

Approved: MARCH 19, 1997
Date
(AS CORRECTED)

MINUTES OF THE SENATE COMMITTEE ON UTILITIES.

The meeting was called to order by Chairperson Pat Ranson at 1:30 p.m. on February 19, 1997 in Room 519-S of the Capitol.

All members were present

Committee staff present: Lynne Holt, Legislative Research Department
Fred Carman, Revisor of Statutes
Jeanne Eudaley, Committee Secretary

Conferees appearing before the committee:
Randal Loder, S.W. Kansas Irrigation Assoc., Task Force member
Ron Hein, MESA, Inc.
Tim McKee, Chairman, Kansas Corporation Commission
David Schlosser, Coastal Corp.

Others attending: See attached list

Chairperson Ranson recognized Sen. Morris, who introduced Chris Hagar, his son-in-law, who is a special guest today.

Sen. Ranson announced the continuation of the hearing on **SB 148-relating to natural gas gathering systems; providing for regulation; certain natural gas public utilities and common carriers.** She introduced the following opponents who gave testimony on the bill:

Randal Loder, (Attachment 1)
Ron Hein, (Attachment 2)
Steve Zuckweiler - given by David Schlosser, (Attachment 3)
Tim McKee, (Attachment 4)

Committee members questioned opponents and discussed the problem brought to light by the Irrigators Association. Sen. Barone stated his understanding is that if the utility has a certified service area, then they are obligated to serve all customers, and Mr. Loder responded that the problem is allowing multiple certificates. Sen. Barone asked if there are multiple certificates today, and if the KCC has authority to settle differences, and if that language is on the books. Mr. Loder answered that he thought they could and that his testimony explains what happens in the field. Sen. Ranson asked Mr. Loder if he has made a complaint to the KCC, and Mr. Loder responded that the association has talked with Walker Hendricks and he was to file a complaint but that Mr. Hendricks has not filed a complaint with the KCC. Sen. Ranson stated that the committee has been made aware of the concern of the irrigators, and asked if new legislation is needed, or if it can be handled by the KCC.

Sen. Ranson recognized Tim McKee and asked if a complaint were to be filed with the KCC, what would happen. Mr. McKee stated that some history and facts are important to understand: about ten years ago, after extensive hearings, the Commission allowed operators to drill a second well, allowing more gas to come out of the field. Mr. McKee stated it is a physical fact that the Hugoton field is declining - that is it not a renewable resource; that companies will have to re-build their infrastructure and spend a lot of money to continue utilizing that field. Mr. McKee further stated to his knowledge, no one has filed a complaint with the commission. He stated Rep. Carl Holmes brought this issue to his attention only a few days ago. He clarified the statement on dual certification and explained that it is really overlapping; that public service certification in the same geographic area is generally not done.

Sen. Barone asked Mr. McKee if the KCC gets a complaint, do you have legal authority to investigate, and Mr. McKee answered they do; they have a duty and legal authority. Sen. Ranson asked Mr. McKee if the KCC can initiate an investigation, and Mr. McKee answered "yes", that the commission can initiate an investigation. He further stated that technically, one is under way at this time, when Rep. Holmes wrote the commission regarding the irrigators' problems. Sen. Brownlee also discussed with Mr. Loder problems with service and transportation fees, and he stated the urgency of the situation and that the irrigators need the natural gas for their crops by the end of May or first of June.

Mr. McKee distributed a magazine article to the committee and briefly discussed it with the committee. He also referred to his Minority Report to the Report of the Gas Gathering Task Force and to proposed amendments to the bill (attached to his Minority Report). He emphasized that he does not embrace **SB 148**.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON UTILITIES, Room ⁵¹⁹~~531~~-N -Statehouse, at 1:30 p.m.
on February 19, 1997.

but that it is better than HB 2332. He also stated it is important to let the KCC determine if it is a prima facie case and discussed Chapter 66. In answer to a hypothetical example from Sen. Morris, Mr. McKee stated the Commission has a duty to protect correlative rights and to protect our natural resources. Sen. Lee asked Mr. McKee his opinion of the bill if, on Page 2, Lines 13-19 were deleted, and Mr. McKee replied that would emasculate the bill.

Sen. Ranson then asked Mr. McKee if legislation is needed to correct the problem which the irrigators have laid out to the committee. Mr. McKee replied legislation is not needed now, and added that maybe he does not understand the problem - that the real problem is that the pressure is so low, the field is no longer producing gas - and that he does not know how to solve that problem. Sen. Ranson then asked if the KCC has both the jurisdiction and authority to receive and investigate claims. Mr. McKee replied that the Commission has both the authority and investigative powers.

Sen. Ranson announced the agenda for the remainder of the week and stated the committee will work this bill on Friday.

Meeting adjourned at 2:35.

The next meeting is scheduled for February 20, 1997.

SENATE UTILITIES COMMITTEE GUEST LIST

DATE: Feb. 19, 1997

NAME	REPRESENTING
Ron Hein	MESA
Gary White	SW KS Irr. Ass.
Brian White	SW KS Irr. Ass.
Jeery Stuckey	MYSELF
Joe Sheffield	MYSELF
MELVIN H. WEBB	MYSELF
FRANK WERDER	CURIE
Joe Siebur	SW KS Irr ASS.
David Rome	SW KS Irr ASS.
Darin K. Heizer	SWKIA
Chris J. Heizer	SWKIA
Steve Rome	SWIA
Doug Smith	SWKROA
Meale Krause	S.W. Kansas irrigator
Bennie Nordling	SWKROA
Worren W Spikes	IRRIGATORS & Regulatory Agency
Amy Campbell	R. Rice Law Firm
Ken Peterson	KS Petroleum Council
Jack Davis	P-H; K N & Opey

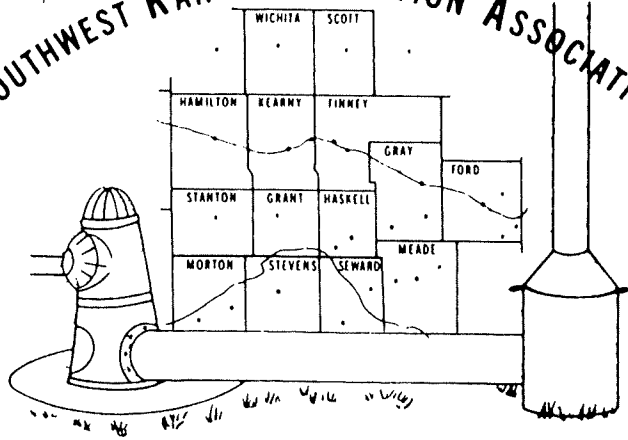
SENATE UTILITIES COMMITTEE GUEST LIST

DATE: _____

NAME	REPRESENTING
Russ Bishop	PanEnergy
Don Mohr	League of KS Mun.
Tom Bruno	Allied Assoc.
SC Long	Utilicorp
Don Schmeckle	KIOGA
Conferne Schneider	KLA
Jodie Hein	Hein & Weir
Ron Hein	Mesa
DAVID B SCHROEDER	PETE McGUIRE & Assoc.
Joe STASKAL	Williams Field Services
Dennis M Laughlin	Aurora Natural Gas
Tim McKee	KCC
JP SMALL	MOBIL
Tom DAY	KCC
Jamie K. Cheatum	Self - Hamilton Co. Commissioner

ATTACH 1

SOUTHWEST KANSAS IRRIGATION ASSOCIATION



Box 254
Ulysses, Kansas
67880

Testimony of Randal Loder on behalf of
 The Southwest Kansas Irrigation Association
 Regarding an Amendment to S. B. 148
 Before the Senate Utilities Committee
 Pat Ranson, Chairperson
 February 18, 1997

SENATE UTIL
 2-19-97
 ATT: 1

Chairperson Ranson and members of the Senate Utilities Committee. my name is Randal Loder. My wife and I have an irrigated farming operation near Garden City, Kansas, growing corn and alfalfa which is marketed to feedyards in the area, and wheat.

In addition to my involvement with the Board of Directors of the Southwest Kansas Irrigation Association, I served as the irrigation representative on the Task Force on Gas Gathering.

