

MINUTES OF THE SENATE UTILITIES COMMITTEE.

The meeting was called to order by Chairperson Senator Stan Clark at 9:30 a.m. on January 28, 2003 in Room 231-N of the Capitol.

All members were present except:

Committee staff present: Bruce Kinzie, Revisor of Statutes
Emalene Correll, Legislative Research
Ann McMorris, Secretary

Conferees appearing before the committee:

Shirley Maxson, Williams Storage
Nancy Vandenberg, El Paso Corporation

Others attending: See attached list

Senator Emler introduced his pages of the day.

Introduction of Bills

Steve Miller of Sunflower Electric in Hays asked to committee to introduce a bill which would involve three issues - purchase power agreements, KCC annual evaluation and authority for financing of electric transmission lines.

Moved by Senator Emler, seconded by Senator Barone, the committee approve the drafting of such bill and introduction thereof. Motion carried.

The committee was provided copy of a bill draft for 3rs0237 concerning public utilities, requiring state corporation commission approval for disposition of certain assets. (Attachment 1)

Moved by Senator Emler, seconded by Senator Lee, the bill draft for 3rs0237 be introduced. Motion carried.

Presentation of Gas and Oil Pipelines and Bedded-Salt and Porosity Storage

Shirley Maxson, Williams Storage, Hutchinson (Attachment 2)

Nancy Vandenberg, El Paso Corporation, Colorado Springs, CO (Attachment 3)

The next meeting will be on January 29, 2003

Adjournment.

Respectfully submitted,

Ann McMorris, Secretary

Attachments - 3

By Committee on Utilities

AN ACT concerning public utilities; requiring state corporation commission approval for disposition of certain assets; amending K.S.A. 66-136 and repealing the existing section.

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

Section 1. K.S.A. 66-136 is hereby amended to read as follows: 66-136. (a) No franchise or certificate of convenience and necessity granted to a common carrier or public utility governed by the provisions of this act shall be assigned, transferred or leased, nor shall any contract or agreement with reference to or affecting such franchise or certificate of convenience and necessity or right thereunder be valid or of any force or effect whatsoever, unless the assignment, transfer, lease, contract or agreement shall have been approved by the commission.

(b) In addition to the requirements of subsection (a), the assets of any public utility of a book value greater than \$500,000, may be sold, assigned, leased, transferred, mortgaged, pledged, or otherwise disposed of or encumbered upon authorization by the commission and upon such terms and conditions as the commission may prescribe.

Sec. 2. K.S.A. 66-136 is hereby repealed.

Sec. 3. This act shall take effect and be in force from and after its publication in the statute book.

**Kansas Senate Utilities Committee
January 28 & 29, 2003
State Capitol-300 SW 10th St.Topeka, Kansas 66612
Room 231-North**

WILLIAMS TESTIMONY – Shirley Maxson

Thank you Chairman Clark and members of the Utilities Committee for allowing us this time to share with you our perspectives on the energy industry in Kansas. My name is Shirley Maxson, and I represent the Williams Companies. I live in Hutchinson and am Manager of Williams' Underground Storage and Fractionation facilities at Conway. I have provided you a written copy of my comments this morning. Included in that document you will find a complete list of William's assets in Kansas.

The collapse of Enron and the wholesale energy markets has had significant impacts on Williams and other energy companies. And as a result of this environment, Williams has had to take steps to reconfigure its portfolio of assets. But regardless of the near-term economic

Kansas Senate Utilities Committee
January 28 & 29, 2003
State Capitol-300 SW 10th St.Topeka, Kansas 66612
Room 231-North

environment, Williams will continue to operate and manage its core asset businesses at the highest standards to insure public safety.

At Williams, we move, manage and market all kinds of energy, including natural gas, liquid hydrocarbons, petroleum and electricity. Natural gas is universally recognized as the most environmentally friendly fossil fuel available. Williams has provided reliable, economic natural gas transportation services to the U.S. for over 90 years. The availability of clean and affordable energy is key to the success of promoting economic development while attracting and retaining industries in any community. In the near term we, at Williams, must focus our efforts to deliver a higher percentage of cash earnings, which is clearly a realistic response to the current economic environment.

