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**Testimony for Public Hearing on S.B. 325
Before the Senate Utilities Committee
Kansas Senate
February 21, 2007**

American Energies Corporation operates approximately 400 wells in Kansas and has two limited liability corporations. American Energies Gas Service, LLC (AEGS) is a rural utility which has approximately 240 customers, including irrigators. It operates under the Kansas Corporation Commission's rules and regulations, as a Class B Utility. American Energies Pipeline, LLC (AEPL) operates six small gas gathering systems with 147 miles of pipelines, all smaller than 6 inches in diameter. AEGS has 90 miles of pipeline, all smaller than 6 inches in diameter.

With our current AEPL gas gathering system and our production capabilities, S.B. 325 would cause a real problem, if passed. Each system, is sized for a minimum daily pressure and deliverability according to the compressor's capabilities. The average well volume delivering into the AEPL gathering system, is approximately 13 MCF/D. I am sure, that this number is average for many small gathering systems operated by Kansas operators.

Should a Non-Profit Utility (NPU) request an exit tap on many of our AEPL systems, we could not provide a stable flow of gas to both the NPU and the AEPL compressor. For example, one 150 HP irrigation engine will use approximately 36 MCF/D. If the NPU has 10 customers, that would equal 360 MCF/D on their demand. The NPU will not need our gas if it rains. Their market is very unreliable, and would force our gas to be sold on the spot market, at lower prices during the months they would require our gas.

AEPL owns and leases equipment and pipelines, with over \$5 million dollars invested in these assets. AEPL pays transportation fees for 2,000 MCF per day to get the gas to AEGS. This assures AEGS and it's customers, that we will have gas at their burner tip, and that these customers will be able to heat their homes and businesses. I find it strange that the NPU is requesting the ability for an exit tap into our gas gathering system, only then to request that the Kansas Corporation Commission regulate us and they, (NPU) remain exempt and non-regulated.

AEC has invested and is investing in the economy of Kansas by developing a sound business plan, which involves discovering new oil and gas reserves, marketing these reserves, thus benefiting the Kansas economy. AEC drilled or participated in the drilling of 48 new wells in 2006. AEPL laid approximately 20 miles of new gathering lines, and invested over \$200,000 in new line taps and meters. AEC paid nearly \$100,000 in firm transportation fees. AEGS expanded and is selling gas to the cities of Moundridge and Hesston, Kansas. We are also providing gas to three manufacturing companies in McPherson and Moundridge.

Liability and pipeline compliance is yet another concern which will create additional cost if exit taps are allowed. Insurance to transport gas is nothing compared to the insurance necessary for running a utility company with gas meters. Liability insurance would certainly be increased should a gathering system becomes a gas utility and begin selling to an NPU. Since the NPU is not regulated, the problems would be compounded if an accident should occur. The lawsuit would probably involve the gas utility which sold the gas.

The gas which goes thru our AEPL and AEGS lines has a dedicated market, which provides gas to our residential and manufacturing customers. We are strictly monitored under current gas contracts, nominations, and the Kansas Corporation Commission's rules and regulations.

Alan L. DeGood, President
American Energies Corporation

