

MINUTES OF THE SENATE UTILITIES COMMITTEE.

The meeting was called to order by Chairperson Sen. Pat Ranson at 1:30 p.m. on March 22, 2000 in Room 231-N of the Capitol.

All members were present except:

Sens. Hensley and Salisbury were excused

Committee staff present:

Lynne Holt, Legislative Research Department

Mary Torrence, Revisors of Statute Office

Jeanne Eudaley, Committee Secretary

Conferees appearing before the committee:

Commissioner John Wine, Kansas Corporation Commission

Others attending:

See attached list

Sen. Ranson announced the committee will hold a confirmation hearing for John Wine, who has been re-appointed to serve another four years as Commissioner of the Kansas Corporation Commission. She asked the committee to refer to confirmation papers distributed to the committee (Attachment 1) and introduced Mr. Wine.

Mr. Wine did not submit written remarks, but stated he wanted to review what has happened at the Kansas Corporation Commission during the past four years and to make some predictions. Mr. Wine presented the following to the committee:

Natural gas - It is the most stable and more orderly of the utilities; the commercial customers are able to choose their supplier, but he believes it will be a gradual process to move to residential deregulation.

Electrical - He believes deregulation of the generation phase is inevitable and believes the state should move in a cautious manner. He recalled that some of the states have adopted deregulation, but it is stalled in most of those states. He stated there are tax implications which need to be solved, and stranded costs also need to be addressed. He cannot guess what the U.S. Congress will do, but did predict deregulation of the distribution will come in a few years.

Telecommunications - He commented changes have taken place in this industry at break-neck speed, with changes coming as a result of technology and demand, great demand. This has to do with the fact that transmissions can come in different ways, and the delivery of these services has changed. He stated the government's role is to promote availability of services universally.

Mr. Wine continued by explaining the old structure of the commission is making transitional changes now and will include alternatives to resolve issues, such as dispute resolution and negotiation rulemaking as a more up-front approach to the old control and regulation. He added that the Commission will take on a greater role educating the public and in a consumer protection role. He also stated the Agency has appointed a Task Force to address future problems/changes, and he has attended the National Association formulating plans for the future with other states on a national level. He explained the Commission has a traditional regulatory role for non-utility functions, such as transportation, motor carrier safety, pipeline safety and the Conservation Division. He also stated the Conservation Division has increased the rate of plugging the wells and has brought down the cost of plugging them. Mr. Wine stated he is aware this committee has been holding hearings the past week regarding plugging wells and admits the Commission has not done enough to solve the problem of abandoned wells. He stated he has read the Committee's Draft Report and agrees with it and believes both the Senate and House have sent a clear message they want more done in this area; he reassured the committee that he has gotten a clear message regarding plugging of abandoned wells.

Committee members questioned Mr. Wine generally regarding merchant power plants and allocating

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FERC refunds, which has been discussed in Sen. Morris' Energy Committee. Mr. Wine responded there is an open docket regarding that matter and how to distribute refunds, so he is reluctant to respond.

Sen. Barone referred to Mr. Wine's Statement of Substantial Interest for Appointment to State Office and Schedule "C" (attached to his Confirmation Summary), which requires listing interest holdings exceeding \$5,000 and asked if it was complete. Mr. Wine answered his Mother passed away in January, which would make some changes on that schedule. Sen. Ranson noted the Substantial Interests Statements are filed with the Secretary of State's Office each April, and the one attached to Mr. Wine's papers was signed in April, 1999. Mr. Wine admitted it needs to be updated which he will do next month, as required by law; he will also update his biography. He also discussed with Sen. Barone KCC internal security procedures and stated the Commission creates its own internal investigations for such matters and they are brought to Topeka for resolution.

Sen. Ranson questioned Mr. Wine regarding his serving as Chairman of the Commission and found that he was appointed Chairman in September, 1997, and is still serving as Chair of the Commission. There was no further discussion. Sen. Lee made a motion John Wine be re-appointed as Commissioner of the Kansas Corporation Commission, and it was seconded by Sen. Brownlee. Roll call vote was taken, and Mr. Wine was recommended for re-appointment unanimously.

Sen. Ranson referred to the appearance of the Secretary of the Department of Transportation, E. Dean Carlson, before the committee regarding **HB 2897-public lands; relating to grants of easements.** The committee discussed the Department of Transportation's definition of public utilities and their Accommodation Policy. Sen. Ranson stated it clarifies their definition of public utilities and applies to all public and private utilities; she briefly read what is included in the definition.

Sen. Ranson announced that Ms. Torrance and Diana Edmiston (from the Conservation Division) were meeting to go over the proposed changes made yesterday to **Senate Sub for House Bill 2782-concerning oil and gas; relating to plugging of certain wells.**

Sen. Ranson then announced Ms. Holt has re-worked the Report by the Senate Committee on Utilities to the Senate Committee on Ways and Means (Attachment 2), and asked Ms. Holt to go over some of the revisions made by the committee yesterday. She advised the deletions the Committee made yesterday have been taken out of the text, and the changes made are in bold print. She began on Page 4, and changing the Abandoned Oil and Gas Well Fund from a no limit fund to a limit fund, according to Committee wishes. Paragraph 2 stipulates all operators be required to pay the \$50 fee for new and renewed licenses. Page 5 relates to the emphasis the Committee has placed on locating responsible parties and explicit language in the statute to authorize that administrative expenses be included for this purpose. She called the committee's attention to Attachment 1, which is the Conservation Division's recommendations regarding the process of bidding and attracting more qualified contractors to compete for state plugging contracts. The committee's recommendation to encourage bids to be awarded for entire projects rather than individual services, and to change the formula for compensation to contractors to a cost per well/flat fee for at least a twelve month period to compare the costs per well approach was discussed. Also, the committee's recommendation for a report to be submitted to the Senate Committee on Ways and Means and the House Committee on Appropriations during the 2001 session is outlined on Page 6. The committee discussed the changes, and Sen. Clark stated that the report should be by district, since the depth of the wells varies a great deal from his district to Sen. Barone's district, making sure they are comparing apples to apples. Tom Day (from KCC) stated that the approximate depth of the wells is known when they are bid; the actual depth of the well is known when it is drilled and capped off. The committee's recommendation is to request a report and analysis and that the report be by district. Sen. Barone stated it will be difficult for the report to be for a twelve-month period, if it is to be submitted to the 2001 session. Mr. Day stated the statute stipulates the KCC annual report be submitted to the Legislature by the first day of the session. Sen. Barone's suggestion to recommend an interim report next legislative session was agreed upon by the committee. Sen. Ranson referred to the last paragraph on Page 6 and the committee's opposition to the negotiated contracts, which was a recommendation of the Conservation Division; she noted the committee's recommendation is to change the bid process. Ms. Holt will correct the wording of the last paragraph. The committee also noted the last attachment to the report,

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which shows the number and percentage of abandoned wells plugged or scheduled for plugging with state funds by calendar year.

Sen. Clark made a motion the committee accept the report and that it be submitted to the Senate Ways and Means Committee, and the motion was seconded by Sen. Jones. A voice vote was taken, and the motion passed unanimously.

Sen. Ranson called the committee's attention to Minutes of Meetings for March 2, 7, 8 and 9. Sen. Steffes made a motion the Minutes be approved, and it was seconded by Sen. Brownlee; the motion passed and the Minutes were approved.

Meeting adjourned at 2:15.

No further meetings are scheduled.

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