

MINUTES OF THE JOINT MEETING OF THE HOUSE COMMITTEE ON UTILITIES AND THE SENATE COMMITTEE ON UTILITIES.

The meeting was called to order by Chairman Carl D. Holmes at 8:37 a.m. on January 22, 2001 in Room 313-S of the Capitol.

All members were present except:     Rep. Richard Alldritt  
   Rep. Laura McClure

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

Conferees appearing before the committee:     David Williams, Kansas Corporation Commission  
   Robert Krehbiel, Kansas Independent Oil and Gas Assn.  
   Dick Brewster, BP-Amoco  
   Robert Reid, Colorado Interstate Gas  
   Bill Eliasan, Kansas Gas Service/OneOK  
   Jim Borowicz, UtiliCorp United  
   James Bartling, Greeley Gas Service  
   John Cita, Kansas Corporation Commission

Others attending:     See Attached List

Chairman Holmes opened the meeting by reviewing the purpose and focus for the joint meetings scheduled. Senate Utilities Chairman Stan Clark referred to three reports available on the Internet web site of the Energy Information Agency, a division of the Department of Energy.

Chairman Clark welcomed David Williams, Production Supervisor for the Kansas Corporation Commission, who provided an overview of Kansas natural gas production (Attachment 1). Mr. Williams explained that oil and natural gas resources are the most important energy products in Kansas with production established in 91 counties. He stated that Kansas has an existing gas processing and transportation infrastructure in place and has been productive for more than a century.

Robert Krehbiel, Executive Vice President of the Kansas Independent Oil and Gas Association, addressed the joint committees on natural gas supply factors (Attachment 2). Those factors include the condition of the exploration and production component of the industry, current characteristics of the Kansas resource base, the wellhead price of natural gas, the transportation of natural gas, the cost of natural gas and how shortages occur.

Dick Brewster, Director of Government Affairs for BP-Amoco, provided information on the relationship of natural gas price and supply (Attachment 3). This information outlined the supply/demand dynamics, the industry's response, reviewed the natural gas marketplace as a balancing mechanism and reviewed BP's role in the North American supply solution.

Robert Reid, Senior Vice President for Colorado Interstate Gas, presented testimony on the North American outlook for natural gas (Attachment 4). Mr. Reid provided information on the natural gas transmission system across the United States and outlined the various market changes. Mr. Reid included a graph showing the projected growth in gas demand by consumer type.

Bill Eliasan, appearing on behalf of OneOK/Kansas Gas Service, provided information about high natural gas prices (Attachment 5). Mr. Eliasan explained the components of customers' gas bills, outlined the transportation and storage situation, explained gas cost management tools and other programs to manage how customers cope with high costs.

## CONTINUATION SHEET

CONTINUED MINUTES OF THE JOINT MEETING OF THE HOUSE COMMITTEE ON UTILITIES AND THE SENATE COMMITTEE ON UTILITIES, Room 313-S Statehouse at 8:37 a.m. on January 22, 2001.

Jim Borowicz, UtiliCorp United, provided a market analysis from a trader's view (Attachment 6). Mr. Borowicz stated that the natural gas market is an auction, where buyers bid against other buyers, causing the price to go up and sellers sell against other sellers, causing the price to go down. Posing the question: What affects buyers and sellers in their decision-making process, Mr. Borowicz said they included fundamentals (weather, storage, forecasts and drilling activity), technicals (trend, volume, moving averages), and speculations (open interest and spot contract pricing).

James Bartling, Manager of Public Affairs for Greeley Gas Company, addressed the joint committees (Attachment 7). Mr. Bartling addressed concerns about the costs of gathering and marketing gas along with their current gas purchasing practices.

Dr. John Cita, Chief Economist for the Kansas Corporation Commission, spoke about natural gas price forecasting (Attachment 8). Dr. Cita, as a member of the Natural Gas Price Task Force, developed forecasts to provide some indications of what the price of natural gas may be in the near future. Dr. Cita stated that, based on these forecasts, it appeared there would not be any price relief until 2002 and beyond.

The conferees were invited to return to the meeting tomorrow to respond to committee questions.

Meeting adjourned at 11:01 a.m.

Next meeting is Tuesday, January 23, 2001, jointly with Senate Utilities.