

MINUTES OF THE SENATE UTILITIES COMMITTEE.

The meeting was called to order by Chairman Senator Stan Clark at 9:30 a.m. on March 15, 2001 in Room 231-N of the Capitol.

All members were present except: Senator Taddiken, excused

Committee staff present: Raney Gilliland, Legislative Research
Emalene Correll, Legislative Research
Tom Severn, Legislative Research
Bruce Kinzie, Revisor of Statutes
Lisa Montgomery, Revisor of Statutes
Ann McMorris, Secretary

Conferees appearing before the committee: none

Others attending: See attached list.

Chairman urged the members to read the article "Reinventing the Power Grid" distributed by Tom Severn of the Research staff. This covers issues that the committee will need to address. (Attachment 1)

The following documents were distributed to the committee:

1. Revised Draft Report by the Senate Committee on Utilities to the Senate Committee on Ways and Means, dated March 22, 2000. (Attachment 2)

2. Addenda to the minutes of the March 9, 2001 meeting of Industry Leaders distributed at the March 14 Senate Utilities meeting. (Attachment 3)

3. Press Release "UtiliCorp to purchase power generation from largest wind project constructed in Kansas" (Attachment 4)

Chair opened for discussion on

HB 2397 - Intervention of cities in rate hearings before the corporation commission

Moved by Senator Brownlee, seconded by Senator Barone, to amend HB 2397 by deleting the word "city" in line 13 and inserting the word "municipality" and to change effective date from publication in statute book to publication in the Kansas Register. Motion carried

No further action taken on **HB 2397**.

Chairman opened for discussion on the draft "bkpsecs". Bruce Kinzie of Revisor of Statutes office and Raney Gilliland of Legislative Research reviewed various aspects of the draft. (Attachment 5)

Moved by Senator Lee, seconded by Senator Emler, to amend exempting gas storage regulated by KCC in Section D on the first page of the draft. Motion carried.

Moved by Senator Lee, seconded by Senator Emler, to amend on page 1 by adding language in (a) (2) the safe and secure underground "reservoirs used for" storage of liquid petroleum gas and hydrocarbons other than those provided for in paragraph (3). Motion carried.

Moved by Senator Lee, seconded by Senator Lyon, to amend (on page 10) 74-623 (a)(1) by making an exception to the exception. Motion carried.

CONTINUATION SHEET

MINUTES OF THE SENATE UTILITIES COMMITTEE at 9:30 a.m. on March 15, 2001 in Room 231-N of the Capitol.

Moved by Senator Lee, seconded by Senator Emler, to amend **bkpsecs**, New Sec. Page 1 - insert language with penalty provisions. Motion carried.

Moved by Senator Brownlee, seconded by Senator Emler, to amend bkpsecs on page 5 (f) (2) (3) by deleting the language of (2) and (3) and amending this language into the new section on page 1. Motion carried.

Moved by Senator Emler, seconded by Senator Lee, to amend with new language that would provide KCC with funding. Motion carried.

Moved by Senator Clark, seconded Senator Emler, to amend on page 1 section (b) to allow appropriate access to the salt mine facilities for KDHE inspection. Motion carried.

Moved by Senator Lee, seconded by Senator Barone, to amend the draft on page 1 section (b) to add language regarding closure and abandonment of fields and establishment of a trust fund. Motion carried.

Moved by Senator Emler, seconded by Senator Lee, to amend on page 1, section (d) language requiring currently permitted natural gas storage in bedded salt to meet the new requirements and not be grandfathered in when new regulations are adopted. Motion carried.

Consensus there should be a definition of "cushion" gas.

Approval of minutes

Moved by Senator Lee, seconded by Senator Emler, approval of the minutes of the Senate Utilities Committee meeting on March 14 with correction on "bkpsecs" description from "net metering" to "natural gas storage" on first page, 2nd paragraph from the bottom. Motion carried.

Next meeting of the Senate Utilities Committee will be on call of chairman.

Adjournment.

Respectfully submitted,

Ann McMorris, Secretary

Attachments - 5

ENERGY

REINVENTING THE POWER GRID

Companies are warming up to decentralized production

Dennis Randall has had it up to here with California's rolling power blackouts, the result of the state's beleaguered deregulation effort. "If you can't rely on basic infrastructure, people will start leaving the area," says the senior director for real estate at Opus U.S. Corp., which last year developed more than 29 million square feet of commercial space. "You just cannot rely on the grid."

So Randall has stopped trying. At Opus Center, a large office building under construction in downtown San Jose, Randall plans to install a mini electric-power plant consisting of natural gas-fired engines and small generators known as microturbines. When the grid goes down, his tenants won't go with it. Offering reliable electricity is a "significant market advantage," he says, adding that onsite generation may become a standard offering for the Minnetonka (Minn.) company.

TURBOCHARGED. All across California and the country, companies such as Opus are taking steps to insulate themselves from the vagaries of the power supply. And their efforts have turbocharged a movement long cherished by energy experts and environmentalists—a concept known as distributed power (DP). The goal, in a nutshell, is to reinvent the energy grid from the bottom up. Instead of producing electricity at central plants and channel-

ing it in only one direction to consumers, distributed power means offering at least a modicum of energy independence to companies—and ultimately to individual consumers. It can also open the system to potentially millions of small suppliers.

Under the DP model, power is produced by myriad small systems using everything from diesel engines, gas-

normally lose two-thirds of the energy they produce in waste heat. But with a DP setup, the heat can be captured and used. Tallying these virtues, many energy analysts and market watchers predict that distributed power could account for as much as one-fifth of all electric generation in the U.S. by 2010.

That's the dream, anyway. As the DP camp readily concedes, there are many hurdles that must be jumped. For starters, solar arrays, microturbines, and other power-producing devices are pricey, often costing thousands of dollars to install. And except in the case of "green" sources such as wind and solar, there are fuel costs, too.

The logistical problems are even more daunting. If a million minipower plants were to spring up, managing the interconnections with the existing grid would be a nightmare. Every state has different rules governing such connections,

Electricity for Tomorrow

DISTRIBUTED POWER is a big departure from today's energy model, which relies on a one-way flow of electricity from large power plants. With DP, homes and commercial buildings could produce power using technologies such as microturbines, solar cells, diesel generators, fuel

