

SESSION OF 2015

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2231

As Recommended by House Committee on
Agriculture and Natural Resources

Brief*

HB 2231 would allow an operator of one or more natural gas wells to obtain an annual license from the Kansas Corporation Commission (KCC) when the natural gas wells are used strictly for personal use for the purpose of heating a residential dwelling or any other structure located on the premises. The fee would be \$25 rather than the standard \$100 annual license fee under current law. Also, under current law, applicants for an annual license are permitted to pay the reduced fee of \$25 for those operating one gas well used strictly for the purpose of heating a residential dwelling.

Background

At the House Committee hearing on the bill, Representative Read appeared as a proponent indicating the bill simplified the fee structure for personal use gas wells used to heat personal use buildings and to keep that fee at a flat \$25.

A KCC spokesperson appeared before the Committee as a neutral party. This spokesperson indicated that the KCC had several concerns. The first concern was that of safety and the spokesperson indicated that with more wells being drilled and used, there is a need for operating infrastructure to avoid problems. The second concern was enforcement because it would be difficult for the KCC to determine whether the gas is being used for some other purpose other

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>.

than for heating. The third concern was for the potential for increased costs since under current law operators of more than one well not only pay a higher fee of \$100 but also pay a financial assurance amount on top of the fee based on the number and depth of wells. This money is credited to the Well Plugging Assurance Fund to plug abandoned wells.

According to the fiscal note prepared by the Division of the Budget, the KCC indicates that there are currently 100 active residential licenses in the state. The bill would reduce revenue to the Conservation Fee Fund by approximately \$7,500. Any fiscal effect associated with the bill is not reflected in *The FY 2016 Governor's Budget Report*.