

Memorandum

To: Chairman and Members of the Kansas Senate Utilities Committee
From: Dick Brewster, BP, Jack Glaves, DCP Midstream, Steve Johnson, OneOk, and others in the *ad hoc* gas gathering group
Re: S.B. No. 325
Date: March 8, 2007

What follows is a list of requirements for exit tap service sought by an NPU on a gathering system. In addition, you'll see a list of findings of fact the KCC must make before it can order a gathering system to provide an exit tap service to an NPU, or order the continuation of an existing exit tap service. It is envisioned that the KCC's involvement would be only after a complaint filed with the KCC by an NPU in the case of an exit tap serviced sought, or by a gas user in the case of an existing exit tap service, where in either case the parties could not reach agreement after a good faith attempt to do so.

It is also envisioned that this language, after being drafted in a substitute bill for S.B. No. 325, would be the only provisions in the bill, replacing the existing bill entirely.

While there is not unanimity within the group of gathering operators, owners and others opposing S.B. No. 325, there is a consensus that believes a bill with these concepts can be workable.

We have reviewed these concepts with representatives of those supporting S.B. No. 325, and understand that there is a consensus among that group that agrees these concepts can be workable as well.

We will work to draft a bill based on these concepts, and believe it can be presented to the Committee next Tuesday, March 13, for your review and consideration.

Basic Requirements:

1. The NPU seeking an exit tap service must have acquired or be able to acquire a gas supply, either by a purchase agreement from producers who can deliver or are currently delivering gas to the gathering system, or by a purchase agreement for gas from the gathering operation if the gas belongs to the gatherer. The terms of either agreement, including price, volumes, and other terms would be subject only to the agreement between the parties and not subject to review by the KCC. Any such agreement would be voluntary

between and among the parties involved. The KCC would not have the authority to order any producer, gatherer or other party to sell gas to an NPU, or any other party.

2. If the NPU becomes a shipper of gas it has purchased from a party other than the gatherer, the NPU must meet the same requirements as all shippers on the gathering system, i.e. credit worthiness, etc.
3. The NPU shall pay all costs and any associated expenses for the exit tap service as imposed by the provider.
4. Existing, new or additional exit tap service added to a gas gathering system shall not cause a gas gathering system, its owner or its operator to be regulated as a public utility as that term is used in K.S.A. 66-104, and amendments thereto, or as a common carrier as that term is used in K. S.A. 66-105, and amendments thereto.
5. The provider of an exit tap service shall not be required to install, relocate or modify compression or other operational equipment or features in order to provide such service or maintain pressure in its gathering system to deliver gas to a user of an exit tap service.
6. "Exit tap service on a gas gathering system" means providing a point on a gas gathering system at which natural gas is delivered to a consumer, homeowner, business, agricultural user, person, gas marketer or public utility.

Upon proper complaint to the KCC by an NPU or other party using gas directly from an exit tap service, or seeking such service, if the above requirements are met, the KCC may order the gatherer to provide exit tap service, or continue to provide exit tap service only if the Commission makes the following "Finding of Fact:"

1. That the proposed service will not impair the ability of the gas provider to meet all existing and anticipated demands on its system.
2. That the proposed charges by the exit tap service provider are reasonable and adequate to cover the provider's administrative and operating expenses, risk and profit for the service provided.
3. That the requested service will be provided on an interruptible basis and that the provider will be indemnified from liability for and shall not be held liable for damages to human life, crops, livestock, equipment, environmental or any other damage arising from using such gas, or arising from interruption or curtailment of service.

4. That the requested service will be provided only to NPU's, and shall be used to provide gas exclusively for agricultural use and not for commercial or industrial use.
5. That such service may be terminated for failure to promptly pay billings or maintain credit worthiness, or in the event the provider determines that it can not safely continue to supply such service.
6. That such service may be terminated at any time if continued service threatens the operational stability and reliability of the providers' system, and may be interrupted for gathering system maintenance, replacement or repairs.
7. That such service will not impair nor modify existing contracts held by the gathering owner or operator.
8. That such service will not unreasonably increase the total number of exit taps on the provider's system.
9. That such service can be provided in a safe manner that does not jeopardize human life or safety or the environment.
10. That providing such services will not adversely affect service or cost to any other consumers of gas gathering services on the system.