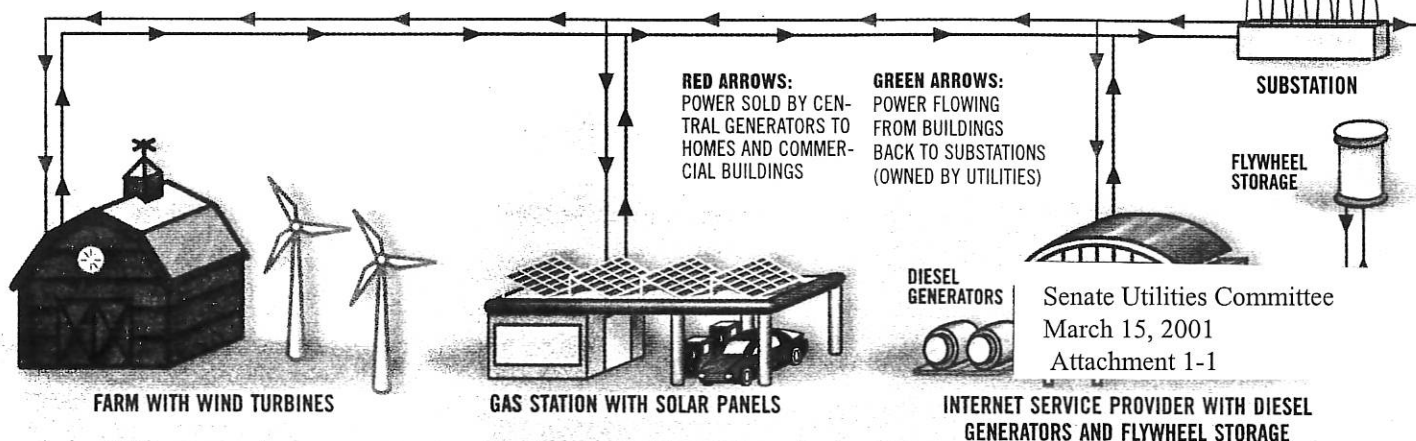
cells, and wind turbines. Excess power could be sold to the utility (green arrows, below), adding to grid capacity. Homes and businesses would draw power from the grid when they need it (red arrows), or when rates go down during "off peak" hours

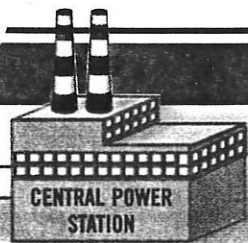
powered turbines, and fuel cells to windmills, solar panels, and geothermal generators. Since the plants are closer to the end user, there are fewer opportunities for outages, 95% of which are caused by line problems.

Under such an arrangement, consumers can still buy electricity from the grid. But they can also sell extra power they generate to the utility. In addition to boosting the capacity of the entire system, this approach promises new efficiencies. Power plants, for example,

as do each of the 3,000 utilities in the U.S. On top of that, utilities have put up obstacles in some regions, complaining that they get saddled with the cost for "standby power"—meaning energy to cover small producers in case their distributed systems encounter a glitch.

Nonetheless, fans of distributed power remain optimistic. One by one, they say, the big issues are being addressed. The Institute of Electrical & Electronics Engineers (IEEE) is fast-





tracking the development of national interconnection standards, backed enthusiastically by the Energy Dept. Last January, Energy announced a new Center for Distributed Power at the National Renewable Energy Laboratory in Golden, Colo. The IEEE hopes the standards will be ready as early as yearend. "We're beyond the planning stages. This is real," says Richard DeBlasio, the Center's director, who is spearheading the IEEE effort.

Despite the difficulties, distributed power has already made some major inroads. More than 3,000 megawatts (Mw) were installed in California during the 1990s, says energy analyst Amory Lovins of the Rocky Mountain Institute in Old Snow-

mass, Colo. Most of that came from small projects in the 30-Mw range vs. 500-700 Mw for a typical new power plant. An additional 7,000 Mw of distributed power were added to states in the Western grid, from which the Golden State also draws power. Together, that's enough juice to power 10 million homes. "It's what's been keeping the lights on," says Lovins.

While utilities have traditionally resisted these ideas, some are now pursuing their own versions of distrib-

uted power. Their goals, generally, have less to do with buying surplus power from customers than with localizing power production. The New York Power Authority, for example, is installing natural gas-fired turbines around New York City to supply an additional 400 Mw, in an effort to head off a predicted energy shortfall this summer. Alliant Energy Corp. in Madison, Wis., is beefing up capacity at power distribution points, known as substations, in Minnesota. And in Los Angeles, the Power & Water Dept. is turning to DP to avoid shortages down the road. Ripping up streets to upgrade infrastructure in densely populated areas "just isn't practical," says Mahmud Chaudry, assistant general manager of the utility's Power Distribution unit.

Waiting for new power plants to come onstream is not necessarily the solution. It takes years and may not provide as much relief as everyone hopes. In California,

energy costs. And that has piqued the interest of investors. Analyst James LoGerfo of Banc of America Securities LLC sees the sector growing from less than \$20 billion in sales worldwide today to at least \$100 billion by 2010. According to Nth Power Technologies Inc., a San Francisco venture-capital firm specializing in distributed power, U.S. investment in this sector has more than quadrupled, from \$150 million in 1998 to an estimated \$800 million last year.

VENTURE FUNDING. Money feeds technological innovation, helping to fuel the proliferation of DP venture businesses. One startup, Encorp Inc. in Windsor, Colo., produces software and hardware to connect DP systems to the grid. It has raised \$10 million from investors, including Enron Inc. And it expects another big block of funding as it expands its roster of blue-chip clients such as Chase Manhattan Bank and Qwest Communications, companies whose critical computer systems can't tolerate any outage-related downtime.

Some states, including Texas and New York, are now easing some barriers to distributed power, including equipment installation rules. "It saves infrastructure," says Pat Wood III, chairman of the Public Utility Commission of Texas. "If you have to build transmission to handle peak loads, you're wasting your money."

Progress is piecemeal, but there are encouraging precedents in other industries. In the 1980s, computer and software techies predicted that personal computers would render giant mainframes obsolete. It turned out there was a need for both types of computers—but over time, PCs changed the whole infotech landscape. If this analogy holds, there will always be a role for centralized power grids. But the impact of distributed power will be nothing short of revolutionary. And in that kind of power shift, everyone's a winner.

By Janet Ginsburg in Golden, Colo.

Players in Distributed Power

CAPSTONE TURBINE Makes 30-kw and 60-kw microturbines that run on most fuels **REVENUES: \$23.2 MILLION**

CATERPILLAR Its diesel and gas-powered generator sales climbed 24% last year—more than 60,000 sets in total **REVENUES: \$2.3 BILLION***

*ELECTRIC POWER ONLY

BALLARD POWER SYSTEMS Sells fuel cells for auto, commercial, and home use **REVENUES: \$14.8 MILLION****

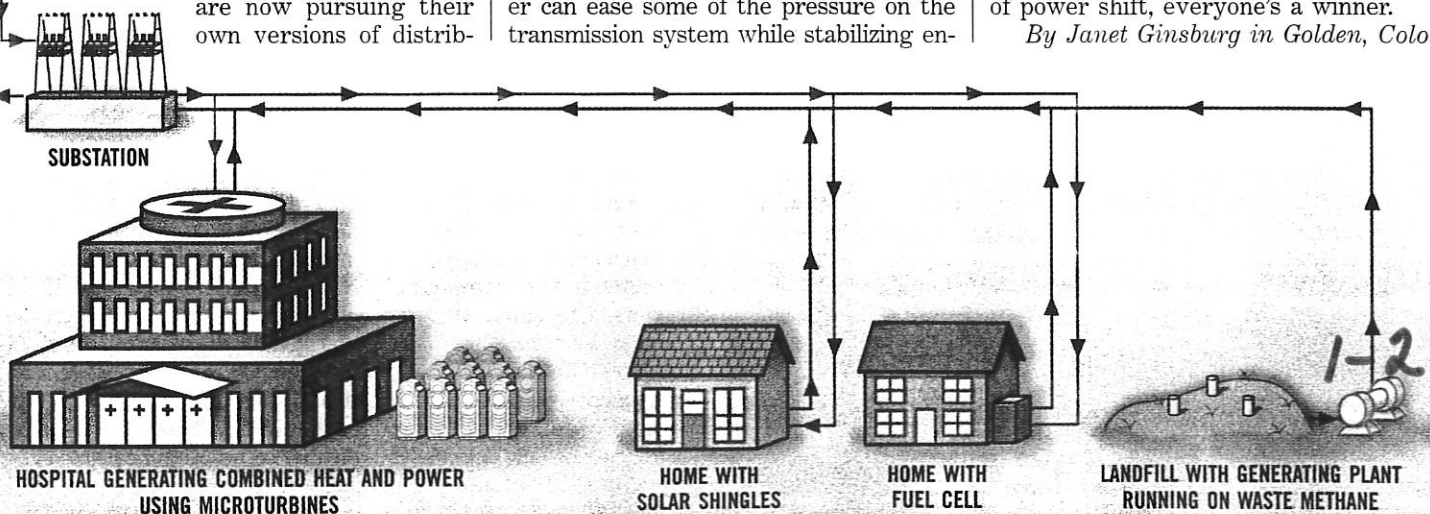
ENCORP Specializes in hardware and software that manages the interface between distributed power and grid power **REVENUES (EST.): \$10 MILLION**

