



WRITTEN STATEMENT

TO: Senate Utilities Committee
FROM: Jere White, Executive Director
DATE: March 9, 2006
SUBJECT: Senate Bill No. 576

The Kansas Corn Growers Association asked for the introduction of and supports Senate Bill 576. The purpose of the legislation is to extend statutory safeguards to customers who can be served from gathering lines. The proposed changes would only expand the potential customers and makes clear that the KCC has authority to make the final decision when there is a dispute. There is no change to the process or to the rules by which the KCC would act. The KCC has provided 120 years of regulatory service to the citizens of Kansas. According to the KCC website, "The mission of the state corporation commission is to protect the public interest through impartial, and efficient resolution of all jurisdictional issues." Fortunately, that is what we seek with Senate Bill 576.

On October 19, 2005, the KCC initiated a "General Investigation to Determine a Commission Policy Regarding Customers Served Directly or Indirectly by Gas Gathering Systems." I offer a direct quote from that document and ask that you consider the words that I have bold faced:

*Declining pressure in the field poses significant challenges for those consuming gas through exit taps as well as the utilities and gathering system operators that serve them. Declining wellhead pressure poses particularly complicated legal and policy questions due to the differing circumstances in which the service is provided and the ambiguities of the relevant statutes. **This instant proceeding is an attempt to explore the Commission's authority in situations where continuing gas service from gathering systems is in question.***



This bill is simple, although I would anticipate that those in opposition will want you to believe otherwise. It guarantees that rural customers on natural gas gathering lines will be given the same protections as other natural gas customers in the state. And while it does not require natural gas companies to sell gas regardless of circumstance to these rural customers, it does guarantee the opportunity to obtain access to the system.

Southwest Kansas is natural gas country and a complex infrastructure was built to take advantage of the vast Hugoton gas field. This infrastructure carried gas from the field to customers on the interstate market. The gas companies used this same infrastructure to provide natural gas service to thousands of residential and commercial customers in southwest Kansas. Because the gathering system was so large, it didn't make a lot of sense to build a second pipeline system solely to deliver gas to local customers. For years, this system worked well—both the gas companies and the customers benefited. In southwest Kansas, homes, businesses, industry and agriculture were all built to run on natural gas.

More recently, many of those gathering lines have been sold, and are now for use in intrastate gathering and processing. Because they are now in-state facilities, they are no longer under federal jurisdiction. You would assume then that these natural gas facilities would be under state jurisdiction, but unfortunately, in spite of attempts by the Legislature to address this issue, the Kansas Corporation Commission is unsure the role it should play,. That leaves the court system for the airing of grievances. Unfortunately, a homeowner or a farmer would be no match for a gas company and its team of attorneys. Gas companies like this system because they like the edge it provides.

The proposed legislation clarifies that the KCC has authority to make final decisions over access to service and termination of service. There is still a tremendous burden placed on any person seeking relief from the KCC, but there is a process established and oversight provided. These decisions would be made in accordance with existing law, rules and regulations. Clarifying the KCC's authorities places the decision-making where it belongs, in an agency with expertise and not in courts where litigation would be expensive and time consuming for all parties.

We could argue that this is an economic issue because it is. But what it really comes down to is people. When you think about the people of Kansas, please remember that the citizens of rural southwest Kansas, who live the closest to the gas supply, should not be treated like second class citizens when it comes to natural gas.

We have no particular pride of authorship in the words before you today. We are here because the evolution of natural gas in Kansas has left us with disenfranchised consumers without protections taken for granted by the rest of us. It really is a simple question. Should the policy of this state hold these people, and those that sell them natural gas, out to a different standard? I hope the committee will agree with us that we shouldn't and recommend SB-576 favorably for passage.

Thank you.