

Approved: 3-26-96
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 March 20, 1996 in Room 254-E- of the Capitol.

All members were present or excused:
Senator Tim Emert, excused

Committee staff present: Raney Gilliland, Legislative Research Department
Dennis Hodgins, Legislative Research Department
Ardan Ensley, Revisor of Statutes
Clarene Wilms, Committee Secretary

Conferees appearing before the committee:

Others attending: See attached list

HB 2041--Concerning oil and gas; relating to natural gas gathering systems and underground storage facilities; providing for licensure and regulation of certain entities; concerning certain natural gas public utilities

Senator Morris, Chairperson of the Sub-Committee on **HB 2041** recommended certain changes on the draft of **HB 2041**. The original bill was basically changed using only the definitions included in Section 1, then the task force and the make-up of the task force were addressed.

Reference was made to the bill balloon presented by the Kansas Corporation Commission (Attachment 1) and the suggestion was made to adopt page 3, right-hand side, the three exceptions in 55-7 in the next to last paragraph on the page. The further suggestion was made that the person representing major pipeline companies be changed to a person representing gathering companies affiliated with major pipeline companies. It was also suggested to drop the Commissioner and add a member to represent independent gatherers. The KCC would have ex officio duties.

Senator Morris moved to amend **HB 2041** making it a Substitute bill and to include in the bill the first section of the original **HB 2041**, also the three exemptions listed in the bill balloon, page 3, 55-7, the next to last paragraph. Additionally add a new section with changes of membership, taking out the commissioner position, adding an independent gatherer to replace the commissioner, changing language on number 8 to ex officio and also the person representing the major pipe lines would also represent the gatherers. Senator Martin seconded the motion and the motion carried.

Senator Morris moved to report **SUB HB 2041** favorable for passage as amended. Senator Martin seconded the motion and the motion carried.

HB 2965--Concerning public water supply systems

Various amendments presented by conferees on **HB 2965** were discussed.

Senator Wisdom moved to incorporate all amendments as suggested by conferees, that is those of Ft. Scott Community College, Environmental Technology Department, Salina Area Vo-Tech Schools, KDHE, League of Kansas Municipalities, Kansas Rural Water Association, into **HB 2965**. Senator Martin seconded the motion and the motion carried.

Senator Lee, with a second from Senator Wisdom, moved to pass **HB 2965** favorable as amended. The motion carried.

HB 2955--Concerning the secretary of health and environment; requiring publication of certain

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ENERGY AND NATURAL RESOURCES, ROOM 254
E-Statehouse, at 8:00 a.m. on March 20, 1996.

information and documents of the division of environment

Discussion covered recovery of costs involved in furnishing the publication and touched on furnishing the materials to INK. A question remained about recovering costs if materials were available on the internet. Continued discussion suggested allowing KDHE to recover costs of producing the documents and then allowing it to be available through the Internet. A balloon amending the bill was furnished to the committee. (Attachment 2).

Senator Vancrum moved to amend HB 2955 using the first sentence in the balloon and striking the second sentence commencing "The secretary". Senator Lee seconded the motion and the motion carried.

Senator Vancrum moved to report HB 2955 favorable for passage as amended. Senator Hardenburger seconded the motion and the motion carried.

HB 2718--Concerning hunting and fishing by certain persons

Discussion touched on the issue of special exceptions or exemptions and it was decided to take no further action on the bill.

The meeting adjourned at 8:38 a.m.

Senate Energy & Natural Res.
March 20, 1996
Attachment 1

As Amended by House Committee

Session of 1995

HOUSE BILL No. 2041

By Committee on Energy and Natural Resources

1-10

10 AN ACT concerning oil and gas; relating to natural gas gathering systems
11 and underground storage facilities; providing for licensure and regu-
12 lation of certain entities; **concerning certain natural gas public util-**
13 **ities;** amending K.S.A. 55-150, **66-104 and 66-1,200** and repealing
14 the existing ~~section sections~~.

15
16 *Be it enacted by the Legislature of the State of Kansas:*

17 Section 1. K.S.A. 55-150 is hereby amended to read as follows: 55-
18 150. As used in this act unless the context requires a different meaning:

19 (a) "Commission" means the state corporation commission. . . .

20 (b) "Contractor" means any person who acts as agent for an operator
21 as a drilling, plugging, service rig or seismograph contractor in such op-
22 erator's oil and gas, *cathodic protection, gas gathering or underground*
23 *natural gas storage operations;*

24 (c) "Fresh water" means water containing not more than 1,000 mil-
25 ligrams per liter, total dissolved solids;

26 (d) "Gas gathering system" means a pipeline that transports natural
27 gas from a central metering point for natural gas produced by one or
28 more wells to the point of compression or entry into a sales or transmission
29 point natural gas pipeline system used primarily for transporting
30 natural gas from a wellhead, or a metering point for natural gas
31 produced by one or more wells, to a point of entry into a main
32 transmission line.