** FIRST THREE QUARTERS OF 2000

While utilities have traditionally resisted these ideas, some are now pursuing their own versions of distrib-

you can blame the wretched condition of the power-transmission system—the wires and transformers that transport power from the plants to local substations. "New power plants could find themselves all revved up with no way to send electricity," warns Kurt Yeager, CEO of EPRI, an industry research group in Palo Alto, Calif. "Building new plants will only put more pressure on the lines."

Many experts believe distributed power can ease some of the pressure on the transmission system while stabilizing en-



March 22, 2000

**REVISED DRAFT REPORT BY THE SENATE COMMITTEE ON UTILITIES TO
THE SENATE COMMITTEE ON WAYS AND MEANS¹**

This report responds to a recommendation by the Senate Ways and Means Committee that the Senate Committee on Utilities study:

1. impediments to more rapid oil and gas well plugging and remediation; and
2. projections of receipts and expenditures in the Abandoned Oil and Gas Well Fund, which were included in tabular form in the Senate subcommittee report on the Kansas Corporation Commission's FY 2001 budget.

Summary of Activities of Senate Committee on Utilities

- **Background Information.** We received information on oil and gas well plugging from staff of the Kansas Legislative Research Department (Lynne Holt) and the Division of Legislative Post Audit (Cindy Lash). Ms. Holt reviewed the existing funding mechanisms (Conservation Fee Fund and Abandoned Oil and Gas Fund) and a proposed funding mechanism (Well Plugging Assurance Fund in HB 2782) for plugging oil and gas wells. Ms. Lash reviewed the Post Audit report issued in February 1998 on a K-GOAL Audit performed on the Conservation Division's activities. She focused her review on the sections of the report addressing the plugging of abandoned wells. Maurice Korphage, Director, Conservation Division, provided background information on the funding and status of abandoned well plugging and remediation operations. Mr. Korphage offered several suggestions for attracting more qualified contractors to compete for state plugging contracts. He also outlined several ideas for expediting the process of bidding on plugging and remediation projects. (*See Attachment I.*)
- **Contract and Bidding Procedures.** We received testimony from Terri and Keith Splane, Splane Pulling and Roustabout Service, Inc; Ed Bideau, an attorney representing Mike Wimsett, W-W Production Company; Jim Kepley, K-W Well Service; and Fran Welch, Procurement Officer, Division of Purchases, Kansas

¹ **Bold print reflects the Committee's recommendations**

Italicized print reflects the Committee's amendments of March 21

Department of Administration. Their presentations focused on the contract and bid procedures for abandoned well plugging jobs.

- **HB 2782.** On March 14, 2000, our Committee held a hearing on HB 2782, which would establish the Well Plugging Assurance Fund. This Fund would be used exclusively to pay the costs of investigations of abandoned oil and gas wells, as well as the plugging, replugging, and repairing of abandoned wells and remediation of sites. For all such actions, drilling had to begin on or after July 1, 1996. Any authorized activities would be financed by fees assessed operators for financial responsibility assurance. These fees are currently credited to the Conservation Fee Fund but would be redirected to the proposed fund. The fund would be interest bearing. No administrative expenses incurred by the Conservation Division may be paid from the fund. Our recommendations on this bill are outlined below.

Committee Definition of the Problems and Committee Recommendations

In our review, we focused on two interrelated problems:

1. the integrity of the abandoned well plugging and remediation process, which includes the existing funding mechanisms for financing the contractual plugging and remediation jobs and the Conservation Division's administrative oversight; and
2. the existing procedures used for bidding and contracting for these jobs.

Integrity of the Well Plugging and Remediation Process. In the Kansas Corporation Commission's most recent status report (March 15, 2000), the Commission noted that there were 9,953 inventoried abandoned wells requiring action. Of this total, 9,292 are ranked as Priority I wells. The Priority I category is considered to contain those wells which pose either an ongoing or potential threat to the environment. A total of 638 abandoned wells are in the Level A bracket of Priority I wells. The risks specifically associated with Priority I-A wells could be one or a combination of the following:

- The well is actively discharging, posing a significant risk to surface water.
- The well creates significant ongoing or potential impacts to groundwater supplies.
- The well poses an ongoing or current threat to public safety (*e.g.*, active gas flows with danger of explosion in urban or suburban settings).

The Kansas Corporation Commission is responsible for plugging these wells and remediating sites when no responsible party can be located.

The problem confronting the State of Kansas is that the rate of plugging is fairly slow. Although the enactment in 1996 of House Sub. for SB 755 accelerated well plugging, there has been a decrease in the total number of wells plugged from CY 1997 (633) to CY 1998 (478) and CY 1999 (471) and the number might be even lower in 2000, as only 84 wells have been plugged to date. (See Attachment II.)

The Commission has attributed this sluggish performance to several factors, including depressed oil and gas prices, limited availability of contractors to perform plugging jobs, unfavorable weather conditions, and a limited number of staff positions to oversee the plugging and remediation operations.

We note that there is a correlation between depressed oil and gas prices and Conservation Fee Fund revenues. As most of the revenues credited to the Conservation Fee Fund come from oil production fees and gas assessments, depressed oil and gas production adversely impacts the Conservation Fee Fund. That Fund pays for, among other items, the investigation, plugging, replugging, plug testing, and remediation of contamination sites involving wells drilled on or after July 1, 1996. The Fund also pays for emergency plugging and nonpriority wells, as well as administrative expenses incurred by the Commission in monitoring and overseeing the entire abandoned oil and gas well program. (Moneys from the Abandoned Oil and Gas Well Fund are not authorized to pay for administrative expenses.) In order to preserve the integrity of the Fund, the Commission proposed reducing \$450,000 from the Fund for FY 2000 and FY 2001 for well plugging. The effect of this decision is a commitment of \$50,000 from the Fund for each of those years. Expenditures from the Conservation Fee Fund were \$115,293 in FY 1998 and \$46,932 in FY 1999.

