

SESSION OF 2002

SUPPLEMENTAL NOTE ON SENATE BILL NO. 546

As Amended by Senate Committee on
Utilities

Brief*

SB 546 creates two new laws that relate to the termination of the service rights of a natural gas supplier.

The first statute created by the bill applies to the termination of the service rights of a natural gas supplier by a city during the time the supplier has a valid franchise in effect and the city or an entity acting on behalf of the city assumes the service rights. Under the provisions of SB 546, the governing body of the city is required to acquire the parts of the local natural gas distribution system necessary to serve all customers within the previously franchised area and the terminated supplier is required to sell such systems. The terminated supplier is to be fairly compensated for the parts of the distribution system acquired by the city. Fair compensation is to be an amount negotiated by the parties to the sale or an amount reached through the application of a formula set out in the new legislation. If the parties are not able to agree on the compensation to be paid to the terminated supplier within 60 days after the termination of service rights, either party may apply to the district court for a determination of fair compensation.

SB 546 also creates a new law that is applicable in the event the service rights of a retail natural gas supplier expire by reason of non-renewal of a franchise. The bill sets out the formula for compensating the supplier whose franchise is not renewed.

Background

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org/cgi-bin/fulltext/bills.cgi>

SB 546 was supported during a hearing on the bill by a representative of Kansas Gas Service who indicated the nonrenewal of a franchise or the termination of service while a valid franchise is in effect are not situations that arise frequently, but do on occasion arise. A recent example was cited. Written testimony was submitted by Kansas Municipal Utilities, Inc., opposing some provisions of the bill. The Senate Committee amendments were proposed by the representative of Kansas Gas Service following the hearing and discussion of the bill.

The fiscal note on SB 546 indicates there would be no fiscal effect on the Kansas Corporation Commission beyond its normal operations.