33 (e) "Operator" means a person who is responsible for the physical
34 operation and control of a well, *gas gathering system or underground*
35 *natural gas storage facility.*

36 (e)(f) "Person" means any natural person, partnership, governmental
37 or political subdivision, firm, association, corporation or any other legal
38 entity;

39 (f)(g) "Rig" means any crane machine used for drilling or plugging
40 wells;

41 (g)(h) "Usable water" means water containing not more than 10,000
42 milligrams per liter, total dissolved solids;

43 (h)(i) "Well" means a hole drilled or recompleted for the purpose of:

— [USE LANGUAGE FROM 55-702

The term "commission" shall mean the state corporation commission of the state of Kansas, its successors, or such other commission or board as may hereafter be vested with jurisdiction over the subject matter of this act.

- 1 (1) Producing oil or gas;
- 2 (2) injecting fluid, air or gas in the ground in connection with the
- 3 exploration for or production of oil or gas;
- 4 (3) obtaining geological information in connection with the explora-
- 5 tion for or production of oil or gas by taking cores or through seismic
- 6 operations;
- 7 (4) disposing of fluids produced in connection with the exploration
- 8 for or production of oil or gas; or
- 9 (5) providing cathodic protection to prevent corrosion to lines; or
- 10 (6) *injecting or withdrawing natural gas.*

11 New Sec. 2. (a) As used in this section:

- 12 (1) "Commission" means the state corporation commission.
- 13 (2) "Gas gathering services" means the gathering or preparation,
- 14 **compression or dehydration** of natural gas for transportation or distri-
- 15 **bution.**

DELETE; REDUNDANT

- 16 (3) "Person" means any natural person, partnership, governmental or
- 17 political subdivision, firm, association, corporation or other legal entity.

DELETE; REDUNDANT

18 (b) No person performing gas gathering services for hire shall charge

19 any fee for such services, or engage in any practice in connection with

20 such services, which is unjustly or unlawfully discriminatory. Any person

21 seeking any gas gathering service who is aggrieved by reason of any such

22 unjustly or unlawfully discriminatory fee or practice may file a complaint

23 with the commission. The commission shall conduct a hearing and take

24 evidence as necessary to determine the complaint. The hearing shall be

25 conducted and notice given in accordance with the Kansas administrative

26 procedure act. Upon such hearing, the commission shall have authority

27 to order the remediation of any unjustly or unlawfully discriminatory fee

28 for gathering services, or any unjustly or unlawfully discriminatory prac-

29 tice in connection with such services, to the extent necessary for reme-

30 **diation as to the aggrieved person with respect to the particular fee or**

31 **service involved.**

DELETE

32 (c) Any order of the commission pursuant to this section shall be

33 subject to review in accordance with the act for judicial review and civil

34 enforcement of agency actions.

35 ~~Sec. 3. K.S.A. 55-150 is hereby repealed.~~

36 **Sec. 3. K.S.A. 66-104 is hereby amended to read as follows: 66-**

37 **104. The term "public utility," as used in this act, shall be construed**

38 **to mean every "public utility" means corporation, company, individ-**

39 **ual, association of persons, their trustees, lessees or receivers, that**

40 **now or hereafter may own, control, operate or manage, except for**

41 **private use, any equipment, plant or generating machinery, or any**

42 **part thereof, for the transmission of telephone messages or for the**

43 **transmission of telegraph messages in or through any part of the**

55-702. Definitions. The term "waste", in addition to its ordinary meaning, shall include economic waste, underground waste and surface waste. Economic waste shall mean the use of natural gas in any manner or process except for efficient light, fuel, carbon black manufacturing and repressuring, or for chemical or other process by which such gas is efficiently converted into a solid or a liquid substance. The term waste shall not include the use or flaring of natural gas if permitted pursuant to an order issued or rule and regulation adopted under the provisions of subsection (b) of K.S.A. 55-102, and amendments thereto. The term "common source of supply" shall mean any underground accumulation of natural gas which constitutes a single natural pressure system whereby production of natural gas from one portion thereof will affect the pressure in other portions thereof. Common source of supply shall include those natural gas reservoirs which contain one or more wells for production of the accumulated natural gas. Further the term "common source of supply" shall include that portion lying within this state of any gas reservoir lying partly within and partly without this state. The term "commission" shall mean the state corporation commission of the state of Kansas, its successors, or such other commission or board as may hereafter be vested with jurisdiction over the subject matter of this act.

1 state, or the conveyance of oil and gas through pipelines in or
 2 through any part of the state, except pipelines less than 15 miles in
 3 length and not operated in connection with or for the general commercial
 4 supply of gas or oil gas gathering systems as defined in K.S.A. 55-150 and
 5 amendments thereto, or for the operation of any trolley lines, street,
 6 electrical or motor railway doing business in any county in the
 7 state; also all dining car companies doing business within the state,
 8 and all companies for the production, transmission, delivery or
 9 furnishing of heat, light, water or power. No cooperative, coop-
 10 erative society, nonprofit or mutual corporation or association
 11 which is engaged solely in furnishing telephone service to sub-
 12 scribers from one telephone line without owning or operating its
 13 own separate central office facilities, shall be subject to the jurisd-
 14 iction and control of the commission as provided herein, except
 15 that it shall not construct or extend its facilities across or beyond
 16 the territorial boundaries of any telephone company or coopera-
 17 tive without first obtaining approval of the commission. As used
 18 herein, the term "transmission of telephone messages" shall include
 19 includes the transmission by wire or other means of any voice, data,
 20 signals or facsimile communications, including all such communi-
 21 cations now in existence or as may be developed in the future.

