ONEOK

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Opposition testimony on SB 48

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Good morning Mr. Chairman and members of the committee. My name is Michael Gillaspie and I work for ONEOK, Inc. as the manager of government relations in Kansas. ONEOK owns and operates natural gas gathering, processing, storage and transportation assets in Kansas. Included in those assets, ONEOK owns and operates two natural gas liquids (NGL) fractionation plants, which separates the natural gas liquids into purity products; purity grade propane and butane being a few of the finished products.

To get a better idea of what kind of an investment it would take to build infrastructure, it's important to know the cost of building a pipeline that would qualify for this exemption. First of all, it must be 190 miles to qualify. Right now, building a pipeline in Kansas with our terrain and labor, would cost about $1.2-1.6 million per mile of pipe for a pipeline of this size. The Overland Pass Pipeline, completed and in service in 2008, is a 760-mile natural gas liquids pipeline from Opal, Wyoming to the Mid-Continent market center in Conway, jointly owned by Williams Company and ONEOK Partners; that cost of investment was substantial. For further example, although it doesn't qualify for this exemption, ONEOK is currently spending approximately $140 million, building a 95 mile NGL pipeline between Hutchinson, KS and Medford, OK to provide flexibility within our system.

After the energy investment legislation passed several years ago, ONEOK proceeded to build the Overland Pass Pipeline, and subsequently rebuilt an out-of-service fractionation facility, spending approximately $230 million to become what is now our Bushton fractionation plant. The Bushton facility employees 45 employees, our Conway facility that benefits from the Overland Pass Pipeline natural gas liquids, employs an additional 22 employees, and our Hutchinson facility, which is the direct benefit of the volumes of natural gas liquids that come either from the Bakken shale in North Dakota and the Niobrara shale in Wyoming, employs 35 employees.

When our company makes a decision to spend millions of dollars, it takes several years for that project to be finished, from announcement to completion. This includes everything from environmental permits, designing and engineering the project, securing right-of-way, purchasing land from land owners, and finally constructing the project, all while being safe and good stewards of the land. For our board, and senior management to make a major decision to spend that much capital on a project, economic certainty is important. Our company, our employees, and the state have benefited from this law, and we believe, if we are to continue to grow and invest, keeping the current law in place is vital. We believe keeping this exemption is important for future investment.