

ADDENDUM TO COMMENTS BY
DUKE ENERGY FIELD SERVICES
ON SENATE BILL 576
BY JACK GLAVES

The spin off of gathering facilities from the interstate systems is hardly a recent event. It occurred 15 years ago, when FERC determined (Order 636) that all of the services offered by the interstate pipelines from wellhead to distributors should be unbundled in order to encourage competition in the providing of those services, enabling producers to shop for and only pay for the services needed.

Actually, FERC jurisdiction never extended to farm tap sales; only to sales for resale.

In 1992 Panhandle Eastern obtained KCC approval to transfer its 750 Kansas farm taps to Peoples Natural Gas (Aquila's predecessor) to provide public utility service and assume our right-of-way obligation, since Panhandle was no longer in the merchant business and was restricted to providing gas transportation only. This led to the spin off of the gathering facilities now owned by DEFS.

No change in providing that service has occurred and none is contemplated. We continue to provide taps under our right-of-way contracts with Aquila providing the utility service.

Our concern centers on the proponents' expressed reason for this Bill, to "expand the potential customers ... served from gathering lines", even mentioning cotton gins and ethanol plants, which would require huge volumes of gas diverted from our system to our detriment as well as to that of our producers and royalty owners. The liquids would be lost for processing, imperiling the future operation of our Liberal plant.

The impression is left that gas gathering systems are the only viable source of power for southwest Kansas. I attended the KCC meetings in Liberal last summer and although there may be latent suspicion of gas suppliers using the sour gas issue as an excuse for terminating existing service off of gathering systems, I really did not detect any pent up demand for new service off of gathering systems, particularly given the current economics of irrigating water thirsty corn with very expensive gas. The anecdotal evidence of such demand is simply missing.

Indeed the southwest Kansas buzz centers on huge new cotton warehouses in Liberal, planned ethanol plants at Liberal and Garden City and the tremendous expansion of the Sunflower coal-fired Electric plant at Holcomb. Pioneer Electric, a Sunflower member, is offering special irrigation rates; all of which portends alternate irrigation power and, hopefully, lessened water usage in recognition of the mining of the Ogallala aquifer. It is not just the Hugoton gas field that is being mined. That mining caused me to drill a new water well last year, south of Garden City.

The “unequal treatment” or discrimination between rural and urban customers is fallacious. Comparing customers served by public utilities receiving gas from high-pressure transmission lines delivered through public utility distribution systems, with all the added costs incident to such facilities, with receiving raw gas off of low-pressure gathering lines at wellhead prices well never be comparable in either service or cost.

Rural users have to decide whether they want reliable, safe natural gas service or an alternate power source. It is becoming more evident, with the decline in volume and pressure, that that type of service is not available from gathering systems, with or without Senate Bill 576.

That is what gave rise to the 2002 legislation, the “Self Help Gas Act”. The legislation last year (HB 2530) should allay concerns over using health and safety reasons for cutting off existing service.

In all, it seems that we should step back, take a deep breath, let the KCC pursue its mission, hope that the cotton gins and ethanol plants get built, that we lessen the mining of water with less thirsty crops and that new demands for power be met by natural gas and electric public utilities that are certificated to provide that service under KCC jurisdiction. Let us continue to provide our mundane gathering service to the benefit of the producers and our existing farm taps.

We want southwest Kansas to prosper and we want to continue to be a part of that economy.

Submitted by:

Jack Glaves