

MINUTES OF THE SENATE UTILITIES COMMITTEE.

The meeting was called to order by Chairperson Sen. Pat Ranson at 1:30 p.m. on March 21, 2000 in Room 231- N of the Capitol.

All members were present except:

Sen. Salisbury was excused

Committee staff present:

Lynne Holt, Legislative Research Department

Mary Torrence, Revisors of Statute Office

Jeanne Eudaley, Committee Secretary

Conferees appearing before the committee:

None

Others attending:

See attached list

Sen. Ranson asked committee members to look over the Draft Report by the Senate Committee on Utilities to the Senate Committee on Ways and Means (Attachment 1), prepared by Lynne Holt. Sen. Ranson stated the committee will consider it tomorrow, along with the confirmation hearing. Ms. Holt stated the Report will be changed, according to changes made by the committee today.

Sen. Ranson referred to **HB 2782-concerning oil and gas; relating to disposition of certain fees**, and called the committee's attention to a draft of Proposed **Senate Substitute for House Bill No. 2782** (Attachment 2). The committee discussed changes to the bill, including the KCC bidding process and the consensus is that the bidding include the whole project, not separate units. They also discussed the funds being deposited into the Abandoned Oil and Gas Well Fund, Page 2, (h), which was the consensus of the committee. Sen. Clark referred to Page 3, Section 2, (b) relating to plugging wells and separating that function from the remediation of the wells. Mr. Korphage stated it is sometimes necessary to cut off the source of some wells before the remediation process can be addressed. Sen. Clark stated a priority in separating the two functions, and requested inserting the number (4) before the word, remediation, on Page 4.

Sen. Ranson referred to Page 5 and removing the date from the Sunset provision of the current law, and remarked there would be no change in funding from the federal government. Sen. Brownlee also questioned if the KCC has been given the authority to write the Rules and Regulations and which statute gives them authority. Ms. Edmiston responded it is in K.S.A. 55-161 or 162. Ms. Holt reminded the committee to include renumbering on Page 4, beginning with (4) Remediation (5) expenses and (6) compensation. Sen. Clark made a motion that **HB 2782** be so amended, and it was seconded by Sen. Barone; the motion passed. Sen. Barone made a motion the bill be passed as amended, and it was seconded by Sen. Jones. Roll Call was taken, and the motion passed.

Sen. Ranson then requested Ms. Holt "walk" the committee through the Draft Report (referred to above). Ms. Holt referred to Page 2, which outlines the problems and recommendations and also the rationale for the bill. Page 3 is where the report deals with the funding option, and there was discussion regarding a no-limit fee, and the \$50 annual fee for operators and the nonrefundable fee of 3 percent on the bond amount. Sen. Brownlee questioned why fees are charged to the operators, and Sen. Ranson replied that the contractors who drill the oil wells are the ones paying fees. Sen. Barone stated the operators have not complained about paying the fees and that he is wanting to solve the abandoned well problem; that the fees collected provide the Conservation Division with needed revenue to accelerate the plugging of the wells. Sen. Ranson stated she was considering the fairness issue and asked Mr. Korphage questions regarding the 3 percent bond, the letter of credit and the \$50 and the amount of revenue that is raised through these fees. Mr. Korphage answered the surety bond and letter of credit are required from new operators and those with no history; that the maximum amount for the bond is \$30,000, at 3 percent, amounting to \$900.00 maximum; that there were 2,200 operators required to provide finance assurance in 1999. Sen. Ranson suggested that one fund be established to clean up the worst wells, and to give equity to the new concept, charge everyone the \$50 minimum fee. After discussion, Sen. Morris stated the

CONTINUATION SHEET

MINUTES OF THE SENATE UTILITIES COMMITTEE, Room 231- N Statehouse, at 1:30 p.m. on March 21, 2000.

committee has moved the bill out of committee and suggested it reconsider that decision. Sen. Clark made a motion the committee reconsider its action on HB 2782 and that an amendment be added to include \$50 minimum fee for everyone who drills wells. His motion was seconded by Sen. Lee, and the motion passed.

Ms. Torrence then called the committee's attention to the paragraph in the bill relating to the Assurance Fund and that another amendment is needed to remove that paragraph. Sen. Brownlee made a motion to adopt the amendment, and the motion was seconded by Sen. Lee. The motion passed.

Ms. Holt continued by referring to the Draft Report and Page 5 regarding the bidding process. She focused on continued efforts to notify all plugging contractors licensed by the KCC of bid opportunities available. The Report continues by recommending the Division of Purchases require all plugging and remediation jobs, regardless of cost, to be competitively bid using the RFQ procedures. Sen. Ranson stated that it seems the Chanute office has had problems with the bidding process, and this will give the rest of the state an opportunity to bid on some of the jobs. Agreement of the committee is to implement the formal bidding procedures. The Report also recommends the Standing Environment and Utilities committees monitor the situation; however, Sen. Clark objected to the recommendation and requested the sentence be deleted. Sen. Ranson also recalled a conferee relaying complaints regarding bidding on projects piece by piece, and would like to have that included in the report - she will work with Ms. Holt on that.

Sen. Ranson requested Ms. Holt revise the Draft Report and bring to the committee tomorrow for further consideration. She asked for committee action on the bill. Sen. Barone made a motion the bill be passed as amended, and Sen. Jones seconded the motion. Roll call vote was taken, and the bill passed unanimously.

Meeting adjourned at 2:30.

Next meeting will be March 22.