As previously noted, the other fund currently used for abandoned well plugging and remediation is the Abandoned Oil and Gas Well Fund which was established in 1996 through enactment of House Sub. for SB 755 to fund investigation, plugging, and remediation operations associated with abandoned wells drilled prior to July 1, 1996. Projected expenditures for FYs 2001 and 2002 are \$1,600,000, which would reflect a decrease from actual expenditures in FY 1999 (\$1,844,819) and estimated expenditures of \$2,000,000 in FY 2000. The combined projected expenditures from both the Conservation Fee Fund and the Abandoned Oil and Gas Well Fund for the well plugging and remediation program in FY 2001 and FY 2002 indicates less commitment and not more commitment to accelerating the state funded plugging and clean-up process. Moreover, the demand transfers totaling \$1.2 million annually to the Abandoned Oil and Gas Well Fund are scheduled to terminate on July 1, 2002. The budget estimates raise the question of the Commission's internal commitment, as well as our collective commitment, to this end. The funding mechanisms available to the Commission raise the question of whether revenues are optimally used to plug wells and remediate sites that pose the greatest environmental and safety risk.

We believe there is a better way to use these revenues to “get the greatest bang for the buck” and therefore recommend a funding option that requires the Conservation Division to plug those wells which are potentially the greatest sources of contamination. This option would involve amending HB 2782 to transfer statutorily authorized financial assurance fees collected from operators to the Abandoned Oil and Gas Well Fund. These funds are currently credited to the Conservation Fee Fund and are used for plugging operations for wells drilled on or after July 1, 1996. We believe the date of July 1, 1996, is an artificial date that diverts some funding from being used for plugging and remediation on the most dangerous, highest priority sites. We do not believe that a new fund is needed, as would be established in the House version of HB 2982. Indeed, in our view, such a fund would only perpetuate the artificial juncture that we seek to eliminate. We would recommend eliminating the sunset date of July 1, 2002, for termination of the demand transfers to the Abandoned Oil and Gas Well Fund. The Conservation Division’s plugging and remediation process will clearly continue for many years beyond 2002, even under the most propitious conditions which do not seem to exist. We note that since January 1, 1996, only 2,172 inventoried Priority I abandoned wells have been removed from the inventory list. As noted above, there are still 9,292 Priority I wells requiring action. ***Finally, the Abandoned Oil and Gas Well Fund should be a limit Fund (it is currently a no limit fund.)*** We also recommend that administrative and personnel expenditures from the Fund be authorized governed by line item appropriations to ensure that they receive ongoing legislative scrutiny. Moreover, the bill should clarify for which administrative purposes the Division may expend moneys from this Fund. We would note that such purposes should include activities involving the statutorily authorized investigation activities and contractual expenditures for locating potentially responsible parties.

On a related matter, we recommend all operators pay at least \$50 annually in financial assurance fees. HB 2782 should be amended to reflect this policy recommendation. The Commission collects a \$50 annual fee for operators with acceptable records of compliance and a fee equal to 3 percent of the bond amount for operators who fail to meet the conditions of acceptable compliance (other financial assurance options also are statutorily authorized). ***However, the Commission does not require operators who obtain performance bonds and letters of credit to remit a fee. The intent of the 1996 law seems to have been to use financial assurances to pay for plugging future abandoned wells for which no responsible party can be found. Therefore, it only seems fair to us that, as a precondition for new and renewed licenses, all operators be required to pay at least \$50 annually. If all operators had paid that fee in 1999, the Commission would have received an additional \$5,050. (A total of 101 operators provided financial assurance through surety bonds or letters of credit and did not remit any fees to the Commission.)***

The integrity of the abandoned well plugging and remediation process might be affected by the funding mechanisms available to the Commission. However, the number of abandoned wells that become the Commission’s responsibility could conceivably be reduced (as well as the corresponding costs) if the Commission’s efforts to locate potentially responsible parties and make them pay are aggressively undertaken. In the Division of Post

Audit's report (February 1998), the auditors noted insufficient documentation of the researchers' efforts to locate responsible parties. The report recommended that the Conservation Division ensure staff was making and documenting all efforts to locate those parties and determine financial viability before concluding that the Division should not pursue them further. The Commission responded to that finding and recommendation by noting that the Division was developing a procedure to do so and that the Division was working closely with the Department of Administration on collection of fines and recoupment of costs. The Commission proposed to contract for researching potentially responsible parties for both wells and remediation sites. **We concur that more serious efforts are needed to locate potentially responsible parties and we would recommend that language in the statute pertaining to the Division's authorized administrative expenses be clarified to explicitly include this type of activity.**

The Bidding Process and Contractual Costs. We focused our attention on the bidding process and existing contractual procedures for the following reasons:

1. an improperly designed and implemented bidding process could result in greater cost and less productivity to the state; and
2. contractual procedures might result in greater costs to the state, as well as more inefficiencies in work performed. Both these issues obviously impact the Conservation Division's budget, as well as the integrity of the entire abandoned well plugging and remediation process.

Bidding Process. Private companies are hired to plug abandoned wells. The Division of Purchases seeks formal bids for all contracts expected to exceed \$10,000. The Division is supposed to mail the Request for Quotation (RFQ) to those potential bidders the Kansas Corporation Commission has recommended as well as any that the Division of Purchases may choose to add. The RFQ is also posted on the Division of Purchases' website and in the Division's reception area. The jobs are generally awarded to the lowest responsible bidder, taking into consideration conformity with specifications, terms of delivery, and other conditions imposed in the call for bids. The Division of Purchases has authorized the Conservation Division to award contracts expected to cost \$10,000 or less. According to the Post Audit report, such contracts accounted for one-third of all the money spent for plugging abandoned wells in FY 1997. The Post Audit report identified various deficiencies with the process used by the Conservation Division in a sample of 15 smaller well-plugging projects handled by the Division's district offices. Although the Post Audit report recommended the Conservation Division work closely with the Division of Purchases to develop a standard bid procedure, there still appears to be concern about the transparency of the bid process and its inherent fairness. The Commission indicated it has posted information on both opportunities for plugging contractors and the state bid procedures on its website. **We encourage continued efforts to notify all plugging contractors licensed by the Commission (currently 220 contractors; 160 of them have active truck or rig tags) of bid opportunities. Because a notable portion of the contractual abandoned well plugging work is \$10,000 or less, we would recommend the Division of**

Purchases require all plugging and remediation jobs, regardless of cost, to be competitively bid using the RFQ procedures that govern contractual amounts exceeding \$10,000. We note that this recommendation would encourage bids to be awarded for entire projects rather than individual services.

Contractual Procedures. The Commission compensates contractors for plugging jobs on a time and material basis and not on a cost per well/flat fee basis. **We recommend that the Conservation Division and the Division of Purchases, in developing specifications, change the formula for compensation to contractors to a cost per well/flat fee basis for at least a twelve months period.** We note that the cost per well/flat fee approach is commonly used for plugging contracts with the private sector and is the basis for compensation in Oklahoma. It allows one to compare contractors' bids more easily and prevents equipment and materials from being used inappropriately. The average cost is currently approximately \$2,500 to plug an abandoned well. The Conservation Division should use the cost per well/ flat fee approach for a twelve months basis, compare the average per well costs of using that approach to the time and materials approach used in the previous twelve months (adjusting for inflation), and report its findings to the Senate Committee on Ways and Means and House Committee on Appropriations during the 2001 Session.

