

MINUTES OF THE SENATE COMMITTEE ON ENERGY AND NATURAL RESOURCES.

The meeting was called to order by Chairperson Senator David Corbin at 8:00 a.m. on March 13, 2000 in 245-N of the Capitol.

All members were present except: Senator Pugh who was excused.:

Committee staff present:

Raney Gilliland, Legislative Research Department
Mary Ann Torrence, Revisor of Statutes Office
Lila McClafin, Committee Secretary

Conferees appearing before the committee:

Senator Steve Morris
Carla Stovall, Attorney General
Gordon Gooch, Kansas Independent Oil and Gas Association
Robert Krehbiel, Kansas Independent Oil and Gas Association
Eric Nordling, Southwest Kansas Royalty Owners Association
Gregg Stuckey, Southwest Kansas Royalty Owners Association
James Ramsberg, Wichita, KS
Jack Graves, Pan Handle Eastern Pipe Line Co., and Kinder Morgan Inc.
Gary Boyle, Williams Company
Rick Smead, Coastel Corporation
Mary Kay Miller, Northern Gas Company
Jim Bartling, Greeley Gas
Linda Wood, Chief Financial Analyst, Kansas Development Finance Authority
Walker Hendrix, Citizens Utility Ratepayer Board
Bill Dirks, AARP's, Kansas State Legislative Committee

Others attending:

See attached list.

The hearing was opened on **SB 571**—natural gas producer ad valorem tax refund.

A fiscal note was distributed notifying the committee that the Division of the Budget was awaiting a response from agencies in order to complete the fiscal note.

Steve Morris, Senator 39th District, reviewed the FERC Ad Valorem Tax Refund Issue, going back to 1974. He said **SB 571** will solve the problem, as it sets up a mechanism that allows the state to sell bonds and actually make refunds, and he explained how the bonds would be repaid (Attachment 1).

Carla Stovall, Attorney General, urged the support of the bill, as it redresses an unjust ruling having detrimental effects on a significant sector of the Kansas economy. She urged the committee to support the bill to correct the effects of an unjust and unreasonable decision by a federal administrative agency against the sovereign state of Kansas (Attachment 2). Attorney General Stovall responded to questions.

Gordon Gooch, former general counsel of the FERC, gave a historic review of the issue. He urged support of the bill, since neither the federal courts, FERC nor congress appear included to alleviate this injustice, and this legislature through **SB 571** can alleviate the detrimental affect on the Kansas economy (Attachment 3).

Robert E. Krehbiel, Kansas Independent Oil and Gas Association, supported the bill, as it is the most significant issue facing the members of their association. He said **SB 571** is an attempt to correct, at the state level, what has been appropriately described as ‘the worst tax atrocity ever perpetrated by a federal agency’. Attached to his testimony are many supporting documents (Attachment 4).

Erick E. Nordling, Executive Secretary, Southwest Kansas Royalty Owners Association, Hugoton, KS, testified on behalf of all of their royalty owners in support of the bill, which would relieve those royalty owners of the threats of payment of those unjust and ancient claimed debts associated with the discharge of the assessment of Kansas ad valorem taxes over a decade ago (Attachment 5). Included with his testimony is a copy of an executive summary by John Majeroni, Cornell University Real Estate

CONTINUATION SHEET

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Room 245-N, Statehouse, at 8:00 a.m., on March 13, 2000.

Department giving eight reasons why he thought the royalty owners should be granted relief from refunds and interest on taxes dating back to 1983-1988.

James C. Remsberg, President of Argent Energy, Inc., said he could not comprehend that a regulatory body constituted in this county could hold his company liable for repayment of reimbursement which it did not receive, on properties it did not own, during a time period before it existed, and having no possibility of recoupment from the now non-existent seller ([Attachment 6](#)).

Jack Graves, Panhandle Eastern Pipe Line Company and Kinder/Morgan, Inc., urged the rejection of the bill, as it was not the answer. He said it is legally impermissible and an economic nightmare ([Attachment 7](#)).

Gary Boyle, Williams Gas Pipelines Central, Inc. opposed the bill because it is unconstitutional and unwise ([Attachment 8](#)). He responded to questions.

Richard G. Smead, Colorado Interstate Gas Company and ANR Pipeline Company, urged the committee to embrace efforts such as the industry-wide conference and such as the CIG/PSCO settlement offer as a legitimate means to put this problem behind us. **SB 571** would not succeed legally, but even if it did, it would impose an unwarranted burden on consumers ([Attachment 9](#)).

Walker Hendrix, Citizens' Utility Ratepayer Board, encourage the rejection of the bill to protect the interest of the consumers. **SB 571** serves no public purpose and is in serious conflict with federal law ([Attachment 10](#)).

Mary Kay Miller, Northern Natural Gas, requested the committee look for other methods of existing processes to settle this issue. They believe that mutual agreement of some form of resolution is the only timely way this complex issue can be resolved ([Attachment 11](#)).

James W. Bartling, Manager Public Affairs, Greeley Gas Company and Atmos Energy Corporation, opposed the bill. It is a tax they would have no recourse but to pass along to their customers, and it would be difficult for their business to support this added cost to their customers ([Attachment 12](#)).

Linda Wood, Chief Financial Analyst, Kansas Development Finance Authority, presented an issues paper outlining some of the difficulties they see with selling the bonds and other conflicts and questions that they see with the bill ([Attachment 13](#)).

Bill Dirks, AARP Kansas State Legislative Committee, opposed the bill as FERC and the United States Court of Appeals for the DC Circuit have found this tax to be illegal, and they asked that the refunds they deserve be refunded to consumers ([Attachment 14](#)).

Written testimony supporting the bill was submitted from:

Senator Pat Roberts ([Attachment 15](#))

Congressman Jerry Moran, ([Attachment 16](#))

Ron Hein, on behalf of Pioneer Natural Resources U.S.A., Inc. ([Attachment 17](#))

Written testimony submitted opposing the bill:

Kansas City Power and Light ([Attachment 18](#))

The hearing on **SB 571** was closed.

The meeting adjourned at 10:00 a.m., and the next scheduled meeting will be on March 14, 2000, at 8:00 a.m.