- Williams is continuing to take steps to implement its financial strengthening plan, including up to \$3 billion in asset sales. Significant portions of these asset sales have come from our Kansas assets. These assets are not included on the attachment.

What does this mean to Kansas? We believe Kansas's citizens and communities will enjoy a similar level of service from the companies who have bought these assets. In fact, many of the current Williams employees will continue doing their exact same job - only now the logo embroidered on their shirts will not be Williams.

It is going to be a critical year for virtually all energy companies in 2003... and beyond. Being able to continue operating our assets in a safe, efficient and reliable manner without overbearing bureaucratic regulation is key to our success and to the success of the State of

Kansas Senate Utilities Committee
January 28 & 29, 2003
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Room 231-North

Kansas. As I stated earlier, we at Williams always have, and always will, maintain the highest standards of safety and reliability. To this end, our employees, as well as those of other companies represented in this room today, have spent countless hours and engaged our technical expertise in negotiations with the KDHE and KCC in formulating the new rules and regulations. We have appreciated the opportunity to participate in the process. It is imperative for business to remain viable, that Kansas does not implement overly burdensome regulations that are not specifically aimed at ensuring public safety. We are satisfied that the majority of the provisions in the proposed regulations will promote public safety in a cost effective manner. However, from our review of the latest draft we believe that there are two major issues remaining to be addressed. These are permit fees and financial assurance. Permit and per well fees should be reviewed carefully by the state. Our understanding is that the intent of these fees is to enable the agencies to add more full-time employees to department staff. First, the legislature should be diligent in making sure that revenue from the new fees being levied is not used for any other purpose than the regulation of underground storage facilities. And in this environment of fiscal responsibility, the department should be required to justify each permanent headcount increase as necessary to best serve public safety.

Of even greater importance to Williams are the financial assurance requirements found in the proposed KDHE regulations. These requirements are particularly burdensome considering the high number of wells Williams operates in Kansas. We are anxious to determine if there will be some consideration in the remainder of the regulatory process that allows each company to

**Kansas Senate Utilities Committee
January 28 & 29, 2003
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Room 231-North**

provide the financial assurance that the state actually needs without unnecessarily increasing the cost of providing the services.

Senator Clark, members of the committee, again I appreciate your time and consideration this morning. Some of you have toured our facilities in the past, and you have a standing invitation to visit us again at any time. Thank you.

Kansas Senate Utilities Committee
January 28 & 29, 2003
State Capitol-300 SW 10th St. Topeka, Kansas 66612
Room 231-North

Totals for Kansas	Totals
Miles of Ammonia Pipe	375
Number of Terminals Petroleum	6
Number of Terminals NGL	1
Miles of Petroleum Pipe	1410
Number of Employees	375
Annualized Compensation	\$21,760,669.00
Current as of	12/31/2001

PETROLEUM STORAGE, TERMINALS AND TRANSPORTATION

Williams Energy Partners, L.P. has 4 distribution terminals in Kansas. The Kansas City Terminal complex is the largest and provides numerous refined products for the Kansas City market including regular and premium gasoline, ethanol, commercial aviation fuel and diesel.

AMMONIA STORAGE, TERMINALS AND TRANSPORTATION

Williams Energy Partners' Ammonia Pipeline is the second largest ammonia carrier in the U.S. with recorded volumes of 508,000 tons shipped for a nine-month period ended 9/30/00. There are two terminals in Kansas: Conway and Clay Center. Ammonia is used for production of nitrogen fertilizer and is essential to the agricultural business sector. We ship to Farmland Industries, Inc, Agrium U.S. Inc. and Terra Nitrogen, L.P.

EXPLORATION AND PRODUCTION

Williams owns and operates approximately 150 mature gas production wells in the northern portion of the Kansas-Hugoton gathering basin. Operations are conducted out of the field office located near Lakin, Kansas.