I appear today to offer an amendment to Senate Bill 148 which would add a new Section 4, but make no changes or deletions to the existing language other than to advance the Sec. Number of current Sec. 4 and 5 to Sec. 5 and 6. The language for the new Sec. 4 is the first item in the group of exhibits handed you with my written statement. (Please refer to item 1).

The purpose of the amendment is simply to address the growing lack of access to natural gas by agricultural users operating businesses which sit right on top what is still the largest reservoir of gas in the United States. Likewise, we would like it made abundantly clear that exit fees not be assessed as "punishment" to agricultural users who seek other more competitive supplies, or to gas producers who elect to obtain gathering services from other than the former traditional supplier of those services.

The granting of exclusive retail service areas, or certificates of service, to areas of the field is in direct contradiction to everything that is happening around agricultural users in the field. It creates massive disparities in the price of gas to users whose facilities or wells are literally a few yards apart. A number of people testified before the Task Force regarding the need for a "level playing field", and the dangers of leaving one segment of the natural gas industry regulated while freeing others of regulatory restraints.

A quick review of some of the facets of our type of natural gas use are in order. The "spaghetti bowl" map as Mr. Zuckweiler of Coastal Field Services calls it, shows the vast presence of the gas gathering systems in the Hugoton Field. The top photo on the next item in your packet is an example of the delivery point of service from the gathering system to an irrigator.

The meter is in the center of the picture, and to the left of it a pipe exits the ground with gas supplied from the pipeline below the surface. That pipeline is owned by someone other than the utility with the certificate of service. The utility providing service may own the meter and pressure regulating devices just to the left of the meter. That varies with who owns the underlying lines of the gathering system. To the right of the meter, the line is owned by the agricultural user, and again enters the ground at the right of the meter to go to the users facilities. The yellow painted pipe is strictly a protective cage around the facilities. The facilities in the photo belong to the Peoples Natural Gas division of Utilicorp. They would be indicative of any of the holders of certificates of service

as indicated by the large color coded by Certified Area map that I show you.

The natural gas wellsite in the lower photo shows perhaps the most common and preferred method of purchasing natural gas for irrigation use, that being the purchase of gas at wellhead from the producer of the well. In this instance, there are four irrigation wells on the section of land which coincides with the boundaries of the gas lease. The meters are owned and maintained by the producer. The gas price is the result of an agreement between buyer and producer, and it is typical for the larger producers in the field to offer the same terms field wide through agreements our Association negotiated with the producer following decontrol of wellhead prices. In many of instances the price is determined twice a year providing a summer and winter period. Of course the vast majority of our use occurs during the summer or "off peak" period of demand.

All this brings us to the changes occurring in the field today. Pressures in the field are declining and the very activities that help get adequate amounts of gas from the Hugoton Field for markets on down the pipeline are going to severely hamper our ability to obtain gas as we have in past. The structures that we've always thought would fill the void, and would be required to fill that void by virtue of their holding the exclusive right to serve the area, are proving unequal to the task. An example of the problem I speak of appeared in our mailboxes less than 2 weeks ago, and is the 4th item in my supporting materials (Feb. 4, 1997 - Peoples Natural Gas letter).

I draw your attention to the area that I've underlined in the 3rd paragraph. As I indicated earlier, the lines either don't belong to the utility, or were installed for the purpose of gathering gas. The certificate of service is theirs for the mere act of being the first to ask for it. Even though we've been forced to do business exclusively with the holder of the certificate of service, there doesn't seem to be much of an obligation on the part of the certificate holder when situations change. I'm going to take it a step further and charge that our business has been "cherry-picked" from others who might have served us were it not for the exclusive certificates of service. Now I know well that that's a term that you've only heard used by utilities in the past to justify their need for exclusive rights to an area. If that right isn't followed by *an obligation to serve and invest in infrastructure for the future*, then the utilities that hold these certificates of service are the "cherry-pickers", and they have done just that.

This committee can help correct that. You can include in the provisions of any bill you pass from this committee provisions that allow the state corporation commission to issue multiple certificates in the areas of the gathering systems currently certificated, free from the veto power of the current certificate holders. Competition and the marketplace will take care of the rest. The current certificate holders are going to scream about their "stranded investments", but we already know they are minimal, and what little investment there is only becomes "stranded" through their choice.

My last exhibit is a listing of the certified areas of natural gas public utilities in the State of Kansas. Not all of them provide service in the areas of the Hugoton Field, but many of them do. More than a few of them are asking that their gathering affiliates be completely deregulated, yet they want to

retain their exclusive rights and monopoly control over retail sales in the area of their gas gathering activities. That's not a level playing field, and it is devastating to our businesses.

I urge your acceptance of my suggested amendment to S.B. 148, and thank you for your consideration.

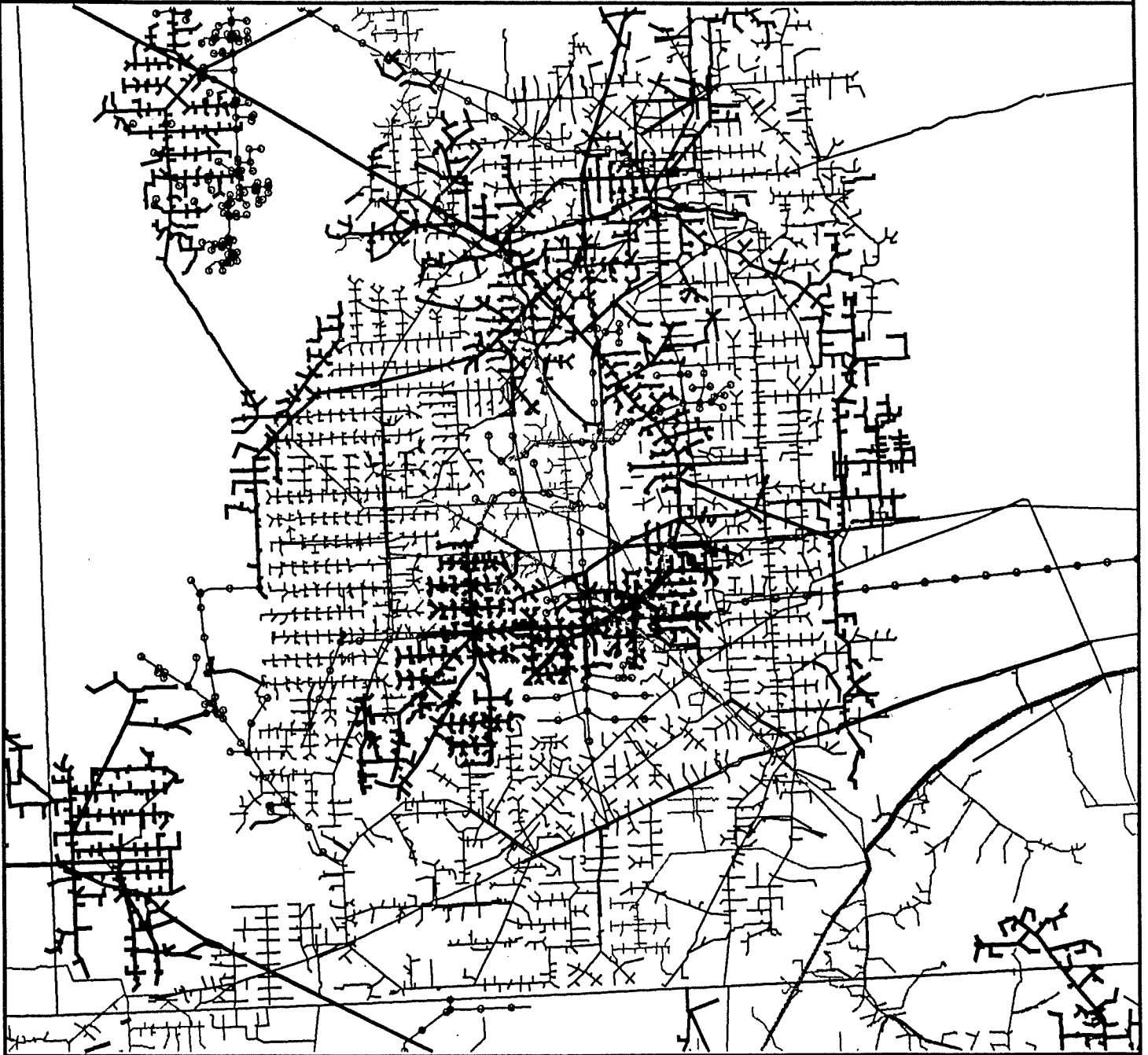
Randal Loder
535 E. Hwy. 50
Garden City, KS 67846-8024