On a related matter, we do not concur with one option posed by the Conservation Division Director for attracting more qualified contractors to compete for state plugging contracts. That option was to limit the number of contractors to one project at a time. (See Attachment 1.) It might not make financial sense to do that if a contractor is working on a site in close proximity to the site of the proposed project. A contractor might be able to bid the work at a lower price simply because his or her equipment is already in the vicinity of the proposed project.

Attachment I

Speed overall process of bidding on projects and Plugging / Remediation Operations

- **Develop negotiated Bid Process for “approved plugging contractors” and “approved investigation / remediation contractors**
- **Contract out site surveys for identification of well locations at abandoned lease sites**
- **Contract out research for potentially responsible parties (PRP’s) for both wells and remediation sites**
- **Contract out site supervision of plugging contractors independent of contractors**

Attract More Qualified Contractors to Compete for State Plugging Contracts

- **Post information on opportunities for plugging contractors on KCC web site**
- **Send information on how to bid on state contract to all licensed plugging contractors**
- **Offer bonus to contractors who complete work ahead of schedule**
- **Limit number of contractors to one project at a time**

*Attachment II***Abandoned Wells Plugged or Scheduled for Plugging with State Funds
By Calendar Year**

Year	Priority IA	Priority IB	Priority IC	Priority II	Total Wells
1996	167 (64.8%)	61 (23.6%)	30 (11.6%)	0	258
1997	375 (59.3%)	167 (26.4%)	89 (14.0%)	2 (0.3%)	633
1998	422 (84.8%)	46 (9.2%)	24 (4.0%)	6 (1.2%)	478
1999	463 (98.4%)	3 (0.6%)	2 (0.4%)	3 (0.6%)	471
2000	84				84
Totals	1511	277	145	11	1944

(% = Wells in each Category Plugged / Total Wells Plugged for that Calendar Year)

Conservation Division
March 17, 2000

Stan Clark

From: "T&C MFG & Operating, Inc."
To: "Senator Stan Clark (E-mail)" <sclark@ink.org>
Sent: Wednesday, March 14, 2001 3:52 PM
Attach: industry leaders meeting final report.doc.zip
Subject: FW: March 9 meeting at McPherson

-----Original Message-----

From: T&C MFG & Operating, Inc. [SMTP:tcmfg@midusa.net]
Sent: Wednesday, March 14, 2001 3:51 PM
To: 'sclark@ink.org'
Subject: March 9 meeting at McPherson

Oops: Senator Clark: I forgot to the attachment the first time!

Dear Senator Clark:

Please be advised that we revised the recently submitted industry meeting minutes on the March 9, 2001 meeting by omitting the statement made by Ron Hicks that "at some point the casing in every well is going to fail. Every well has a life. The casing will fail at some point in its life." This statement was made on page 4 of the minutes. The reason for omitting this phrase is due to the vagueness of Ron's answer to those who were not in attendance at the March 9, 2001 meeting. Ron Hicks simply meant that if a well is not properly operated, tested and/or inspected periodically, the well could have a short life span. Whereas wells that undergo proper supervision, operation, testing and maintenance, the life of the well can be extended for many years. Casing inspection logs are probably the best source of maintenance and inspection to prolong the life expectancy of wells. Should a well develop a casing problem, a full length liner cemented to the surface can be installed inside the longstring casing which will prolong the well even longer.

Please see the attached revised minutes.

Sincerely,
Craig A. Pangburn
T & C MFG & Operating, Inc.

Senate Utilities Committee
March 15, , 2001
Attachment 3-1

3/14/01

Media Contacts:

George Minter – (816) 467-3772

UtiliCorp Media Line – (816) 467-3000

**UTILICORP TO PURCHASE POWER GENERATION
FROM LARGEST WIND PROJECT CONSTRUCTED IN KANSAS**

KANSAS CITY, MO, March 14, 2001 – UtiliCorp United (NYSE: UCU) will provide its Kansas and Missouri electric customers with power from the largest wind project ever constructed in Kansas, a company official said today.

UtiliCorp will purchase the entire output from a 110-megawatt wind farm being constructed near Montezuma, Kan., by FPL Energy, LLC, a nonregulated subsidiary of FPL Group, Inc., according to James G. Miller, senior vice president and CEO of UtiliCorp's U.S. Utility.

Eighty megawatts (one megawatt equals 1,000 kilowatts) will be provided to customers in UtiliCorp's regulated service areas. Eighty megawatts is enough energy to provide the annual power needs for 20,000 homes. UtiliCorp will market the remaining 30 megawatts to regional wholesale electric customers.

Construction of approximately 165 wind turbines at the project site will begin this spring and be completed by the end of 2001.

"Wind power technology has improved substantially and makes it more economical to distribute wind energy to our Kansas and Missouri customers," said Miller. "In addition, the increased cost of natural gas on U.S. commodity markets has made wind generation an economical component in our energy generation mix."

Electricity from the wind farm will be distributed to customers in UtiliCorp's Kansas service territory through its WestPlains Energy division and in Missouri through its Missouri Public Service division. No extra surcharge resulting from wind power purchase is being added to customers' electricity charges.

FPL Energy, the nation's largest producer of electricity from wind, will own and operate the wind farm which will be built three miles east of Montezuma in southwestern Kansas.

-more-

This marks the second wind project UtiliCorp is participating in to benefit its Kansas and Missouri customers. The company currently provides wind power in both Kansas and Missouri from its 16 percent interest in a 1.5-megawatt wind project located at the Jeffrey Energy Center near St. Marys, Kan.

“Kansas ranks third in the nation in terms of wind power potential,” said Miller. “We view our wind projects in Kansas as the foundation of UtiliCorp’s commitment to provide renewable energy supplies for our customers.”

WestPlains Energy provides electric service to 65,000 customers in Kansas. Missouri Public Service provides electricity to 205,000 customers in Missouri.

Based in Kansas City, Mo., UtiliCorp United is a multinational energy company with about 4 million customers. It operates in the United States, Canada, the United Kingdom, Spain, Germany, Norway, New Zealand and Australia. At December 31, 2000, UtiliCorp had \$14.1 billion in assets and annual sales of \$29.0 billion.

FPL is a leading independent producer of clean energy, including natural gas, wind, solar, geothermal and biomass generating facilities in 12 states. It is a subsidiary of FPL Group Inc., one of the nation’s largest providers of electricity-related services with annual revenues of more than \$7 billion. FPL Group’s principal subsidiary is Florida Power & Light Company, one of the nation’s largest electric utilities, serving 3.9 million customer accounts in Florida.

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New Sec. . (a) For the purposes of protecting the health, safety and property of the people of the state, and the soil and waters of the state from pollution, the secretary of health and environment shall adopt separate and specific rules and regulations establishing requirements, procedures and standards for the following:

- (1) Solution mining;
- (2) the safe and secure underground ^{reservoir used for} storage of liquid petroleum gas and hydrocarbons other than those provided for in paragraph (3);
- (3) the safe and secure underground storage of natural gas in bedded salt; and
- (4) the safe and secure underground storage of hydrocarbons in aquifers.

(b) Such rules and regulations shall include, but not be limited to:

- (1) Site selection criteria;
- (2) design and development criteria;
- (3) operation criteria;
- (4) casing requirements;
- (5) monitoring and measurement requirements; and
- (6) safety requirements.