GATHERING AND PROCESSING

Williams' Midstream group operates the Conway Fractionator. Located near McPherson, KS, the facility fractionates mixed products delivered via the Mid-America pipeline, rail and truck at a capacity of 107,000 bbls. Per day. Approximately 50% of the cavern capacity is propane with the remainder being raw NGL mix, iso-butane normal, butane, E-P mix and natural gasoline.

CORPORATE

Williams Companies Foundation supports charitable giving and community outreach through United Way fund drives and matching grants, as well as in-kind donations. Some of the organizations, which received donations, include Special Olympics, Wichita State University, and United Way.

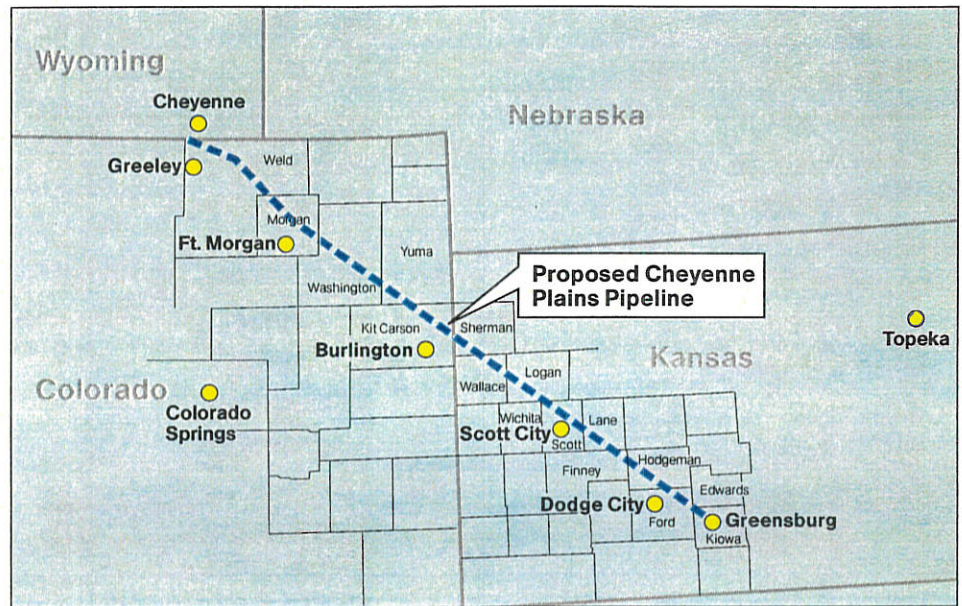
Cheyenne Plains Pipeline

Colorado Interstate Gas, a subsidiary of El Paso Corporation, proposes developing a new natural gas pipeline project, extending from Wyoming to Kansas. The Cheyenne Plains Pipeline will serve markets in the Midwest with connections to mid-continent pipelines near Greensburg, Kansas. Colorado Interstate expects to file an application with the Federal Energy Regulatory Commission in the spring of 2003 for authorization to build this pipeline.

As a result of development of natural gas resources in Wyoming, this project has secured long-term contracts for the full capacity of the pipeline project. The 30-inch pipeline will extend 380 miles from the Cheyenne Hub just south of Cheyenne,

Wyoming to Greensburg, Kansas. Interconnects with other interstate natural gas pipelines such as Northern Natural Gas, Natural Gas Pipeline Company, ANR Pipeline, Panhandle Eastern, Williams, and the Mid-Continent Market Center provide the opportunity for natural gas from Wyoming to flow to Kansas, Missouri, Minnesota, Michigan, Iowa, Indiana, Illinois, Oklahoma, Wisconsin, and other eastern markets. Providing an outlet for the growing supply of Rocky Mountain natural gas to markets in the Midwest region of the United States, Cheyenne Plains will be able to deliver 540 MDth of natural gas per day.

Upon approval by applicable regulatory authorities, construction of the \$340 million pipeline is expected to begin in the third quarter of 2004. The fully subscribed pipeline is scheduled to be in service by mid-2005.