316-275-1303 Phone/FAX/messages














Proposed amendment to S. B. 148

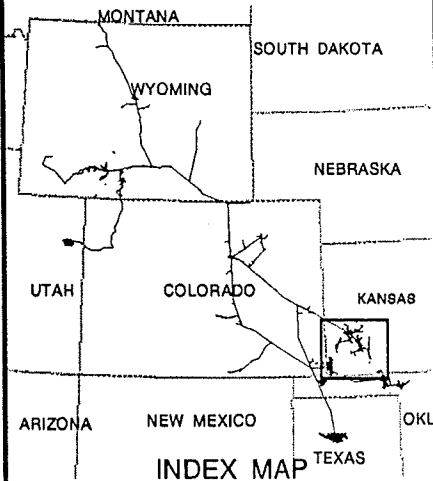
New Sec. 4. In any retail natural gas service area where the commission has granted a certificate of convenience and necessity to sell natural gas at retail from a gas gathering system, the commission may issue other certificates of convenience and necessity to make such sales in such area. A person purchasing natural gas or gas gathering services from a gas gathering system operator in a retail natural gas service area where the commission has issued more than one certificate of convenience and necessity shall not be assessed an exit fee for electing to purchase natural gas or gas gathering services from another gas gathering system operator.

HUGOTON



GATHERERS

- | | | | |
|---|--------------------|---|-----------|
|  | CIG Field Services |  | Mobil |
|  | ANGI |  | NNG |
|  | Vastar |  | PEPL |
|  | KN |  | Richfield |
|  | KP&L |  | Tekas |
|  | Mesa |  | Trident |
| | |  | Williams |





Example of equipment found at a typical irrigation "tap" on either the gathering system in the Hugoton Field, or a high pressure interstate pipeline transporting natural gas from the Field.

Irrigator takes ownership of gas at meter outlet at current rate utility is allowed to charge as determined by KCC. Irrigator provides and owns underground lines from meter to irrigation well.



Hugoton Field natural gas wellsite with pump and tank for produced water, 4 irrigation "taps" and meters. Gas enters the gathering system thru line entering ground at lower left.

Irrigator takes ownership of gas at meter outlet at a price negotiated with gas well producer. 10,500 feet of irrigator owned gas lines move the gas to the 4 irrigation wells on this section (640 ac.)

February 4, 1997

PEOPLES NATURAL GAS
ENERGYONE

RE: IMPORTANT NOTICE - Declining Gas Pressures on Pipeline Gathering Systems

Dear Peoples Natural Gas Customer:

Our records indicate that you receive gas service from Peoples Natural Gas through a pipeline gathering system owned by one of the following companies: Panhandle Eastern Pipeline, Anadarko, GPM or Northern Natural Gas.

Due to declining gas wellhead production, all of the above pipeline companies are systematically reducing the operating pressures of their gas gathering systems in an effort to maximize the production of the gas wells connected to their respective systems.

In the past these companies operated their gathering systems at pressures of approximately 50 lbs. or greater. The gathering system Peoples utilizes to serve you is scheduled to be lowered soon to 10 or 15 lbs. with the very likely chance that it will be lowered to even less pressure in the future.

The Peoples Natural Gas measurement station or meter that serves you is designed to operate at a pressure higher than 10-15 lbs. It will not measure accurately or provide sufficient gas flow under the lowered operating pressures. In some cases, Peoples may not be able to continue to provide gas service to customers attached to gathering systems because the lowered pressures will not provide sufficient volumes of gas on an hourly basis to meet the customer's needs.

Peoples Natural Gas is willing to assist you in determining if natural gas is still a viable energy option or if you will need to arrange for conversion to another source of energy. For your use, I have enclosed a Customer System Information worksheet. Please complete the worksheet and return it to the address shown for analysis of your natural gas needs.

I am making myself available to discuss your situation with you. Feel free to contact me at the Garden City office at (316)275-1183. Fred Taylor, Director of Operations in Liberal, Kansas is also prepared to answer your questions or concerns and can be reached at (316)624-1807.

Sincerely,

Don Bowlby
Consumer Market Representative

Enc.

CERTIFIED AREAS of Natural Gas Public
Utilities in Kansas, 1-18-96

Anadarko Gathering Company
Getty Gas Gathering, Inc.
Greeley Gas Company
K N Energy, Inc.
Kansas Gas Supply Corporation
Kansas Pipeline Partnership
Mac County Gas, Inc.
Miami Pipeline Company, Inc
MidWest Energy, Inc.
Twin County Gas Company, Inc.
United Cities Gas Company
Utilicorp United, Inc.
Western Resources, Inc.

Attach. 2

HEIN AND WEIR, CHARTERED
ATTORNEYS AT LAW
5845 S.W. 29th Street, Topeka, KS 66614-2462
Telephone: (913) 273-1441
Telefax: (913) 273-9243

Ronald R. Hein
Stephen P. Weir
Susan M. Baker

SENATE UTILITIES COMMITTEE
TESTIMONY RE: SB 148
Presented by Ronald R. Hein
on behalf of
MESA
February 19, 1997

Madam Chairman, Members of the Committee:

My name is Ron Hein, and I am legislative counsel for MESA. MESA is one of the nation's largest independent natural gas producers and currently has approximately 65% of its natural gas reserves in the state of Kansas.

MESA opposes SB 148 as the bill has been introduced. A Task Force on Gas Gathering was created to deal with an issue created when the Federal Energy Regulatory Commission (FERC) decided no longer to regulate gas gathering. This left certain pipelines which had been previously regulated with no regulation. Some feel that those pipelines should be regulated at the state level. MESA was not originally regulated by FERC, and sees no reason why their gas gathering system, which was built with MESA's private dollars, should now be subject to regulation. The pipelines which were originally regulated by FERC were generally built with Rate-payers funds.

During the 1996 Interim, the Task Force spent numerous days conducting hearings on this issue. Although there were persons who complained about problems in being able to hook up to gas gathering systems, upon further analysis and inspection of these complaints, there were generally problems with the quality of the gas or other problems that justified the actions that were taken by the pipeline or gas gathering system. In short, no evidence was presented to the task force sufficient to show any need for any kind of regulation on the industry, and certainly not the type of heavy-handed, bureaucratic, expensive, and time consuming regulations set out in SB 148.

MESA believes that there is no demonstrated need to regulate gas gathering. The more appropriate remedy would be to set up a toll free number within the Kansas Corporation Commission to allow individual well operators to file complaints if they feel they have been unreasonably denied access to a gas gathering system. In this way, there can be an informal process under the jurisdiction of the KCC that does not require expensive and time consuming hearings before the Commission, or the requirement for producers, pipelines, gatherers, or producer-gatherers to pay the cost of transporting personnel to Topeka to participate in legal proceedings. Should the KCC determine after a year of operating such a toll free number that there are sufficient complaints throughout the state to justify further regulatory action, then they could make a proposal to the 1998 Legislature.

SENATE UTIL
2-19-97
ATT 2

Should the legislature feel the need to respond to the small number of complaints which have been raised with the creation of a bureaucracy and a regulatory approach, MESA would strongly urge the legislature to utilize a "light-handed" approach to regulation, that is complaint-based, and which does not subject gas gathering activities to the expensive and bureaucratic procedures set out in the public utility statutes.

Therefore, if this Committee feels that action should be taken on SB 148, we would recommend adoption of the amendments which are set out in the balloon attached to this testimony.

