

Approved: April 27, 2000

Date

MINUTES OF THE HOUSE COMMITTEE ON UTILITIES.

The meeting was called to order by Chairman Carl D. Holmes at 12:26 p.m. on April 5, 2000 in Room 231-N of the Capitol.

All members were present.

Committee staff present: Lynne Holt, Legislative Research Department
Mary Torrence, Revisor of Statutes
Jo Cook, Committee Secretary

Conferees appearing before the committee: Attorney General Carla Stovall
Erick Nordling, Southwest Kansas Royalty Owners Assn.
James Remsberg, Argent Energy, Inc.
Mary Kay Miller, Northern Natural Gas
James Bartling, Greeley Gas Company

Others attending: See Attached Guest List

HB 3050 - Natural gas producer ad valorem tax refund

Mary Torrence, Revisor, presented a brief overview of the bill based on the supplemental note to **SUB SB 571**, which is nearly identical to **HB 3050**. Ms. Torrence responded to questions from Rep. Kuether, Rep. Alldritt and Rep. McClure.

Chairman Holmes welcomed Attorney General Carla Stovall, who appeared as a proponent of **HB 3050** (Attachment 1). General Stovall provided the committee a brief overview of the laws and legal decisions that led to the current situation. General Stovall then explained that there is one way that the state can right this wrong, by legislating in areas where the Federal Energy Regulatory Commission (FERC) has no jurisdiction. General Stovall stated that the passage of **HB 3050** would allow us to capture the opportunity to right a wrong which she believes was perpetrated upon the Kansas government, Kansas businesses and Kansas citizens. General Stovall then responded to questions from Rep. Sloan, Rep. Loyd and Rep. Dahl.

Appearing as a proponent of **HB 3050**, Erick Nordling, Executive Secretary of the Southwest Kansas Royalty Owners Association, testified (Attachment 1) on behalf of the Association and the several thousand royalty owners of Kansas. Mr. Nordling stated that royalty owners in the Hugoton Field have been treated unfairly in a situation created by disastrous federal regulation and the 'flip-flop' in federal decision making. Mr. Nordling included with his testimony a copy of the testimony provided, to the U. S. House of Representatives' Committee on Commerce's Subcommittee on Energy and Power, by John Majeroni of Cornell University.

James C. Remsberg, President of Argent Energy, Inc., provided testimony in support of **HB 3050** (Attachment 3). Mr. Remsberg explained that his company was being held liable for repayment of the ad valorem taxes and interest for a company that was no longer in business because of Argent's buy-out. He stated that should Argent be forced to make these reimbursements, their ultimate fate, and perhaps that of similar small producers in Kansas, would be bankruptcy.

Mary Kay Miller, Vice President of Regulatory Affairs for Northern Natural Gas, then presented testimony in opposition to **HB 3050** (Attachment 4). Ms. Miller explained that the FERC held that the Kansas ad valorem tax was not a production tax and was, therefore, not eligible to be an add-on to the maximum lawful prices of natural gas. They ordered refunds, plus interest. The Court of Appeals then held that the refunds should go back to 1983. Ms. Miller stated that this bill would invite numerous litigations and could interfere with proposed settlements between interested parties and the FERC. Ms. Miller then responded to questions from Rep. Kuether, Rep. Holmes, and Rep. McClure.

Chairman Holmes asked Leslie Casson, Kansas Development Finance Authority, to respond to questions.

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CONTINUATION SHEET

James Bartling, Public Affairs Manager appearing on behalf of Greeley Gas Company and Atmos Energy Corporation, testified in opposition to **HB 3050** (Attachment 5). Mr. Bartling stated that, if passed, this bill would cause Greeley Gas to incur this tax as an additional cost of transporting and their only recourse would be to pass this cost on to their customers. Mr. Bartling responded to questions from Rep. Long, Rep. Holmes and Rep. McClure.

The hearing on **HB 3050** was recessed.

The meeting adjourned at 2:00 p.m. Next meeting will be Thursday, April 6 at 12:00 noon in room 231-N.