

SESSION OF 2015

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2231

As Amended by Senate Committee on Utilities

Brief*

HB 2231, as amended, would allow an operator of one or more natural gas wells to obtain an annual license from the Kansas Corporation Commission (KCC) when the natural gas wells are used strictly for personal use on the property where the gas wells are located. The fee would be \$25, rather than the standard \$100 annual license fee under current law. Also under current law, applicants for an annual license are permitted to pay the reduced fee of \$25 for those operating one gas well used strictly for the purpose of heating a residential dwelling.

The bill would extend the sunset date on the statutory transfers to the Abandoned Oil and Gas Well Fund (Fund) of the KCC from July 1, 2016, to July 1, 2020. The bill also would delete a quarterly transfer of \$100,000 from the State Water Plan Fund to the Fund and increase the quarterly transfer from the KCC's Conservation Fee Fund to the Fund from \$100,000 to \$200,000.

In addition, the bill would delete law regarding a prohibition on transfers from the State General Fund to the Fund in FY 2013, FY 2014, and FY 2015 and the aggregate amount of the transfers from the State Water Plan Fund to the Fund in those three fiscal years.

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

Background

HB 2231

The bill was introduced by the House Committee on Agriculture and Natural Resources.

At the House Committee hearing on the bill, Representative Read appeared as a proponent indicating the bill simplified the fee structure for gas wells used to heat personal-use buildings and to keep that fee at a flat \$25.

A KCC spokesperson appeared before the House Committee as a neutral party. The spokesperson indicated the KCC had several concerns. The first concern was of safety and he indicated, with more wells being drilled and used, there is a need for operating infrastructure to avoid problems. The second concern was enforcement, because it would be difficult for the KCC to determine whether the gas is being used for some other purpose other than for heating. The third concern was for the potential for increased costs, because under current law, operators of more than one well not only pay a higher fee of \$100, but also pay a financial assurance amount based on the number and depth of wells. This money is credited to the Well Plugging Assurance Fund to plug abandoned wells.

The Senate Committee amended the bill to allow for one or more gas wells to be used strictly for personal use on the property where the gas wells are located, rather than for heating a residential dwelling or other structure located on the premises. The Senate Committee also added the provisions of SB 91. Additional information regarding SB 91 is included in the following background section.

According to the fiscal note prepared by the Division of the Budget on HB 2231, as introduced, the KCC indicates there are 100 active residential licenses in the state. The bill would reduce revenue to the Conservation Fee Fund by

approximately \$7,500. Any fiscal effect associated with the bill is not reflected in *The FY 2016 Governor's Budget Report*.

SB 91

SB 91 was introduced by the Senate Committee on Utilities. At the Senate Committee hearing on the bill, the Director of the KCC Conservation Division, as well as the Division's Abandoned Well Plugging Supervisor, testified in support of the bill. They noted the Fund was created to raise capital resources to plug abandoned wells that could threaten the usable waters of Kansas. Many wells were drilled prior to written records and are located only when they become pollution problems at the surface. There was no neutral or opponent testimony provided.

The Abandoned Oil and Gas Well Fund is used to plug wells drilled prior to July 1, 1996, for which no potentially responsible party has been located. Quarterly transfers of \$100,000 each from the State General Fund, the State Water Plan Fund, and the KCC's Conservation Fee Fund (in total, \$1.2 million annually) are to be deposited in the Abandoned Oil and Gas Well Fund.

The Senate Committee amended the bill by moving the sunset year from 2023 to 2020 and by deleting the quarterly transfer of \$100,000 from the State Water Plan Fund to the Fund. The Committee also deleted language regarding transfers from the State General Fund and State Water Plan Fund to the Fund in FY 2013, FY 2014, and FY 2015.

The fiscal note on SB 91, as introduced, noted the bill would extend transfers into the Fund from FY 2016 to FY 2023. Annually, the bill would transfer \$400,000 out of the State General Fund and \$400,000 out of the State Water Plan Fund, as well as effect an internal transfer of \$400,000 from one fee fund to another within the KCC. Overall, it would increase revenue to the Abandoned Oil and Gas Well Fund by \$1.2 million each year. Any fiscal effect associated with the bill is not reflected in *The FY 2016 Governor's Budget Report*.