These amendments would:

1. change the definition of gas gathering system so as to exclude the pipe within a gas processing plant immediately connected to a main transmission line.
2. remove gas gathering disputes from the public utility statutes and utilize a complaint process under Chapter 55, the conservation statutes. At least with regards to producer/gatherers such as MESA, the gathering system which is used for gas gathering were not paid for by rate payers under public utility law, but was paid for with the private investment of the producer/gatherer. To now subject that gas gathering system to public utility oversight, including the possibility of having rates set which would not adequately compensate the producer/gatherer for the services being rendered to the well operator, constitutes an unreasonable and unlawful confiscation of private property without just compensation.
3. exclude preparation of gas from the definition of gas gathering services.
4. The term "unfair" where it appears on Page 2, lines 38 and 40 and on Page 3, lines 8 and 9 would be deleted. Unfair is obviously an undefined term, and one that would be subject to such discretion as to almost automatically result in inconsistent rulings by the Corporation Commission. You can well imagine some of the evidence that could be presented by individuals who feel that paying for any transportation costs is unfair due to peculiar circumstances sustained by that individual, including health problems, financial problems, deaths in the family, and all sorts of other issues that are totally unrelated to gas gathering.
5. The insert on Page 3, line 6, sets out requirements for the person wanting to hook up to a gas gathering system. MESA is one company which is extremely desirous of having additional wells hooked up to our system. MESA does so because we are desirous of getting additional gas to be processed in our Satanta gas processing plant. Negotiations with producers are generally couched in terms of a win/win situation, where MESA will process the gas for a fee, which results in MESA and the individual producer benefiting because the value of that natural gas is maximized by the gas processing itself. Therefore, there is no specifically direct charge for transportation of gas, as is often the case with certain other pipelines.

However, it is very important to MESA that the gas entering our system meets certain criteria relating to the content of nitrogen, carbon dioxide, water, hydrogen sulfide, and other contaminants, so as not to contaminate the gas contained therein. In addition, tie-ins may be subject to certain pressure and volume restrictions depending upon its location on our system. The person complaining that they are unable to hook up to a natural gas gathering system should have the requirement of proving that their gas meets such foregoing criteria.

6. Lastly, the amendment proposed for insertion after Page 3, Line 11, is designed to insure that the Commission utilizes the most informal and least costly process to solve any complaints prior to requiring a hearing in Topeka to which the producer and the gas gatherer must send representatives.

Any regulation should provide for exempting gas processors such as MESA who gather only as a means of getting gas to the point of processing. If the producer were to build a pipeline directly to our processing plant gate, and deliver the gas there, MESA does not believe that the cost of processing alone would be deemed to be gas gathering under anybody's definition. And, since MESA does not specifically charge for transporting the gas from the location of the producer's well to the gate at the MESA processing plant, there can certainly be no complaints raised about the transportation fee, and therefore no regulation should be necessary under such circumstances.

In conclusion, we would urge the Committee to reject SB 148, and instead to utilize a resolution or some other mechanism to encourage if not mandate the KCC to set up an informal complaint mechanism which can be reviewed after this year to determine the true extent of the problem relating to producers who are not able to get hooked up to pipelines. Based upon the evidence presented this summer, once again, there does not appear to be any kind of major problem.

If the Committee decides to proceed with legislation rather than utilizing an informal complaint mechanism with the KCC, MESA would strongly propose the adoption of the amendments attached. If the amendments are not adopted, MESA would urge the Committee to report SB 148 adversely.

Thank you very much for permitting me to testify, and I will be happy to yield to questions.

SENATE BILL No. 148

By Committee on Utilities

1-30

9 AN ACT concerning oil and gas; relating to natural gas gathering systems;
10 providing for regulation of certain entities; concerning certain natural
11 gas public utilities and common carriers; amending K.S.A. 1996 Supp.
12 55-150 and repealing the existing section.

13

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

15 Section 1. K.S.A. 1996 Supp. 55-150 is hereby amended to read as
16 follows: 55-150. As used in this act unless the context requires a different
17 meaning:

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

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

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

25 (d) "Gas gathering system" means a natural gas pipeline system used
26 primarily for transporting natural gas from a wellhead, or a metering point
27 for natural gas produced by one or more wells, to a point of entry into a
28 main transmission line, but shall not mean or include: (1) the gathering
29 of natural gas produced from wells owned and operated by the gatherer
30 and where the gathering system is used exclusively for its own private
31 purposes; (2) Lead lines from the wellhead to the connection with the
32 gathering system which are owned by the producing entity person; and
33 (3) (2) gathering systems used exclusively for injection and withdrawal
34 from natural gas storage fields which remain jurisdictional to the federal
35 energy regulatory commission.

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

39 (f) "Person" means any natural person, partnership, governmental or
40 political subdivision, firm, association, corporation or other legal entity.

41 (g) "Rig" means any crane machine used for drilling or plugging
42 wells.

43 (h) "Usable water" means water containing not more than 10,000

or a gas processing plant immediately connected into a main
transmission line

2-4

- 1 milligrams per liter, total dissolved solids.
- 2 (i) "Well" means a hole drilled or recompleted for the purpose of:
- 3 (1) Producing oil or gas;
- 4 (2) injecting fluid, air or gas in the ground in connection with the
- 5 exploration for or production of oil or gas;
- 6 (3) obtaining geological information in connection with the explora-
- 7 tion for or production of oil or gas by taking cores or through seismic
- 8 operations;
- 9 (4) disposing of fluids produced in connection with the exploration
- 10 for or production of oil or gas;
- 11 (5) providing cathodic protection to prevent corrosion to lines; or
- 12 (6) injecting or withdrawing natural gas.

13 New Sec. 2. The term "public utility" as used in K.S.A. 66-104, and
 14 amendments thereto, and the term "common carriers" as used in K.S.A.
 15 66-105, and amendments thereto, shall not include a gas gathering sys-
 16 tem, as defined in K.S.A. 55-150, and amendments thereto, unless the
 17 commission, upon application or complaint, and after notice and hearing,
 18 determines that within the area of service, or proposed service, of such
 19 gas gathering system, competitive market conditions do not exist and that:
 20 (a) The gas gathering system has, is or is about to engage in abusive
 21 monopolistic practice which is inimicable to the public interests; or
 22 (b) gas gathering services are not likely to be effectively and effi-
 23 ciently furnished unless a certificate of necessity and convenience and
 24 exclusive market territory is granted, with rates and practices established
 25 by the commission as in the case of other public utilities.

Delete

26 New Sec. 3. (a) As used in this section:
 27 (1) "Commission" means the state corporation commission;
 28 (2) "gas gathering services" means the gathering [or preparation] of
 29 natural gas for transportation, whether such services are performed for
 30 hire or in connection with the purchase of natural gas by the gatherer;
 31 (3) "person" means any natural person, partnership, governmental or
 32 political subdivision, firm, association, corporation or other legal entity.
 33 (b) No person offering gas gathering services shall deny access to any
 34 person seeking such services in a manner which is unduly, unlawfully, or
 35 unreasonably discriminatory or unfair.
 36 (c) No person performing gas gathering services shall charge a fee
 37 for such services, or engage in any practice in connection with such serv-
 38 ices, which is unduly, unlawfully or unreasonably discriminatory or unfair.
 39 Any person seeking a gas gathering service who is aggrieved by reason of
 40 any such unduly, unlawfully or unreasonably discriminatory [or unfair] fee
 41 or practice may file a complaint with the commission. If the commission
 42 makes a factual determination that competitive gathering conditions do
 43 not exist for the gathering of the complainant's natural gas, the commis-

Delete

Delete

Delete

2-5

1 sion may resolve the complaint by use of an informal procedure estab-
 2 lished by the commission pursuant to rules and regulations adopted by
 3 the commission or the commission may conduct a hearing and take evi-
 4 dence as necessary to determine the merits of the complaint. The hearing
 5 shall be conducted and notice given in accordance with the Kansas ad-
 6 ministrative procedure act. Upon such hearing, the commission shall have
 7 authority to order the remediation of any unduly, unlawfully or unrea-
 8 sonably discriminatory [or unfair] fee for gathering services, or any unduly,
 9 unlawfully or unreasonably discriminatory [or unfair] practice in connection
 10 with such services, to the extent necessary for remediation as to the ag-
 11 grieved person with respect to the particular fee or service involved.
 12 (d) Nothing in this act shall be construed, or authorize the commis-
 13 sion, to amend or otherwise affect any contractual obligations between
 14 the gatherer and the complainant or rights which may otherwise exist.
 15 Sec. 4. K.S.A. 1996 Supp. 55-150 is hereby repealed.
 16 Sec. 5. This act shall take effect and be in force from and after its
 17 publication in the statute book.

