

MINUTES OF THE SENATE AGRICULTURE COMMITTEE

The meeting was called to order by Chairman Derek Schmidt at 8:30 a.m. on January 28, 2004 in Room 423-S of the Capitol.

All members were present.

Committee staff present:

Raney Gilliland, Legislative Research
Lisa Montgomery, Office of the Revisor of Statutes
Robert Myers, Committee Secretary

Conferees appearing before the committee:

Edward "Woody" Moses - Managing Director, Kansas Aggregate Producers' Association
Justin Holstin - Executive Vice President, Propane Marketers Association of Kansas
Karl McNorton - Chief Deputy State Fire Marshal, Office of the Kansas State Fire Marshal
Jim Brewer - Owner/Operator, Jim's Propane, Inc. of Leon, Kansas
Dave Lybarger - Lybarger Oil, Inc. of Garnett, Kansas; Petroleum Marketers and Convenience Store Association of Kansas

Others attending:

See Attached List.

Edward Moses appeared before the committee in order to request the introduction of a bill regarding the regulation of sand and gravel pits, specifically focusing on the need for water appropriation permits.

Senator Taddiken moved to introduce the bill as requested, seconded by Senator Umbarger. The motion carried.

Justin Holstin appeared before the committee in order to report on the Kansas Propane Education Research Council (KanPERC). He explained that the strategy of KanPERC at this point is to conserve funds that come in to the program in order to ensure that they have the right amount of money before setting up any kind of project. He further stated that although KanPERC is not expending any money yet, they are currently planning programs. He gave to the committee three pieces of written testimony: a letter written by Chairman Greg Noll to Chairman Schmidt and the other members of the Senate Agriculture Committee; a manual consisting of assessment procedures for KanPERC; and finally, a printout showing the homepage of the new KanPERC website (Attachments 1, 2 & 3).

Justin Holstin also testified to the committee as a proponent of **SB 335**, regarding the creation of the Kansas propane safety and registration act. He started off with a focus on the extensiveness of the propane industry in Kansas, providing the committee with statistics regarding the number of households served in Kansas, as well as the extent of annual propane consumption in the state. He then talked about what he perceived as a crisis being faced by the industry as a result of its current lack of regulations and registration. Continuing with this line of thought, he stated that the reason why there is a need for the implementation of the bill is that self-regulation has not and will not work in the case of the propane industry. Stating that only a few insurance companies in the state are willing to write propane, he expressed the need for this legislation in order to stop the trend of rural propane companies quitting the business. He stressed the fact that those companies currently abiding by regulations are at a competitive disadvantage to those that take advantage of the lack of regulatory enforcement. With regard to this lack of enforcement, he pointed out the lack of funds and resources faced by the Office of the Kansas State Fire Marshal, the industry's regulatory body. He also touched on the average costs that would be faced by propane businesses as a result of the bill, stating though that they would be willingly paid in order to have more competitive premiums and to ensure public safety. He also expressed the opinion that the tests required by the bill (i.e., inspection following the required notice given of alterations made to a propane system) should be free-of-charge, such as is the case with the call before you dig program used by electric companies (Attachment 4).

Karl McNorton appeared before the committee as a proponent of **SB 335**. He referred to the long, strong working relationship that has existed between the Kansas State Fire Marshal's Office, the Propane

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Marketers Association, and the propane industry. He further spoke of how this relationship has resulted in improved safety in the industry with regard to the handling and transportation of propane. His support for the bill centered around its establishment of a single point of contact for businesses in the industry, a need that he indicated in stating the present inability to identify or locate all facilities, dealers, distributors, or cylinder exchange locations. According to him, the bill would further improve the safety of both businesses and consumers by allowing the propane industry to better police itself (Attachment 5).

Jim Brewer appeared before the committee as a proponent of **SB 335**. He stressed the importance of requiring registration and proof of insurance from all propane marketers in order to alleviate the current problem of not knowing the number and location of such businesses. By way of stricter regulation, and thus better enabling inspections by the Office of the Kansas State Fire Marshal, he claimed that the propane industry would be safer and consequently more appealing for insurance companies. In closing, Mr. Brewer expressed the desire to have an industry-wide requirement that customers must notify their propane marketer of any alterations made to their gas system or added appliances (Attachment 6).

Dave Lybarger appeared before the committee as a proponent of **SB 335**. His concern for the propane industry centered around the rising costs of insurance premiums for his and other companies. He provided statistics showing the rate of increase of his own premium over the past five years. He stated that the purpose of the bill is to create an attractive marketplace for insurance companies to enter into, thus acknowledging the current problem of there being only two companies that will insure propane businesses. Mr Lybarger gave the committee an idea of how his business would deal with the bills' requirement for customers to provide notification upon alteration of their gas system. Specifically, upon being notified, he would send a technician to the location of the alteration in order to perform a leak test on the system. The presence of the customer during this test would be required, in order to both fill out a written notice form provided by the technician as well as to sign a document stating that the test was indeed performed. Finally, Mr. Lybarger described the bill as being composed of six key elements: registration, inspection, education, liability insurance, limits on liability, and the Propane Advisory Board (Attachment 7).

Chairman Schmidt announced to the committee a to-be-determined working meeting for all interested parties and committee members. The purpose of this meeting would be to deal with technical difficulties with regard to the structure and language of **SB 335**.

The next meeting is scheduled for Tuesday, February 3, 2004.

On behalf of Scott Anderson of Kansas Farmers Service Association in Hutchinson, written testimony was submitted to the committee in support of **SB 335**.

On behalf of Kevin Kelly of Two Rivers Coop in Arkansas City, written testimony was submitted to the committee in support of **SB 335**.

Senator Corbin moved to approve the minutes of both the January 20 and 21 committee meetings, seconded by Senator Tyson. The motion carried.