

Approved: April 27, 2000

Date

MINUTES OF THE HOUSE COMMITTEE ON UTILITIES.

The meeting was called to order by Chairman Carl D. Holmes at 12:00 noon on April 6, 2000 in Room 231-N of the Capitol.

All members were present except: Rep. Billie Vining

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

Conferees appearing before the committee: Robert Krehbiel, Kansas Independent Oil & Gas Assn.
Ron Hein, Hein & Weir, Chartered
Debbie Beaver, Williams Companies
Ron Gaches, McGill, Gaches & Associates
Walker Hendrix, Citizens' Utility Ratepayer Board
Charles Freeman, AARP
Jack Glaves, Panhandle Eastern Pipe Line & Kinder/Morgan

Others attending: See Attached Guest List

HB 3050 - Natural gas producer ad valorem tax refund

Robert Krehbiel, Executive Vice President of the Kansas Independent Oil & Gas Association (KIOGA), appeared in support of **HB 3050**. Mr. Krehbiel distributed written testimony of Mr. R. Gordon Gooch, special counsel to KIOGA (Attachment 1). Mr. Krehbiel then explained KIOGA's support of the bill (Attachment 2). He stated that the series of events that led to the retroactive reversal of FERC Opinion 699-D has been appropriately described as the worst tax atrocity ever perpetrated by a federal agency. He stated that the impact on small producers and royalty owners is incredible and the injustices numerous. He explained that the purpose of this bill is to restore the tax policy intended with the passage of the severance tax in 1983. Mr. Krehbiel also included with his testimony a copy of Congressman Jerry Moran's statements to the Subcommittee on Energy and Power on June 8, 1999 and numerous documents supporting KIOGA's position. Mr. Krehbiel also distributed copies of a Western Resources memorandum regarding coal taxes for the Jeffrey Energy Center (Attachment 3).

Ron Hein, appearing on behalf of Pioneer Natural Resources USA, Inc., testified in support of **HB 3050** (Attachment 4). Mr. Hein stated that this bill is an effort to correct a manifest injustice that resulted from a retroactive decision made by the Federal Energy Regulatory Commission (FERC). He explained that, although **HB 3050** may need some revision, it is one method for the State of Kansas to correct that injustice.

Ms. Debbie Beaver, appearing on behalf of Williams Gas Pipelines Central, Inc., provided copies of the testimony of Gary W Boyle, Williams Companies Senior Counsel (Attachment 5), in opposition to **HB 3050**.

Appearing on behalf of Colorado Interstate Gas Company and ANR Pipeline Company, Mr. Ron Gaches testified in opposition to **HB 3050** (Attachment 6). Mr. Gaches stated that the bill deals with a set of issues that has confronted the Kansas gas industry for many years. He stated that the refunds ordered by the FERC are for overcharges in producers' gas prices when those producers were federally regulated. Mr. Gaches explained that this bill would take the refund and turn it into a fourth year problem whereby the same consumers who are supposed to get their money back would be paying the cost of new tax to pay back the money. Mr. Gaches stated that there could be years of legal challenges and that the constitutionality of this bill would be questioned. Mr. Gaches also distributed documentation of a state by state estimated allocation of the Kansas ad valorem tax refunds, including interest (Attachment 7).

MINUTES OF THE HOUSE COMMITTEE ON UTILITIES in Room 231-N at 12:26 p.m. on April 6, 2000.

CONTINUATION SHEET

Walker Hendrix, Consumer Counsel for the Citizens' Utility Ratepayer Board (CURB), testified as an opponent to **HB 3050** (Attachment 8). Mr. Hendrix stated that this bill establishes an elaborate financing arrangement that places considerable future burdens on consumers. He stated that CURB opposes this bill because it forces Kansas consumers to fund anticipated refunds for overcharges made under the Natural Gas Policy Act of 1978. Mr. Hendrix urged the committee to reject the bill and protect the interest of consumers as it has no public purpose and is in conflict with federal law.

Mr. Charles "Sonny" Freeman, appearing on behalf of AARP's Kansas State Legislative Committee, provided testimony in opposition to **HB 3050** (Attachment 9). Mr. Freeman stated that now was the time for consumers to get the refunds they deserve and not pay twice for the same tax.

Mr. Jack Graves, appearing on behalf of Panhandle Eastern Pipe Line Company and Kinder/Morgan, Inc., testified in opposition to **HB 3050** (Attachment 10). Mr. Graves stated that the bill is defective in concept, impaired constitutionally, would constitute an impediment to an alternative resolution of the very real problem which it is seeking to resolve and can only result in endless litigation.

Chairman Holmes distributed an amortization schedule provided by the Kansas Development Finance Authority.

The conferees then responded to questions from Rep. Klein, Rep. Holmes, Rep. Loyd and Rep. Dahl.

Chairman Holmes closed the hearing on **HB 3050** by addressing the industry. He stated, "I'm talking to everybody involved. If we don't do anything in this legislature, if we don't do anything in this committee, you will be before this committee next year in January, if you don't settle. I'm talking to all parties. It will be before the 2001 legislature in Kansas, if you don't settle."

Meeting adjourned at 2:00 p.m.