Any aggrieved party as referred to in this act shall be required to allege and prove to the satisfaction of the Commission that the operator of the natural gas gathering system has sufficient facilities to accommodate the complainant's natural gas without adversely impacting the gatherer's ability to continue gathering gas already connected and in no instance shall the Commission require a gathering operator to construct facilities; further the aggrieved party must allege and prove that there is not another natural gas gathering system conveniently located to gather the complainant's gas, that the quality and pressure of the complainant's natural gas will not have an adverse effect on the gatherer's facilities or the safety thereof; and the complainant's gas is of the quality and content consistent with gas being gathered by the gathering system.

Delete

Delete

(d) Prior to conducting a hearing, the Commission may attempt to informally resolve the complaint through a non-binding mediation process established by the Commission pursuant to rules and regulations adopted by the Commission.

26

TESTIMONY OF STEVE ZUCKWEILER

PRESENTED

TO THE

SENATE UTILITIES COMMITTEE

BY

DAVID B. SCHLOSSER

OF

PETE MCGILL & ASSOCIATES

ON BEHALF OF

THE COASTAL CORPORATION
AND COASTAL FIELD SERVICES

SENATE BILL 148

18 FEBRUARY 1997

TESTIMONY OF STEVEN ZUCKWEILER
PRESIDENT, COASTAL FIELD SERVICES

Mr. Chairman and members of the Task Force:

My name is Steve Zuckweiler, and I am President of Coastal Field Services ("CFS"). CFS is a subsidiary of The Coastal Corporation, a Houston-based diversified energy holding company with operations in natural gas marketing, transmission and storage, petroleum refining and marketing, oil and gas exploration and production, coal, chemicals and independent power production.

Coastal Field Services has 3600 miles of gathering lines that are connected to nearly 3200 wells in 8 states, gathering a total of 940 million cubic feet of gas per day. Over 1000 of these wells are located in the Hugoton and Greenwood Fields here in Kansas. Field Services' total plant investment in Kansas is nearly \$90 million, and we employ approximately 65 people in this state. In addition, CFS has seven processing plants and also has interests in three plants that are operated by others.

I appreciate the opportunity to come before you today to discuss the regulation of gas gathering. Our industry, as you know, is in a state of transition, and the issue you are examining today is a direct result of that. Historically, the gathering and processing of gas was just one of the many services a pipeline offered its customers, and the rates for these services were combined into one overall charge. Gathering was considered a means to the end -- getting one's gas to the city gate -- and was not recognized as a distinct or a separate service. As a result, pipeline customers -- and indeed, the pipelines themselves -- often did not know the true value

and the true cost of these services. Producers were simply unaware of the costs attributed specifically to that service, and in many cases were unprepared for the reality of having to pay for that service which, in our experience, equates to approximately 10 percent of the cost of the gas delivered to the city gate.

Beginning in the 1980's, the gas pipeline industry began to be deregulated, culminating with Order 636 in 1992. As a result of deregulation, pipelines could no longer offer bundled packages of services, and were required to unbundle gathering, processing, storage, transmission and other services and to charge separately for them.

Because these services needed to be distinct from the pipeline, pipeline companies began spinning off their gathering and processing businesses. Coastal did exactly that, forming Coastal Field Services earlier this year by combining the gathering and processing assets of Coastal's two major interstate pipelines, ANR and CIG, together with an existing gathering and processing system based in Houston.

As these business operations were spun off, they no longer fell within the definition of a gas company as defined in the Natural Gas Act. As such, they fell outside the regulatory authority of the Federal Energy Regulatory Commission, and the FERC, which has historically regulated the gas industry, declared its position that gathering regulation should be performed at the state rather than the federal level. (It is important to note, however, that the FERC has retained discretion to re-enter the regulation of gatherers affiliated with interstate pipelines should abuse be found, a point I will come back to later.)

All of the uncertainties caused by this transition from being part of a regulated monopoly to becoming a competitive industry and the corresponding shift away from the FERC's

regulation have led several states to examine their role in regulating gathering. There have been cries by certain interest groups for creation of extensive regulations, including public posting of contracts and utility commission regulation of gathering rates. Frankly, these ideas are unwarranted. Before any state rushes to fill a perceived void in regulation, it is important to take a step back, gain an understanding of the gathering business, and ask the fundamental question of whether there is even a problem that needs to be fixed.

Some of those arguing for strong regulation cite examples where they claim to have been unfairly treated by a gatherer that charges too much or refuses to connect to a well. While I am not familiar with all of these complaints, I would argue that many of the decisions that lead to these complaints are based on sound business judgment and not some kind of intent to cause harm. I know for a fact that that is the case with my company.

A fundamental and critical point that needs to be emphasized is that it is in the gatherers' business interest to hook up every well possible. Connecting new wells is the very nature of our business. The natural decline in production from gas wells is a constant motivation for a gatherer to provide service to new wells. The additional throughput from the new wells will offset the decline in deliverability and volumes from the existing wells already connected to the gatherers' system. To turn away new gas is thus not a "natural motive" for any gathering company in business to make money.

Factors bearing on the decision to connect or not to connect

There are many sound business factors that impact the terms, conditions and rates associated with connecting a well. These are factors relating to changes in the volumes or pressure or other critical characteristics that bear on the physical operation of the facilities and

FROM: COASTLINE OIL & GAS 303 573 4418 100716 10 1002 1001 100011

the cost. Because of these factors, the "open access type" requirements which might work well on an interstate pipeline regulated by the FERC or a locally regulated intrastate pipeline or gas utility are not appropriate for gathering systems.

(REFER TO SCHEMATIC)

Location and Deliverability of wells

One such factor involves the simple issue of how remote the well is from the gathering system. Because it costs an estimated \$80,000 per mile to build a gathering line, the economics of connecting a new well located some miles away from an existing gathering system become less attractive the farther the well is from the system.

Likewise, a well which produces 1,000 Mcf/day may support a gathering extension which would not be economic if the well produced 100 Mcf/day.

Pressures and gathering line operational dynamics

Another factor is pressure. All gas wells produce at some level of pressure. If the pressure of the well is high, then the gas comes to the ground at a high pressure. If it is low, as is typical of older fields and wells, the gas will simply not enter the gathering lines unless the operating pressure on those lines is less than the pressure of the gas at the wellhead--this is simply a matter of physics. In such circumstances, it is necessary to reduce the pressure of the gathering line through compression or other means.

A gatherer that is evaluating whether to connect a low pressure well to its system will have to consider the impact of that well on its overall system. If, for example, that well cannot

produce into the gathering system given the operating pressure of the system, then additional compression may have to be installed, existing compression modified, the gathering line itself modified, or the gatherer may simply decline to connect the well.

On the other extreme, connecting a high pressure well may "overcharge" the gathering system and result in reduced production capability from other wells, or even shutting-in of other nearby wells. This may require modification of existing compression pressures, or even modifying compressor units to provide the new service. Making these kinds of operating changes to a particular gathering system can affect the terms, conditions and rates for connecting a new well.

Capacity limitations

A third factor is capacity. The capacity of any segment of pipeline is determined by the size of the pipe and its length, as well as the pressure at which it operates. A 4-inch pipe operated at 150 psig has about 70 percent more capacity than the same pipe operated at 100 psig. Consequently, while a well may be located close to an existing gathering line, that line may not have sufficient capacity to handle the additional volume. For instance, if the nearest line were a 4-inch line operated at 100 psig there might not be adequate capacity in that line to accommodate more volume without increasing the pressure in that line to something higher--and thereby shutting in all the other wells connected to that line that might only be able to produce against the hypothetical 100 psig pressure. Such a circumstance could well require that the gatherer build a much longer line to connect the specific well to a different, larger, gathering line, possibly miles away from the specific well.