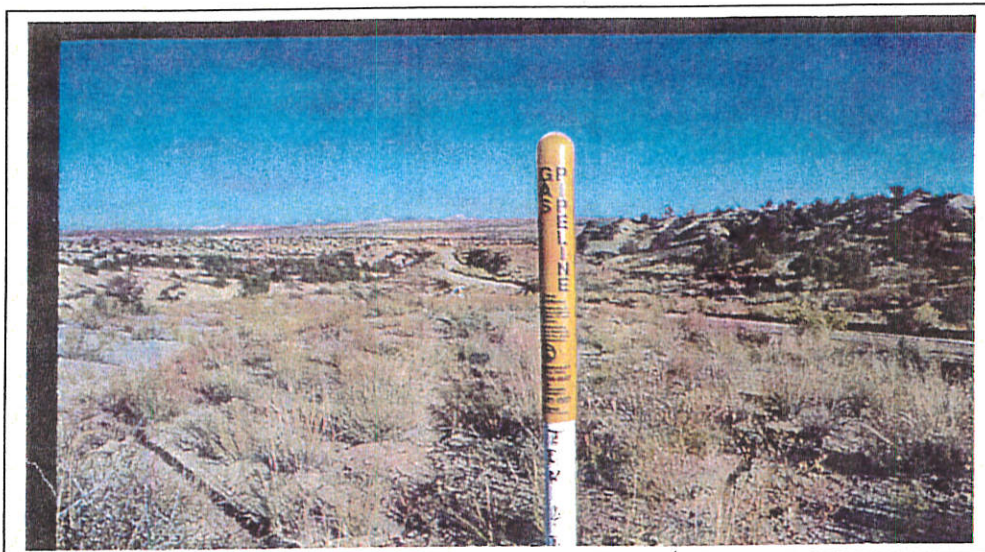
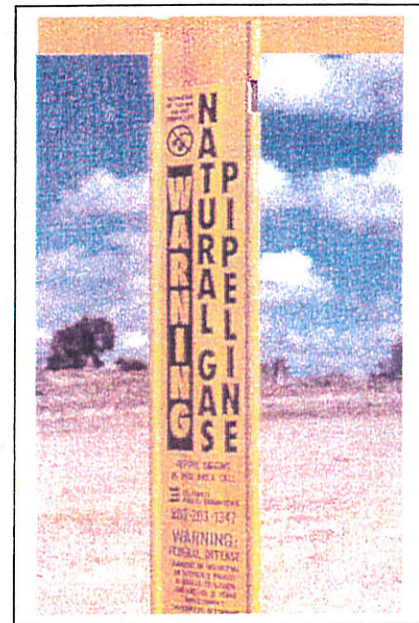
Natural gas will be transported via the Cheyenne Plains Pipeline from supply basins in Wyoming to Midwest and Eastern Markets.

Senate Utilities
January 28, 2003
Attachment 3-1

Pipeline Markers

Pipeline Markers: Identifying pipelines across the United States

The El Paso Pipeline Group marks all of its pipelines with the following brightly colored pipeline markers. These markers clearly identify the position of the pipelines in the El Paso Pipeline Group's system, allowing all parties to avoid construction or other activities that could damage the pipeline.



3-2

Western Pipelines

El Paso Natural Gas Company and Colorado Interstate Gas

El Paso Natural Gas Company and Colorado Interstate Gas are El Paso Corporation subsidiaries in the Western Pipeline division, which are headquartered in Colorado Springs, Colorado.

Founded in El Paso, Texas in 1928, El Paso Natural Gas operates more than 9,800 miles of pipeline, transporting more than 4,744 million cubic feet of natural gas per day. El Paso Natural Gas Company and its subsidiary Mojave Pipeline Company combine to form 10,200 total miles of pipeline, delivering natural gas to California, the southwestern United States, and northern Mexico from supply areas in the San Juan, Permian, and Anadarko Basins. El Paso Natural Gas is one of the only two pipelines in the nation that has been selected by the U.S. Department of Transportation's Office of Pipeline Safety to participate in its System Integrity Inspection Pilot Program that works to enhance the safety of America's pipeline grid.

