers according to current law until July 1, 1999. This time frame was established to give the Legislature time to react to recommendations from the task force.

Proposal No. 31--Building Efficiency Standards

The interim committee looked at the status of the SCC concerning building energy standards and made no recommendations. Staff noted however that a bill related to this issue has been introduced in the House.

The meeting adjourned at 9:00 a.m.

The next meeting is scheduled for January 11, 1996.