Compression issues

A fourth factor is that different points on a gathering system have different pressure requirements in order to allow gas to flow. At the remote ends of the system, the gathering lines may operate at very low pressures, with higher pressures toward the "core" of the gathering system. The lines may further be compressed up to near "mainline" pressure at the terminus of a gathering system where it interconnects with a longer-haul pipeline. Addition of new wells to an existing system can dramatically affect field compression or even gathering-to-mainline compression. For instance, if the compression serving a particular system is already maximized, the gathering company would be required to invest new capital to install additional compression horsepower to take the additional volumes. Those expenditures could well be uneconomic unless the additional wells will provide substantial incremental throughput sufficient to amortize the additional investment or the gatherer charges the shipper a higher rate than is being charged to the existing customers.

Gas quality and protection of existing customers

A fifth issue is the quality of the gas produced by those wells. The marketability of gas is dependent upon the BTU content and the amount of elements contained in the gas. Individual wells in a producing field can have different or varying degrees of liquids or other contaminants in the gas stream from the well. Gatherers must therefore evaluate whether accepting gas from a new well would have any adverse impact on other customers' gas quality and whether special processing or treating facilities are needed to make it of acceptable quality. If additional treating or conditioning or processing are required the gatherer might reasonably insist on different terms of access, including higher rates.

Previous commitments and dedications

Finally, the customers of a gatherer frequently want to guarantee the availability of space in the gathering system to meet their future development and production needs. This often results in producers dedicating gas to a particular gathering company in exchange for the gatherer's commitment to "hold" capacity for that gas. Another way in which gathering shippers seek to assure themselves of future access is through pressure limitations--specifying that at no time will the pressure in a particular system exceed an agreed-upon level and possibly seeking guarantees for future pressure reductions. In order to honor these long-range commitments, gathering companies may be compelled to decline requests to connect other gas supplies to the relevant systems even where there might "appear" to be available capacity.

All of these factors can have a direct bearing on whether to connect a particular well and what the gatherer must charge for service. Because of the degree of physical "integration" of all aspects of the operation of individual gathering systems and sub-systems, gathering activities are simply not comparable to the long-haul and high pressure pipelines in which system users are similarly situated with most other system users. Small operating changes in volume or well-head pressures that can have a dramatic effect on the gatherer's costs and economics are virtually undetectable in the operation and economics of a high pressure interstate pipeline. Thus the "model" of an interstate pipeline--with its "generally applicable" rates and charges for specific services that can be posted on an electronic bulletin board or on a tariff sheet--does not fit the gathering activity.

The overall state of the gathering industry

It is important not only to understand these characteristics of a particular gatherer's

operation, but to also understand the overall state of the industry. Many of those calling for regulation argue that gatherers have a monopoly from which a producer needs protection. That is simply not the case.

(REFER TO SPAGHETTI BOWL MAP)

This map is from the Hugoton Field in southwestern Kansas, and it illustrates just how competitive this business is. A 1994 analysis of gathering in five producing states (Colorado, Kansas, New Mexico, Oklahoma and Texas) conducted by Foster & Associates found that there are over 200 separate entities in Kansas engaged in the gathering business and more than 7,000 miles of gathering lines in the state. In 1994, before Coastal Field Services had been formed, CIG was connected to 700 wells in the Hugoton Field and 70 percent of those wells were located one mile or less from a competing gathering system. And that is typical of gathering systems throughout the region. The 1994 Foster report found that in the states studied, the typical well required just under 1 mile of pipe to connect it to a gathering system. At a cost of approximately \$80,000--which the study reports is less than 10 percent of the total exploration and development costs for a well -- virtually any entity capable of investing in the cost of drilling a well could bear the cost of connecting that well to an existing gathering system in this field.

It is also important to note that it is not just affiliates of interstate pipeline companies that are in the business of gathering. On a national basis, major and independent oil companies control more of the volume of gas gathered in the U.S. than do interstate pipelines. Thus, there are numerous competitive gathering alternatives available to producers for virtually every gas

well in the state.

Finally, I would like to briefly discuss the experience of the FERC and other states in the regulation of gathering. Some have argued that, with the FERC getting out of the business of regulating gathering, producers will have no protection and abuses will run rampant. The evidence, however, is to the contrary.

- X Since setting up a hotline in 1994 for complaints about gathering, the FERC has received only 11 complaints, of which only a few concerned rates or access issues.
- X Only nine cases have been filed with the Oklahoma Corporation Commission since that state established a complaint mechanism, of which two were dismissed at the request of the applicant, one is on appeal on a procedural matter, one is near decision and five are under consideration.
- X Although only in operation for a couple of months, a hotline established by the Texas Railroad Commission has received only a handful of calls, despite the fact that a mailing was sent to over 5000 producers notifying them of this complaint mechanism.

And, as I noted earlier, if a producer has been the subject of unfair practices by an affiliate of an interstate pipeline, the FERC has retained the authority to re-enter the field of gathering regulation. Therefore, producers who had been protected in the past by the FERC will continue to have ultimate protection from that agency.

Conclusion

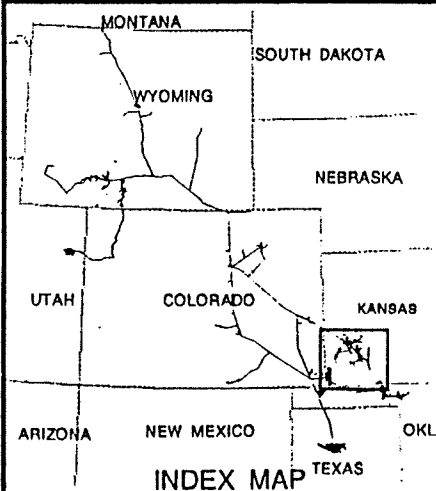
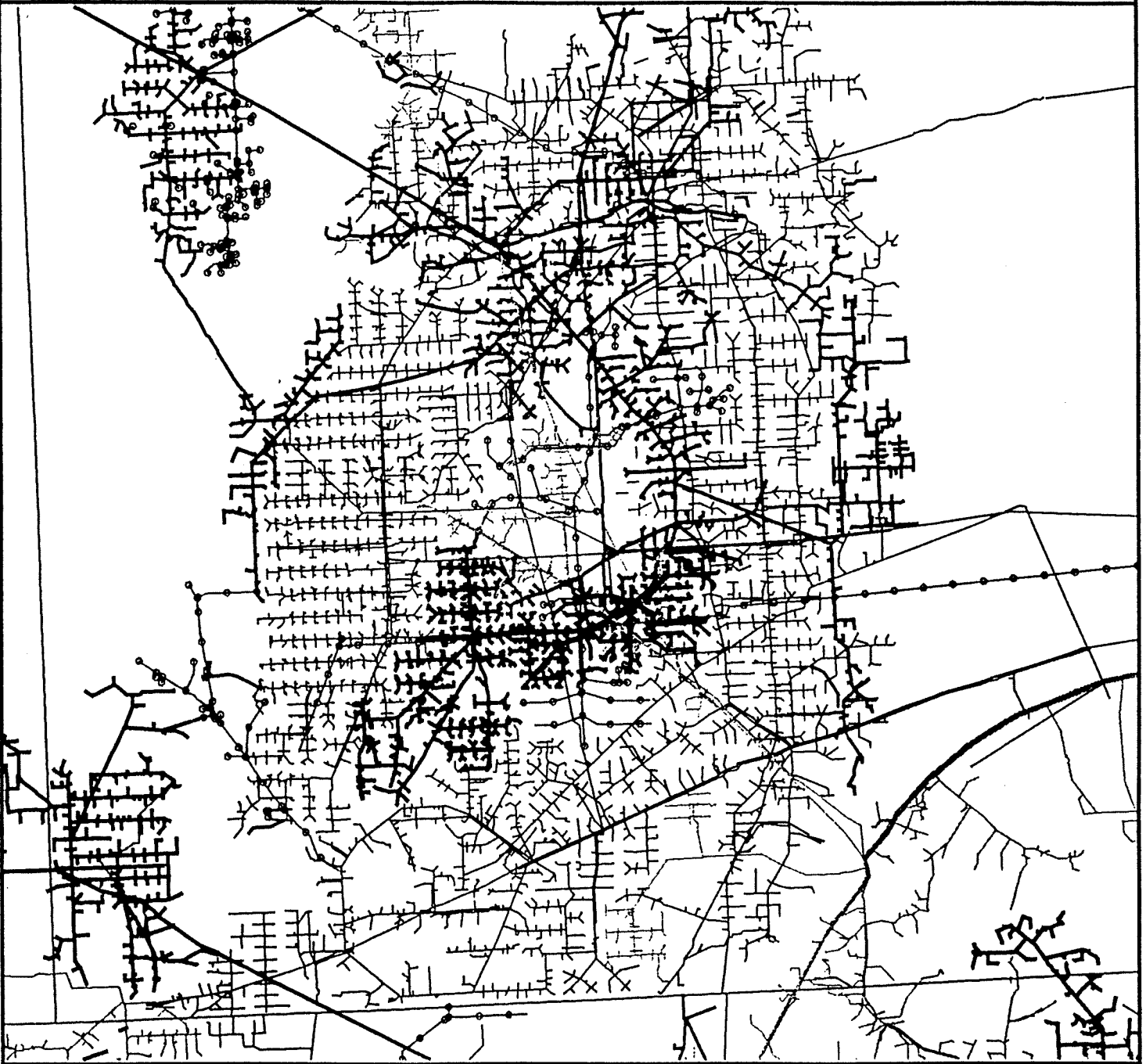
In conclusion, we see no need for the state of Kansas or any other state to aggressively regulate gathering. There is little if any evidence that there is a problem that requires regulation,