22 The term "Public utility" shall also include also includes that portion
 23 of every municipally owned or operated electric or gas utility lo-
 24 cated outside of and more than three miles from the corporate
 25 limits of such municipality, but nothing in this act shall apply to a
 26 municipally owned or operated utility, or portion thereof, located
 27 within the corporate limits of such municipality or located outside
 28 of such corporate limits but within three miles thereof except as
 29 provided in K.S.A. 66-131a, and amendments thereto.

30 Except as herein provided, the power and authority to control
 31 and regulate all public utilities and common carriers situated and
 32 operated wholly or principally within any city or principally op-
 33 erated for the benefit of such city or its people, shall be vested
 34 exclusively in such city, subject only to the right to apply for relief
 35 to the corporation commission as provided in K.S.A. 66-133, and
 36 amendments thereto, and to the provisions of K.S.A. 66-131a, and
 37 amendments thereto. A transit system principally engaged in ren-
 38 dering local transportation service in and between contiguous cit-
 39 ies in this and another state by means of street railway, trolley bus
 40 and motor bus lines, or any combination thereof, shall be deemed
 41 to be a public utility as that term is used in this act and, as such,
 42 shall be subject to the jurisdiction of the commission.

43 The term "public utility" shall not include any activity of an oth-

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55-7 (a) No person offering services for the gathering of natural gas for a fee or other consideration shall engage in any unduly discriminatory services or offer gathering services for a fee which is or otherwise anti-competitive.

DISCRIMINATORY

(b) Upon the filing of a complaint by any aggrieved person, the corporation commission shall, after due notice and hearing, be authorized to issue an order directing the remediation of any unduly discriminatory fee or unduly discriminatory service for the gathering of natural gas.

55-7 Any aggrieved party as referred to in this act shall be required to allege and prove to the satisfaction of the corporation commission that the operator of the natural gas gathering systems which is offering services for a fee or other consideration has sufficient facilities to accommodate the producer's natural gas, that there is no other natural gas gathering system conveniently located to gather the complainant's gas and willing to do so; that the quality of complainants's natural gas will not have an adverse affect of the gatherer's facilities or the safety thereof and is of a quality and content consistent with gas being gathered by the gathering entity.

55-7 (a) Upon proof satisfactory to the commission, the commission shall have authority to require any gas gathering entity to provide open access and non-discriminatory gas gathering and to establish a fee for such gathering services.

(b) In determining the fee to be charged for gathering services, the commission shall consider among such other evidence as it shall determine is proper, the following:

- 1) The historic fee or consideration for gathering services for gas of like kind and quality in relevant geographic area as the gas which is the subject of the proceeding, given all the facts and circumstances.
- 2) The fee that would fairly compensate the gatherer for the gathering services, the fees the gatherer charges and receives from other producers, the capital, operating and maintenance costs of the operation of the gathering system and such other factors as the commission deems relevant.

55-7 (a) This act shall not apply to: (1) the gathering of natural gas produced from wells owned and operated by the gatherer and where the gathering system is used exclusively for its own private purposes (2) to lead lines from the wellhead to the connection with the gathering system which are owned by the producing entity and (3) to gathering systems used exclusively for injection and withdrawal from natural gas storage fields.

(b) The corporation commission shall have authority to promulgate rules and regulations for the administration of its authority over natural gas gathering as authorized herein.

1 erwise jurisdictional corporation, company, individual, association
2 of persons, their trustees, lessees or receivers as to the marketing
3 or sale of compressed natural gas for end use as motor vehicle fuel.

4 Sec. 4. K.S.A. 66-1,200 is hereby amended to read as follows:
5 66-1,200. As used in this act:

6 (a) "Natural gas public utility" means any public utility defined
7 in K.S.A. 66-104, and amendments thereto, which ~~supplies~~ *sells or*
8 *transports* natural gas.

9 (b) "Commission" means the state corporation commission.

10 Sec. 5. K.S.A. 55-150, 66-104 and 66-1,200 are hereby re-
11 pealed.

12 Sec. 4 6. This act shall take effect and be in force from and after its
13 publication in the statute book.

K.S.A. 66-105 is hereby amended to read as follows:

The term "common carriers," as used in this Act, shall include all railroad companies, express companies, street railroads, suburban or inter-urban railroads, sleeping-companies, freight-line companies, equipment companies, pipe-line companies, except natural gas pipeline systems used primarily for transporting natural gas from a central metering point for natural gas produced by one or more wells, to a point of entry into a main transmission line, and all persons and associations of persons, whether incorporated or not, operating such agencies for public use in the conveyance of persons or property within this state.

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