



**Testimony in Opposition of HB2406
House Taxation Committee
Tuesday, April 4, 2017
Sandy Braden, on behalf of Williams Companies**

Thank you Chairman Johnson and members of the Committee. I am Sandy Braden, Gaches Braden and Associates, here on behalf of Williams Companies, in opposition to HB2406. Williams Companies is in opposition to the bill as written. But is supportive of the language change proposed by representatives of the Kansas counties. This amendment would provide a time frame as to which a pipeline has to apply for the property tax exemption of 10 years for a 190-mile or more pipeline in the state of Kansas.

Williams Companies currently owns 260.2 miles of pipe in Kansas as well as one fractionator at Conway near McPherson; one rail terminal; and underground storage caverns. Presently Williams Companies has 107 employees in Kansas with an average base wage of \$72,600.00 in 2016. In 2016 Williams Companies paid \$332,000.00 in payroll taxes and \$1,220,000.00 in property taxes in Kansas.

In 2006, the Kansas Legislature passed a multi-faceted bill called the Kansas Energy Development Act that contained numerous income tax credits, income tax deduction and property tax abatements to stimulate a wide assortment of energy related investments that remain today. In addition to the property tax abatements available to qualifying pipeline projects, other energy facilities that receive benefits were oil refineries, integrated coal or coke gasification nitrogen fertilizer plants, cellulosic alcohol plants and integrated coal gasification power plants. The purpose was to attract investment by companies to build their natural gas and crude oil pipelines in Kansas.

The Williams Companies built a new pipeline, Overland Pass Pipeline to transport natural gas liquids from Wyoming and Colorado to its Conway fractionator located near McPherson Kansas. The facility fractionates mixed NGL products currently delivered via the Mid-America pipeline and Overland Pass Pipeline, rail and truck at a capacity of 107,000 barrels per day.

Overland Pass Pipeline was completed in 2008/2009 and the pipelines were operational in 2009. Overland Pass was able to take advantage of the property tax exemption for natural gas pipelines, as it was over 190 miles. The 10-year exemption will be up in 2018, and the 11 counties where Overland Pass pipeline is located will again receive in the range of \$3.5 to \$5 million in property taxes in 2019. At that time, Williams Companies will provide payments to the counties of Barton, Cheyenne, Ellis, Ellsworth, Gove, McPherson, Rawlins, Rice, Russell, Sheridan, Thomas, and Trego for a pipeline that will provide 50 plus years of property taxes to the counties.

Williams does not have any new pipelines planned at this time. However, with the optimism in the industry with new sources being discovered and explored in Wyoming, North Dakota and Canada, Williams sees a valid reason for Kansas to continue the exemption.

Without the exemptions, the cost of property taxes in Kansas compared to other surrounding states, Williams will look at other states to build new pipelines.

The 10-year property tax exemption for pipelines over 190 miles in Kansas is important to allow for future investment in Kansas, and not another state, where property taxes over the life of the pipeline – which is 50-60 years, are much less expensive. Not only does Kansas get the higher property taxes after the first 10 years for the life of the pipeline, but it benefits from payments to landowners, payroll taxes and employees in the communities before, during and after the pipeline is in the ground.

Eliminating the pipeline exemption in Kansas will signal at the wrong time, that Kansas is not interested in additional investment in the State.

Williams is supportive of a change to the present statute, presented by the Kansas counties that would require qualifying pipelines to apply for the exemption within two years from completion of the pipeline.

Thank you.

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