It is frankly questionable as to whether or not this is merely a "red herring" issue being pushed by specific segments of the gas industry to further specific agendas. I do not believe regulation should be created and implemented on the basis of some undefined anticipated problem.

Gathering is a highly competitive business which does not require "open access" or rate regulation. There are numerous factors in this business that bear on what might appear to be simple issues. What might appear to be a case of refusal to connect a well may be nothing more than an appropriate "protection" by the gatherer for its existing system operations and the integrity of its existing contract customers. Likewise, what might appear to be unfair rates may be a reflection of specific operating costs which relate to a single shipper or group of shippers but not to others.

Gathering systems are highly competitive and very sensitive to changes in operations. The "model" of a single posted rate for gathering simply does not work in the context of these much smaller, operationally integrated gathering systems. Issues of access or claims of unreasonable rates and charges must be fully analyzed from both sides of the issue. Move cautiously and thoughtfully, and we look forward to working with you in this process.

HUGOTON

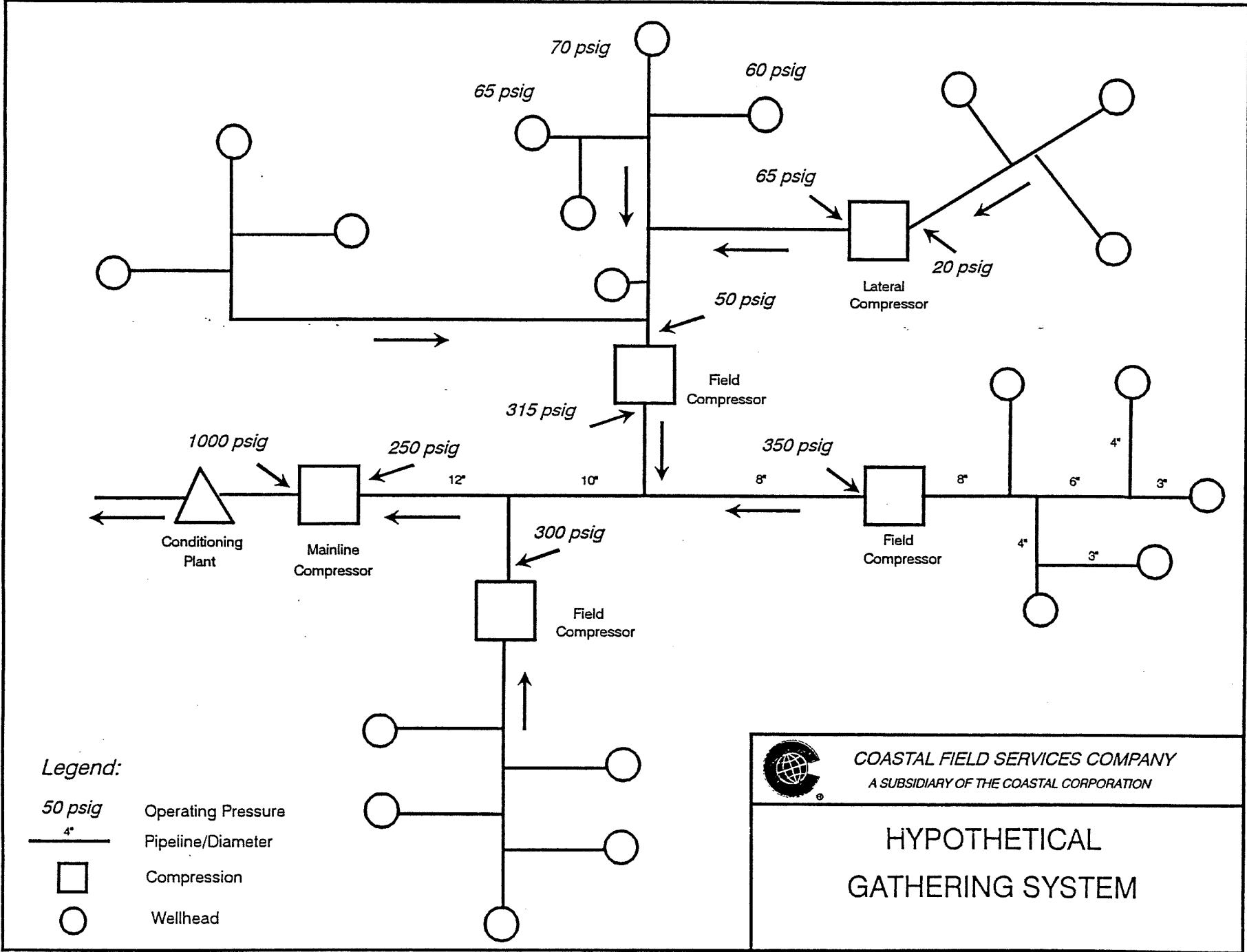


GATHERERS

- | | | | |
|--|--------------------|--|-----------|
| | CIG Field Services | | Mobil |
| | ANGI | | NNG |
| | Vastar | | PEPL |
| | KN | | Richfield |
| | KP&L | | Tekas |
| | Mesa | | Trident |
| | | | Williams |


home/cpgg/1h/has ns/4/pom-2.apr

04P / 1/25/94



Legend:

- 50 psig Operating Pressure
- 4" Pipeline/Diameter
- Compression
- Wellhead

 **COASTAL FIELD SERVICES COMPANY**
A SUBSIDIARY OF THE COASTAL CORPORATION

**HYPOTHETICAL
GATHERING SYSTEM**

3-14

1 sion may resolve the complaint by use of an informal procedure estab-
 2 lished by the commission pursuant to rules and regulations adopted by
 3 the commission or the commission may conduct a hearing and take evi-
 4 dence as necessary to determine the merits of the complaint. The hearing
 5 shall be conducted and notice given in accordance with the Kansas ad-
 6 ministrative procedure act. Upon such hearing, the commission shall have
 7 authority to order the remediation of any ~~unduly, unlawfully or unrea-~~
 8 ~~sonably discriminatory or unfair~~ fee for gathering services, or any ~~unduly,~~
 9 ~~unlawfully or unreasonably discriminatory or unfair~~ practice in connection
 10 with such services, to the extent necessary for remediation as to the ag-
 11 grievd person with respect to the particular fee or service involved.

12 (d) Nothing in this act shall be construed, or authorize the commis-
 13 sion, to amend or otherwise affect any contractual obligations between
 14 the gatherer and the complainant or rights which may otherwise exist.