(c) The secretary of health and environment shall enter into contracts for services from consultants and other experts for the purposes of assisting in the drafting of such rules and regulations.

(d) For a period of two years from July 1, 2001, or until the rules and regulations provided for in paragraph (3) of subsection (a) are adopted, the injection of natural gas into underground storage in bedded salt is prohibited, except that natural gas currently stored in such underground storage may be extracted.

Sec. . K.S.A. 2000 Supp. 65-171d is hereby amended to read as follows: 65-171d. (a) For the purpose of preventing surface

SENATE UTILITIES Comm.
MARCH 15, 2001
ATTACHMENT 5-1

and subsurface water pollution and soil pollution detrimental to public health or to the plant, animal and aquatic life of the state, and to protect beneficial uses of the waters of the state and to require the treatment of sewage predicated upon technologically based effluent limitations, the secretary of health and environment shall make such rules and regulations, including registration of potential sources of pollution, as may in the secretary's judgment be necessary to: (1) ~~Protect-the-soil-and-waters-of-the-state-from-pollution-resulting-from-underground-storage--reservoirs-of-hydrocarbons-and-liquid-petroleum-gas,~~ (2) Control the disposal, discharge or escape of sewage as defined in K.S.A. 65-164 and amendments thereto, by or from municipalities, corporations, companies, institutions, state agencies, federal agencies or individuals and any plants, works or facilities owned or operated, or both, by them; and (3) (2) establish water quality standards for the waters of the state to protect their beneficial uses.

(b) The secretary of health and environment may adopt by reference any regulation relating to water quality and effluent standards promulgated by the federal government pursuant to the provisions of the federal clean water act and amendments thereto, as in effect on January 1, 1989, which the secretary is otherwise authorized by law to adopt.

(c) For the purposes of this act, including K.S.A. 65-161 through 65-171h and K.S.A. 2000 Supp. 65-1,178 through 65-1,198, and amendments thereto, and rules and regulations adopted pursuant thereto:

(1) "Pollution" means: (A) Such contamination or other alteration of the physical, chemical or biological properties of any waters of the state as will or is likely to create a nuisance or render such waters harmful, detrimental or injurious to public health, safety or welfare, or to the plant, animal or aquatic life of the state or to other designated beneficial uses; or (B) such discharge as will or is likely to exceed state effluent standards predicated upon technologically based effluent

limitations.

(2) "Confined feeding facility" means any lot, pen, pool or pond: (A) Which is used for the confined feeding of animals or fowl for food, fur or pleasure purposes; (B) which is not normally used for raising crops; and (C) in which no vegetation intended for animal food is growing.

(3) "Animal unit" means a unit of measurement calculated by adding the following numbers: The number of beef cattle weighing more than 700 pounds multiplied by 1.0; plus the number of cattle weighing less than 700 pounds multiplied by 0.5; plus the number of mature dairy cattle multiplied by 1.4; plus the number of swine weighing more than 55 pounds multiplied by 0.4; plus the number of swine weighing 55 pounds or less multiplied by 0.1; plus the number of sheep or lambs multiplied by 0.1; plus the number of horses multiplied by 2.0; plus the number of turkeys multiplied by 0.018; plus the number of laying hens or broilers, if the facility has continuous overflow watering, multiplied by 0.01; plus the number of laying hens or broilers, if the facility has a liquid manure system, multiplied by 0.033; plus the number of ducks multiplied by 0.2. However, each head of cattle will be counted as one full animal unit for the purpose of determining the need for a federal permit. "Animal unit" also includes the number of swine weighing 55 pounds or less multiplied by 0.1 for the purpose of determining applicable requirements for new construction of a confined feeding facility for which a permit or registration has not been issued before January 1, 1998, and for which an application for a permit or registration and plans have not been filed with the secretary of health and environment before January 1, 1998, or for the purpose of determining applicable requirements for expansion of such facility. However, each head of swine weighing 55 pounds or less shall be counted as 0.0 animal unit for the purpose of determining the need for a federal permit.

(4) "Animal unit capacity" means the maximum number of animal units which a confined feeding facility is designed to

accommodate at any one time.

(5) "Habitable structure" means any of the following structures which is occupied or maintained in a condition which may be occupied and which, in the case of a confined feeding facility for swine, is owned by a person other than the operator of such facility: A dwelling, church, school, adult care home, medical care facility, child care facility, library, community center, public building, office building or licensed food service or lodging establishment.

(6) "Wildlife refuge" means Cheyenne Bottoms wildlife management area, Cheyenne Bottoms preserve and Flint Hills, Quivera, Marais des Cygnes and Kirwin national wildlife refuges.

(d) In adopting rules and regulations, the secretary of health and environment, taking into account the varying conditions that are probable for each source of sewage and its possible place of disposal, discharge or escape, may provide for varying the control measures required in each case to those the secretary finds to be necessary to prevent pollution. If a freshwater reservoir or farm pond is privately owned and where complete ownership of land bordering the reservoir or pond is under common private ownership, such freshwater reservoir or farm pond shall be exempt from water quality standards except as it relates to water discharge or seepage from the reservoir or pond to waters of the state, either surface or groundwater, or as it relates to the public health of persons using the reservoir or pond or waters therefrom.

(e) (1) Whenever the secretary of health and environment or the secretary's duly authorized agents find that the soil or waters of the state are not being protected from pollution resulting from underground storage reservoirs of hydrocarbons and liquid petroleum gas or that storage or disposal of salt water not regulated by the state corporation commission or refuse in any surface pond is causing or is likely to cause pollution of soil or waters of the state, the secretary or the secretary's duly authorized agents shall issue an order prohibiting such

underground storage reservoir or surface pond. Any person aggrieved by such order may within 15 days of service of the order request in writing a hearing on the order.

(2) Upon receipt of a timely request, a hearing shall be conducted in accordance with the provisions of the Kansas administrative procedure act.

(3) Any action of the secretary pursuant to this subsection is subject to review in accordance with the act for judicial review and civil enforcement of agency actions.

(f) The secretary may adopt rules and regulations establishing fees for the following services:

(1) Plan approval, monitoring and inspecting underground or buried petroleum products storage tanks, for which the annual fee shall not exceed \$5 for each tank in place;

(2) permitting, monitoring and inspecting salt solution mining operators, for which the annual fee shall not exceed \$1,950 per company; and

(3) permitting, monitoring and inspecting hydrocarbon storage wells and well systems, for which the annual fee shall not exceed \$1,875 per company.

(g) Prior to any new construction of a confined feeding facility with an animal unit capacity of 300 to 999, such facility shall register with the secretary of health and environment. Facilities with a capacity of less than 300 animal units may register with the secretary. Any such registration shall be accompanied by a \$25 fee. Within 30 days of receipt of such registration, the department of health and environment shall identify any significant water pollution potential or separation distance violations pursuant to subsection (h). If there is identified a significant water pollution potential, such facility shall be required to obtain a permit from the secretary. If there is no water pollution potential posed by a facility with an animal unit capacity of less than 300, the secretary may certify that no permit is required. If there is no water pollution potential nor any violation of separation distances posed by a

facility with an animal unit capacity of 300 to 999, the secretary shall certify that no permit is required and that there are no certification conditions pertaining to separation distances. If a separation distance violation is identified, the secretary may reduce the separation distance in accordance with subsection (i) and shall certify any such reduction of separation distances.

