

MINUTES OF THE SENATE UTILITIES COMMITTEE

The meeting was called to order by Chairman Stan Clark at 9:30 a.m. on February 20, 2004 in Room 526-S of the Capitol.

All members were present except:

Senator Bob Lyon- excused  
Senator Jim Barone- excused  
Senator Susan Wagle- excused

Committee staff present:

Bruce Kinzie, Revisor of Statutes  
Raney Gilliland, Legislative Research  
Emalene Correll, Legislative Research  
Ann McMorris, Secretary

Conferees appearing before the committee:

Bob Courtney, Olathe District Schools  
Myrna Morrison, Spring Hill  
Dr. Dale Rawson, Superintendent, Burlington  
Larry Holloway, KCC  
Bob Alderson, Atmos Energy  
Bill Dowling, Midwest Energy, Hays

Others attending:

See Attached List.

Chairman Clark opened the hearing on

**SB 522 - Natural gas public utilities, requirements relating to transportation customer.**

Senator Brownlee had requested introduction of this legislation after being approached by the schools in her district who are having problems with transportation of gas. Representatives of school districts were contacted to bring their explanations to the committee.

Proponents:

Bob Courtney, Energy Manager, Olathe District Schools, supports **SB 522**, a bill of great interest to the school districts who are attempting to better manage scarce resources during difficult budgetary times. (Attachment 1)

Myrna Morrison, Treasurer, Spring Hill USD 230, reported savings to the district by transporting natural gas has been greatly reduced in the last school year when the local gas company started assessing imbalance penalties to customers transporting gas. Every month the entire gas service invoice must be analyzed and double checked for accuracy. She explained the discrepancies in their invoices in detail. (Attachment 2)

Dr. Dale Rawson, Superintendent, Burlington USD 244, summarized the problems that currently exist in his school district relating to the transportation of natural gas. (Attachment 3)

Neutral:

Larry Holloway, Chief of Energy Operations for the Kansas Corporation Commission, provided a broad overview of the background of natural gas transport.. He commented that **S.B. 522** places several statutory requirements on natural gas utilities, or LDCs, and natural gas marketers. The bill is unclear on who would enforce the notice and cashout requirements on marketers. The bill does not distinguish between the size and sophistication of customers and may create unintended opportunities for sophisticated customers and marketers to “game” the system at the expense of small commercial and residential sales cusstomers. (Attachment 4)

Opponents:

CONTINUATION SHEET

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Bob Alderson, Atmos Energy Corporation, expressed opposition to **SB 522**. The problems addressed in **SB 522** are not universal problems needing legislation to resolve. There is a need for better communication. (Attachment 5)

William N. Dowling, Vice President, Midwest Energy, Inc., Hays, KS, noted his company provides natural gas transportation service to over 4,000 customers. He expressed concerns of Midwest Energy with several aspects of the provisions in **SB 522**. The primary goal of an imbalance resolution process, through a cashout mechanism or other means, is to provide an incentive for all parties to schedule gas deliveries that are consistent with anticipated and actual demand. The preferred solution to problems that arise would seem to be to improve gas transportation programs, based on realistic expectations, through the current regulatory framework, rather than through legislative mandates. (Attachment 6)

Chairman opened for questions and further discussion.

The next meeting of the Senate Utilities Committee is scheduled for February 23, 2004. Chairman Clark urged committee members to arrive promptly as **SB 455** had many conferees to be heard.

Adjournment.

Respectfully submitted,

Ann McMorris, Secretary

Attachments - 6