15 Sec. 4. K.S.A. 1996 Supp. 55-150 is hereby repealed.

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

The commission shall not be required to hold a hearing
 if competitive conditions do not exist.

unjust, unreasonable, unjustly discriminatory or unduly preferential
 unjust, unreasonable, unjustly discriminatory or unduly preferential



ATTACH. 4

Kansas Corporation Commission

Bill Graves, Governor Timothy E. McKee, Chair Susan M. Seltsam, Commissioner John Wine, Commissioner
Judith McConnell, Executive Director David J. Heinemann, General Counsel

MINORITY REPORT By Timothy E. McKee, Chair State Corporation Commission

December 23, 1996

After having reviewed the proposed bill pertaining to regulation of gas gathering, I feel that it is necessary to express areas of concern so that all parties will be made aware of the position that the State Corporation Commission will take upon introduction of the same. The following will represent amendments that will be suggested by the Commission to the appropriate committees.

Under New Section 2, gas gathering systems are excluded from the definitions of "public utility" and "common carrier" under Chapter 66 of the Kansas Statutes Annotated. However, that section goes on to state that they will be reclassified as a utility if the Commission upon application and hearing determines that (a) "the gas gathering system has, is or is about to engage in abusive monopolistic practice which is inimicable to the public interests. . . ." As an attorney I am of the opinion that the phrase "is about to engage" is unconstitutionally vague. Otherwise it appears that it is the intent to punish a gas gatherer for an abusive practice by imposing a public utility status.

New Section 2 (b) is somewhat superfluous as any party applying for a certificate of necessity and convenience and exclusive market territory is a utility and would not qualify as a gas gathering system.

Under New Section 3, the use of the word "unfair" is extremely vague and ambiguous. It does not establish a standard which is easily discernable by the parties being regulated. It appears that the philosophy for this change was that if a gas gathering system treated all customers unfairly that it would not constitute discrimination because it was administered on an equal basis. However, just as under Chapter 55 we are not allowed to discriminate in the taking of gas from one reservoir over another, the same standard should apply in comparing discriminatory practices between different gatherers. If one gatherer is charging unjustly then that would be discrimination as opposed to a gas gatherer who negotiates prices as part of an arms length transaction.

SENATE UTIL
~~12-19-97~~
ATT. 4

MEMO

December 23, 1996

Finally New Section 3 (c) states:

If the Commission makes a factual determination that competitive gathering conditions do not exist for the gathering of the complainant's natural gas, the commission may resolve the complaint by use of an informal procedure established by the commission pursuant to rules and regulations adopted by the commission or the commission may conduct a hearing and take evidence as necessary to determine the merits of the complaint.

This apparently requires that the Commission hold a hearing in order to make a factual determination that competitive gathering conditions do not exist and then determine whether they wish to refer it to an informal procedure or schedule a second hearing to take evidence to determine the merits of the complaint. I do not believe the committee intended the commission to have to hold two hearings on every complaint that is received. The factual determination that competitive gathering conditions do not exist should be one of the findings under either the informal procedure or as part of the formal hearing. Such an issue would always be a threshold question in either setting. However, to direct that a factual determination be made before assigning the complaint for resolution under the procedure established is unnecessary and costly.

The Commission feels that having an informal tool, such as mediation, available is a good idea but it should be within the discretion of the Commission as to where it is invoked. There should be only one fact or evidentiary hearing to resolve a complaint.

jlp

ATTACH 5

AMENDMENT OFFERED BY
KANSAS CORPORATION COMMISSION
TO SENATE UTILITIES COMMITTEE

Tim MCKe
Attach. 5
SENATE UTIL
2-19-99
4-3

Session of 1997

SENATE BILL No. 148

By Committee on Utilities

1-30

9 AN ACT concerning oil and gas; relating to natural gas gathering systems;
10 providing for regulation of certain entities; concerning certain natural
11 gas public utilities and common carriers; amending K.S.A. 1996 Supp.
12 55-150 and repealing the existing section.

13
14 *Be it enacted by the Legislature of the State of Kansas:*

15 Section 1. K.S.A. 1996 Supp. 55-150 is hereby amended to read as
16 follows: 55-150. As used in this act unless the context requires a different
17 meaning:

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

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

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

25 (d) "Gas gathering system" means a natural gas pipeline system used
26 primarily for transporting natural gas from a wellhead, or a metering point
27 for natural gas produced by one or more wells, to a point of entry into a
28 main transmission line, but shall not mean or include: (1) ~~the gathering~~
29 ~~of natural gas produced from wells owned and operated by the gatherer~~
30 ~~and where the gathering system is used exclusively for its own private~~
31 ~~purpose;~~ (2) Lead lines from the wellhead to the connection with the
32 gathering system which are owned by the producing entity person; and
33 (3) (2) ~~gathering systems used exclusively for injection and withdrawal~~
34 ~~from natural gas storage fields which remain jurisdictional to the federal~~
35 ~~energy regulatory commission.~~

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

39 (f) "Person" means any natural person, partnership, governmental or
40 political subdivision, firm, association, corporation or other legal entity.

41 (g) "Rig" means any crane machine used for drilling or plugging
42 wells.

43 (h) "Usable water" means water containing not more than 10,000

4-4

- 1 milligrams per liter, total dissolved solids.
- 2 (i) "Well" means a hole drilled or recompleted for the purpose of:
- 3 (1) Producing oil or gas;
- 4 (2) injecting fluid, air or gas in the ground in connection with the
- 5 exploration for or production of oil or gas;
- 6 (3) obtaining geological information in connection with the explora-
- 7 tion for or production of oil or gas by taking cores or through seismic
- 8 operations;
- 9 (4) disposing of fluids produced in connection with the exploration
- 10 for or production of oil or gas;
- 11 (5) providing cathodic protection to prevent corrosion to lines; or
- 12 (6) injecting or withdrawing natural gas.

13 New Sec. 2. The term "public utility" as used in K.S.A. 66-104, and
 14 amendments thereto, and the term "common carriers" as used in K.S.A.
 15 66-105, and amendments thereto, shall not include a gas gathering sys-
 16 tem, as defined in K.S.A. 55-150, and amendments thereto, unless the
 17 commission, upon application or complaint, ~~and after notice and hearing,~~

DELETE

- 18 determines that within the area of service, or proposed service, of such
- 19 gas gathering system, competitive market conditions do not exist and that:
- 20 (a) ~~The gas gathering system has, is or is about to engage in abusive~~
- 21 ~~monopolistic practice which is inimicable to the public interests, or~~
- 22 (b) gas gathering services are not likely to be effectively and effi-
- 23 ciently furnished unless a certificate of necessity and convenience and
- 24 exclusive market territory is granted, with rates and practices established
- 25 by the commission as in the case of other public utilities.

DELETE

26 New Sec. 3. (a) As used in this section:

- 27 (1) ~~"Commission" means the state corporation commission;~~
- 28 (2) "gas gathering services" means the gathering or preparation of
- 29 natural gas for transportation, whether such services are performed for
- 30 hire or in connection with the purchase of natural gas by the gatherer;
- 31 (3) ~~"person" means any natural person, partnership, governmental or~~
- 32 ~~political subdivision, firm, association, corporation or other legal entity.~~

DELETE

DELETE

- 33 (b) No person offering gas gathering services shall deny access to any
- 34 person seeking such services in a manner which is ~~unduly, unlawfully, or~~
- 35 ~~unreasonably discriminatory or unfair.~~

unjust, unreasonable, unjustly discriminatory or unduly preferential

- 36 (c) No person performing gas gathering services shall charge a fee
- 37 for such services, or engage in any practice in connection with such serv-
- 38 ices, which is ~~unduly, unlawfully or unreasonably discriminatory or unfair.~~

unjust, unreasonable, unjustly discriminatory or unduly preferential

39 Any person seeking a gas gathering service who is aggrieved by reason of

40 any such ~~unduly, unlawfully or unreasonably discriminatory or unfair~~ fee

41 or practice may file a complaint with the commission. If the commission

unjust, unreasonable, unjustly discriminatory or unduly preferential

42 ~~makes a factual determination~~ that competitive gathering conditions do

43 not exist for the gathering of the complainant's natural gas, the commis-

DETERMINES