(h) (1) Any new construction or new expansion of a confined feeding facility, other than a confined feeding facility for swine, shall meet or exceed the following requirements in separation distances from any habitable structure in existence when the application for a permit is submitted:

(A) 1,320 feet for facilities with an animal unit capacity of 300 to 999; and

(B) 4,000 feet for facilities with an animal unit capacity of 1,000 or more.

(2) A confined feeding facility for swine shall meet or exceed the following requirements in separation distances from any habitable structure or city, county, state or federal park in existence when the application for a permit is submitted:

(A) 1,320 feet for facilities with an animal unit capacity of 300 to 999;

(B) 4,000 feet for facilities with an animal unit capacity of 1,000 to 3,724;

(C) 4,000 feet for expansion of existing facilities to an animal unit capacity of 3,725 or more if such expansion is within the perimeter from which separation distances are determined pursuant to subsection (k) for the existing facility; and

(D) 5,000 feet for: (i) Construction of new facilities with an animal unit capacity of 3,725 or more; or (ii) expansion of existing facilities to an animal unit capacity of 3,725 or more if such expansion extends outside the perimeter from which separation distances are determined pursuant to subsection (k) for the existing facility.

(3) Any construction of new confined feeding facilities for

swine shall meet or exceed the following requirements in separation distances from any wildlife refuge:

(A) 10,000 feet for facilities with an animal unit capacity of 1,000 to 3,724; and

(B) 16,000 feet for facilities with an animal unit capacity of 3,725 or more.

(i) (1) The separation distance requirements of subsections (h)(1) and (2) shall not apply if the applicant for a permit obtains a written agreement from all owners of habitable structures which are within the separation distance stating such owners are aware of the construction or expansion and have no objections to such construction or expansion. The written agreement shall be filed in the register of deeds office of the county in which the habitable structure is located.

(2) (A) The secretary may reduce the separation distance requirements of subsection (h)(1) if: (i) No substantial objection from owners of habitable structures within the separation distance is received in response to public notice; or (ii) the board of county commissioners of the county where the confined feeding facility is located submits a written request seeking a reduction of separation distances.

(B) The secretary may reduce the separation distance requirements of subsection (h)(2)(A) or (B) if: (i) No substantial objection from owners of habitable structures within the separation distance is received in response to notice given in accordance with subsection (1); (ii) the board of county commissioners of the county where the confined feeding facility is located submits a written request seeking a reduction of separation distances; or (iii) the secretary determines that technology exists that meets or exceeds the effect of the required separation distance and the facility will be using such technology.

(C) The secretary may reduce the separation distance requirements of subsection (h)(2)(C) or (D) if: (i) No substantial objection from owners of habitable structures within

the separation distance is received in response to notice given in accordance with subsection (l); or (ii) the secretary determines that technology exists that meets or exceeds the effect of the required separation distance and the facility will be using such technology.

(j) (1) The separation distances required pursuant to subsection (h)(1) shall not apply to:

(A) Confined feeding facilities which were permitted or certified by the secretary on July 1, 1994;

(B) confined feeding facilities which existed on July 1, 1994, and registered with the secretary before July 1, 1996; or

(C) expansion of a confined feeding facility, including any expansion for which an application was pending on July 1, 1994, if: (i) In the case of a facility with an animal unit capacity of 1,000 or more prior to July 1, 1994, the expansion is located at a distance not less than the distance between the facility and the nearest habitable structure prior to the expansion; or (ii) in the case of a facility with an animal unit capacity of less than 1,000 prior to July 1, 1994, the expansion is located at a distance not less than the distance between the facility and the nearest habitable structure prior to the expansion and the animal unit capacity of the facility after expansion does not exceed 2,000.

(2) The separation distances required pursuant to subsections (h)(2)(A) and (B) shall not apply to:

(A) Confined feeding facilities for swine which were permitted or certified by the secretary on July 1, 1994;

(B) confined feeding facilities for swine which existed on July 1, 1994, and registered with the secretary before July 1, 1996; or

(C) expansion of a confined feeding facility which existed on July 1, 1994, if: (i) In the case of a facility with an animal unit capacity of 1,000 or more prior to July 1, 1994, the expansion is located at a distance not less than the distance between the facility and the nearest habitable structure prior to

the expansion; or (ii) in the case of a facility with an animal unit capacity of less than 1,000 prior to July 1, 1994, the expansion is located at a distance not less than the distance between the facility and the nearest habitable structure prior to the expansion and the animal unit capacity of the facility after expansion does not exceed 2,000.

(3) The separation distances required pursuant to subsections (h)(2)(C) and (D) and (h)(3) shall not apply to the following, as determined in accordance with subsections (a), (e) and (f) of K.S.A. 2000 Supp. 65-1,178 and amendments thereto:

(A) Expansion of an existing confined feeding facility for swine if an application for such expansion has been received by the department before March 1, 1998; and

(B) construction of a new confined feeding facility for swine if an application for such facility has been received by the department before March 1, 1998.

(k) The separation distances required by this section for confined feeding facilities for swine shall be determined from the exterior perimeter of any buildings utilized for housing swine, any lots containing swine, any swine waste retention lagoons or ponds or other manure or wastewater storage structures and any additional areas designated by the applicant for future expansion. Such separation distances shall not apply to offices, dwellings and feed production facilities of a confined feeding facility for swine.

(l) The applicant shall give the notice required by subsections (i)(2)(B) and (C) by certified mail, return receipt requested, to all owners of habitable structures within the separation distance. The applicant shall submit to the department evidence, satisfactory to the department, that such notice has been given.

(m) All plans and specifications submitted to the department for new construction or new expansion of confined feeding facilities may be, but are not required to be, prepared by a professional engineer or a consultant, as approved by the

department. Before approval by the department, any consultant preparing such plans and specifications shall submit to the department evidence, satisfactory to the department, of adequate general commercial liability insurance coverage.

Sec. . K.S.A. 2000 Supp. 74-623 is hereby amended to read as follows: 74-623. (a) The state corporation commission shall have the exclusive jurisdiction and authority to regulate oil and gas activities. The state corporation commission's jurisdiction shall include: (1) All practices involved in the exploration for and gathering of oil and gas and the drilling, production, lease storage, treatment, abandonment and postabandonment of oil and gas wells, except refining, treating or storing of oil or gas after transportation of the same; and (2) prevention and cleanup of pollution of the soils and waters of the state from oil and gas activities described in (1).

(b) All jurisdiction and authority of the Kansas department of health and environment relating to the cleanup of pollution of the soils and waters of the state from oil and gas activities described in subsection (a)(1) is hereby transferred to the state corporation commission.

(c) The state corporation commission shall be the successor in every way to the powers, duties and functions of the Kansas department of health and environment relating to the cleanup of pollution of the soils and waters of the state from oil and gas activities described in subsection (a)(1). Every act performed in the exercise of such powers, duties and functions by or under authority of the state corporation commission shall be deemed to have the same force and effect as if performed by the department of health and environment.

(d) Whenever the Kansas department of health and environment, or words of like effect, is referred to or designated by a statute, contract or other document relating to the cleanup of pollution of the soils and waters of the state from oil and gas activities described in subsection (a)(1), such reference shall be deemed to apply to the state corporation

commission.