Colorado Interstate Gas (CIG) is a major transporter of natural gas in the Rocky Mountain region. The CIG system is connected to nearly every major supply basin in the Rocky Mountains as well as production areas in the Texas Panhandle, western Oklahoma, western Kansas, and Wyoming. The company's assets include 4,405 miles of transmission pipelines and underground gas storage fields that have a working capacity of 29 billion cubic feet.

El Paso Natural Gas and Colorado Interstate Gas are subsidiaries of El Paso Corporation, the largest natural gas pipeline company in North America. Based in Houston, El Paso Corporation owns and operates the nation's only integrated coast-to-coast natural gas pipeline system. Collectively, the El Paso Pipeline Group own and operate more than 60,000 miles of the most reliable natural gas transmission pipelines in the industry.

For More Information

El Paso Natural Gas and Colorado Interstate Gas can be found on the Internet at www.elpaso.com.

El Paso Corporation

Basic Facts About El Paso Corporation

El Paso Corporation is North America's leading provider of natural gas services. The company has core businesses in natural gas production, gathering and processing, and transmission, as well as liquefied natural gas transport and receiving, petroleum logistics, power generation, and merchant energy services. El Paso Corporation, rich in assets and fully integrated across the natural gas value chain, is committed to developing new supplies and technologies to deliver energy to communities around the world. For more information, visit www.elpaso.com.

El Paso Corporation is traded on the New York Stock Exchange under the symbol EP and is headquartered in Houston, Texas. William A. Wise is chairman of the board of directors, president, and chief executive officer of El Paso. Other senior officers of the holding company include H. Brent Austin, executive vice president and chief financial officer; Joel Richards III, executive vice president, Human Resources and Administration; and Peggy Heeg, executive vice president and general counsel.

Corporate Divisions

El Paso Pipeline Group

The El Paso Pipeline Group manages El Paso's network of interstate pipelines. El Paso's five interstate pipeline companies—ANR Pipeline, Colorado Interstate Gas, El Paso Natural Gas, Southern Natural Gas, and Tennessee Gas Pipeline—operate as separate pipelines with separate tariffs. In order to achieve a proper balance between customer focus and operational efficiency, the pipeline companies have been grouped into regional units. Tennessee Gas Pipeline and ANR Pipeline comprise the Eastern Pipelines and are headquartered in Houston, Texas; El Paso Natural Gas and Colorado Interstate Gas comprise the Western Pipelines and are headquartered in Colorado Springs, Colorado; and Southern Natural Gas Company is headquartered in Birmingham, Alabama. These companies will continue to uphold their commitment to serve their growing markets safely and efficiently. John W. Somerhalder II is president of the El Paso Pipeline Group.

El Paso Merchant Energy Group

El Paso Corporation's Merchant Energy Group consists of three separate divisions—Power, Petroleum and LNG, and Energy Trading. In North America, the company manages a large energy infrastructure network, including natural gas pipeline capacity, storage capacity, liquefied natural gas terminal capacity, refineries, petroleum terminals and shipping, as well as power plants. Merchant Energy is committed to using its unique combination of assets and market knowledge to provide low-cost energy solutions to customers worldwide. Ralph Eads III is president of El Paso Merchant Energy Group.

El Paso Production

Building upon El Paso's commitment to finding and developing solutions for increasing energy demands, El Paso Production is one of the most active drillers for natural gas in North America. The company has extensive natural gas reserves and manages a large portfolio of domestic and international acreage. El Paso Production's drilling inventory and technological leadership will play a vital role in fulfilling El Paso Corporation's commitment to finding energy solutions. Rod D. Erskine is president of El Paso Production.

El Paso Field Services

El Paso Field Services provides gathering, treating, processing, compression, intrastate transmission, and storage services to producers throughout the United States, the Gulf of Mexico, and Canada. Together with the company's interests in El Paso Energy Partners, L.P., Field Services has considerable equity in an extensive portfolio of intrastate pipeline and gathering systems, processing and treating plants, and operates a fully integrated set of offshore pipelines and platforms serving the Deepwater Trend of the Gulf of Mexico. Robert G. Phillips is president of El Paso Field Services.

For more information:

El Paso Corporation can be found on the Internet at www.elpaso.com.