

MINUTES OF THE SENATE UTILITIES COMMITTEE.

The meeting was called to order by Chairperson Senator Stan Clark at 11:15 a.m. on March 26, 2003 in Room 231-N of the Capitol.

All members were present except: Senator Lyon, excused
Senator Lee, excused
Senator Tyson, excused

Committee staff present: Raney Gilliland, Legislative Research
Bruce Kinzie, Revisor of Statutes

Conferees appearing before the committee:
Ron Gaches, Southern Star
Tom Day, KCC

Others attending: See attached list

The chair opened the hearing on:

HB 2448 - Storage of hydrocarbons in certain underground formations where the chlorides are less than 5,000 milligrams per liter

Proponents:

Ron Gaches, Southern Star (Attachment 1)

Passage of **HB 2448** will allow three gas storage facilities to continue operation as they have for more than 30 years.

Tom Day, Kansas Corporation Commission (Attachment 2)

This bill would make it legal for three underground natural gas porosity storage facilities in Anderson, Woodson and Allen Counties, to continue operating as storage facilities.

Closed hearing on **HB 2448**.

Moved by Senator Barone, seconded by Senator Taddington, **HB 2448** be passed out favorably. Motion carried.

Approval of minutes

Moved by Senator Barone, seconded by Senator Taddington, approve the minutes of the Senate Utilities Committee meetings held on March 17, 2003; March 18, 2003; March 19, 2003; and March 20, 2003.

Motion carried.

Adjournment.

Respectfully submitted,

Ann McMorris, Secretary

Attachments - 2



Gaches, Braden, Barbee & Associates

Governmental Affairs & Association Management

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Senate Utilities Committee
Comments of Southern Star Central Gas Pipeline Company
Presented by Ron Gaches
Wednesday, March 26, 2003

Thank you Chairman Clark and members of the committee for the opportunity to appear in support of HB 2448.

This proposal is intended to address an unanticipated issue that has arisen out of passage of the bill in the 2001 session intended to bring increase regulatory control of the underground hydrocarbon industry. Many of you will recall that an unfortunate loss of two lives in Hutchinson led to passage of a bill that mandated new, tougher standards on underground storage of natural gas and various hydrocarbon liquids (like propane).

At that time, the Kansas Corporation Commission was given the assignment of implementing new regulations for underground porosity storage of natural gas and the Kansas Department of Health and Environment was given the assignment of implementing new regulations for underground storage of gas and liquids in bedded salt fields.

When the bill was passed at the end of the 2001 Session, it was agreed by all parties that there should not be any underground storage of hydrocarbons in any of Kansas' fresh water aquifers. Natural gas never has been stored in water aquifers in Kansas, but we learned in 2001 that at least one state had some gas storage in depleted water aquifers.

That agreement led to the language in KSA 55-1,115 (b)
"No hydrocarbon storage shall be allowed in any underground formation if water within the formation contains less than 5,000 milligrams per liter chlorides."

Clearly, the intention was to protect our underground fresh water supplies. What we didn't anticipate is that normal porosity storage fields might produce some small amounts of water. In effect, the new statutory language protected fresh water irrespective on how much might be present in the storage field.

Within the past year, Southern Star Central Gas Pipeline Company purchased the Central Gas Pipeline and underground gas storage assets of the Williams Company. Southern Star now operates 11 porosity storage fields in Kansas, comprising about half of the gas storage in Kansas.

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Three of the Southern Star storage fields fail the 5000 mg/l test of KSA 55-1,115 (b). The storage fields are not storing gas in fresh water aquifers. Rather, these storage fields are all in the Colony Sandstone formation.

Piqua	Woodson and Allen Counties
Colony	Anderson County
South Welda	Anderson County

Southern Star alerted the KCC Oil and Gas Conservation Division of this problem as we were preparing our applications for temporary permits under the new regulations. Because the chloride threshold is statutory, there really isn't any other alternative than to modify the requirement by statutory change.

There is broad agreement that maintaining gas storage capacity is very important to Kansas and Midwest markets. Gas storage allows utility companies to purchase gas in the off season (when it is cheaper) and store it for use during the high demand winter months.

Passage of HB 2448 will allow these three gas storage facilities to continue operation as they have for more than 30 years, contributing to the local property tax base and helping to stabilize the supply and price of natural gas.

Thank you for your time and consideration.



Kansas Corporation Commission

Kathleen Sebelius, Governor John Wine, Chair Cynthia L. Claus, Commissioner Brian J. Moline, Commissioner

**Testimony of
Tom Day, Legislative Liaison
before the
Senate Utilities Committee
March 26, 2003**

Good morning. I am appearing before you today in support of House Bill 2448. This bill would make it legal for three underground natural gas porosity storage facilities in Anderson, Woodson and Allen Counties, to continue operating as storage facilities. K.S.A. 55-1,115(b) otherwise prohibits the storage of natural gas in these facilities.

KSA 55-1,115(b) currently prohibits the storage of natural gas in underground porosity formations if water within those formations has less than 5000 mg/l chlorides. The Commission has deemed such water to be "usable". The affected storage fields and their respective chloride contents are listed below:

Field Name	County	Chloride content	Formation	Depth
Welda South	Anderson	1400 mg/liter	Colony Sand	921' to 970'
Colony	Anderson	446 mg/liter	Colony Sand	804' to 882'
Piqua	Woodson & Allen	386 mg/liter	Colony Sand	898 to 918'

The "Colony Sand" is a Pennsylvanian aged sand that lies above the Mississippian section in eastern Kansas. The name "Colony Sand" is a local term. The sand is equivalent to the more commonly named "Bartlesville Sand" of eastern Kansas and would be equivalent to the Lower Cherokee Sands of Western Kansas. All of these fields were originally productive of oil or gas and have been converted to porosity gas storage. The fields have been active as gas storage fields for quite some time.

In supporting this bill, the Commission is balancing its statutory duty to protect fresh and usable waters of the state, with the public interest in allowing for the economical storage of natural gas for ultimate public use. The KCC Staff believes the water in these fields, while technically usable by the chloride definition, is not being used, and does not significantly impact any fresh or usable water supplies that are relied upon by the public. In fact, it is likely that the water in these fields has been naturally saturated with hydrocarbons. As a final note, this legislation would not otherwise alter or limit the Commission's jurisdiction over underground porosity gas storage facilities.

This concludes my comments. Thank you for allowing me to address the committee. Should you have any questions I would be glad to address them.

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