(e) All rules and regulations of the secretary of health and environment which are in existence on July 1, 1995, and relate to the cleanup of pollution of the soils and waters of the state from oil and gas activities described in subsection (a)(1) shall continue to be effective and shall be deemed to be the duly adopted rules and regulations of the state corporation commission until revised, amended, revoked or nullified pursuant to law.

(f) All orders and directives of the Kansas department of health and environment which are in existence on July 1, 1995, and relate to the cleanup of pollution of the soils and waters of the state from oil and gas activities described in subsection (a)(1) shall continue to be effective and shall be deemed to be orders and directives of the state corporation commission until revised, amended, revoked or nullified pursuant to law.

(g) The state corporation commission shall adopt rules and regulations governing the underground storage of natural gas in depleted gas fields.

Sec. . K.S.A. 2000 Supp. 55-155, as amended by section 190 of 2001 Senate Bill No. 15, is hereby amended to read as follows: 55-155. (a) Operators and contractors shall be licensed by the commission pursuant to this section.

(b) Every operator and contractor shall file an application or a renewal application with the commission. Application and renewal application forms shall be prescribed, prepared and furnished by the commission.

(c) No application or renewal application shall be approved until the applicant has:

(1) Provided sufficient information, as required by the commission, for purposes of identification;

(2) submitted evidence that all current and prior years' taxes for property associated with the drilling or servicing of wells have been paid;

(3) demonstrated to the commission's satisfaction that the applicant complies with all requirements of chapter 55 of the

Kansas Statutes Annotated, all rules and regulations adopted thereunder and all commission orders and enforcement agreements, if the applicant is registered with the federal securities and exchange commission;

(4) demonstrated to the commission's satisfaction that the following comply with all requirements of chapter 55 of the Kansas Statutes Annotated, all rules and regulations adopted thereunder and all commission orders and enforcement agreements, if the applicant is not registered with the federal securities and exchange commission: (A) The applicant; (B) any officer, director, partner or member of the applicant; (C) any stockholder owning in the aggregate more than 5% of the stock of the applicant; and (D) any spouse, parent, brother, sister, child, parent-in-law, brother-in-law or sister-in-law of the foregoing;

(5) paid an annual license fee of \$100, except that an applicant for a license who is operating one gas well used strictly for the purpose of heating a residential dwelling shall pay an annual license fee of \$25;

(6) complied with subsection (d); and

(7) paid an annual license fee of \$25 for each rig operated by the applicant. The commission shall issue an identification tag for each such rig which shall be displayed on such rig at all times.

(d) In order to assure financial responsibility, each operator shall demonstrate annually compliance with one of the following provisions:

(1) The operator has obtained an individual performance bond or letter of credit, in an amount equal to \$.75 times the total aggregate depth of all wells (including active, inactive, injection or disposal) of the operator.

(2) The operator has obtained a blanket performance bond or letter of credit in an amount equal to the following, according to the number of wells (including active, inactive, injection or disposal) of the operator:

(A) Wells less than 2,000 feet in depth: 1 through 5 wells,

\$5,000; 6 through 25 wells, \$10,000; and over 25 wells, \$20,000.

(B) Wells 2,000 or more feet in depth: 1 through 5 wells, \$10,000; 6 through 25 wells, \$20,000; and over 25 wells, \$30,000.

(3) The operator: (A) Has an acceptable record of compliance, as demonstrated during the preceding 36 months, with commission rules and regulations regarding safety and pollution or with commission orders issued pursuant to such rules and regulations; (B) has no outstanding undisputed orders issued by the commission or unpaid fines, penalties or costs assessed by the commission and has no officer or director that has been or is associated substantially with another operator that has any such outstanding orders or unpaid fines, penalties or costs; and (C) pays a nonrefundable fee of \$50 per year.

(4) The operator pays a nonrefundable fee equal to 3% of the amount of the bond or letter of credit that would be required by subsection (d)(1) or by subsection (d)(2).

(5) The state has a first lien on tangible personal property associated with oil and gas production of the operator that has a salvage value equal to not less than the amount of the bond or letter of credit that would be required by subsection (d)(1) or by subsection (d)(2).

(6) The operator has provided other financial assurance approved by the commission.

(e) Upon the approval of the application or renewal application, the commission shall issue to such applicant a license which shall be in full force and effect until one year from the date of issuance or until surrendered, suspended or revoked as provided in K.S.A. 55-162, and amendments thereto. No new license shall be issued to any applicant who has had a license revoked until the expiration of one year from the date of such revocation.

(f) If an operator transfers responsibility for the operation of a well, gas gathering system or underground natural gas storage facility to another person, the transfer shall be reported to the commission in accordance with rules and

regulations of the commission.

(g) The commission shall remit all moneys received from fees assessed pursuant to subsection (c)(7) of this section to the state treasurer in accordance with the provisions of K.S.A. 75-4215, and amendments thereto. Upon receipt of each such remittance, the state treasurer shall deposit the entire amount in the state treasury. Twenty percent of each such deposit shall be credited to the state general fund and the balance shall be credited to the conservation fee fund created by K.S.A. 55-143, and amendments thereto.

(h) The commission shall remit all moneys received pursuant to subsections (d)(3) and (d)(4) to the state treasurer in accordance with the provisions of K.S.A. 75-4215, and amendments thereto. Upon receipt of each such remittance, the state treasurer shall deposit the entire amount in the state treasury to the credit of the conservation-fee well plugging assurance fund.

Sec. . K.S.A. 2000 Supp. 55-180, as amended by section 194 of 2001 Senate Bill No. 15, is hereby amended to read as follows: 55-180. (a) The fact that any person has initiated or supported a proceeding before the commission, or has remedied or attempted to remedy the condition of any well under the authority of this act, shall not be construed as an admission of liability or received in evidence against such person in any action or proceeding wherein responsibility for or damages from surface or subsurface pollution, or injury to any usable water or oil-bearing or gas-bearing formation, is or may become an issue; nor shall such fact be construed as releasing or discharging any action, cause of action or claim against such person existing in favor of any third person for damages to property resulting from surface or subsurface pollution, or injury to any usable water or oil-bearing or gas-bearing formation.

(b) The commission, on its own motion, may initiate an investigation into any pollution problem related to oil and gas activity. In taking such action the commission may require or

perform the testing, sampling, monitoring or disposal of any source of groundwater pollution related to oil and gas activities.

(c) The commission or any other person authorized by the commission who has no obligation to plug, replug or repair any abandoned well, but who does so in accordance with the provisions of this act, shall have a cause of action for the reasonable cost and expense incurred in plugging, replugging or repairing the well against any person who is legally responsible for the proper care and control of such well pursuant to the provisions of K.S.A. 55-179, and amendments thereto, and the commission or other person shall have a lien upon the interest of such obligated person in and to the oil and gas rights in the land and equipment located thereon.

(d) Any moneys recovered by the commission in an action pursuant to subsection (c) shall be remitted to the state treasurer in accordance with the provisions of K.S.A. 75-4215, and amendments thereto. Upon receipt of each such remittance, the state treasurer shall deposit the entire amount in the state treasury to the credit of the conservation-fee well plugging assurance fund or the abandoned oil and gas well fund, as appropriate based on the fund from which the costs incurred by the commission were paid.