

TEAM 7
LEGAL AND POLICY QUESTIONS CONCERNING THE SUPPLY OF GAS FROM
GATHERING LINES TO END-USE CUSTOMERS
Rev. 2, April 21, 2005

CHAPTER 55 IMPLICATIONS

55-1,103. Limitations on manner of offering services and facilities. (a) Persons offering gas gathering services in this state, or facilities essential to provision of such services, shall provide, in a manner that is just, reasonable, not unjustly discriminatory and not unduly preferential, access to any person seeking such services or facilities.

55-1,101 (1) "Gas gathering services" means the gathering or preparation of natural gas for transportation, whether such services are performed for hire or in connection with the purchase of natural gas by the person gathering or preparing the gas or a marketer affiliated with the person gathering or preparing the gas. "Gas gathering services" does not include the gathering of natural gas by an owner or operator of gathering facilities who: (A) Does not hold such facilities out for hire on or after the effective date of this act; and (B) does not purchase the gas for resale.

(exit tap= point at which unprocessed gas may be taken off system prior to final delivery point of the system. Final delivery is physical end of the gathering system, usually a processing plant or sale to another pipeline)

1. Do the gas gathering statutes, 55-1,103 give consumers the right to request an "exit tap" on a gathering system as long as they purchase gas from a producer or aggregator?
2. Once a gatherer has allowed exit taps on its system, is the gatherer required to offer exit taps to all applicants?
3. In the term "gas gathering services" does transportation mean from the well to the final delivery point of the system. That is, does the statute only compel the gatherer to supply open access for any person that wishes to take gas to the end of the line; (the gatherer may agree through contract to allow exit taps, but they are not compelled by the statute to allow exit taps).
4. Given that processed gas is the desired marketable product, is it reasonable to restrict exit taps in order to provide sufficient delivery capacity to a gas processing plant?
5. Can the gatherer suspend access to taps or reduce deliveries because of operational problems such as compressor configuration, system pressure?
6. Are such operational flow orders subject to KCC review under gas gathering statutes?
7. Do the public utilities such as Midwest and Aquila fit the definition of a person preparing gas for transportation: when they purchase gas and move it to multiple outlets for resale? ie; is the end user considered to be a "person" in 55-1,103

8. Is it always the purchaser that establishes gas quality terms in an unprocessed gas contract?
9. Should the seller be compelled to deliver poor quality gas if the buyer is willing to accept it. If so, is this good public policy?
10. Should gas gatherers as purchaser be required to enforce the gas quality terms of their gas contracts with producers or should enforcement be at the option of the gatherer?

Contractual Agreements between gatherers and landowners

1. If a right-of-way agreement provides access to natural gas for domestic use, what recourse does the landowner have if the contract terms are not honored? Would the pipeline be considered to be trespassing?
2. ROW agreements provide access to a tap, do they also include terms related to sale of gas through the tap?
3. What's the definition of domestic use?
4. If the landowner uses the gas supplied for something other than domestic use, does the pipeline have the right to remove service?

Contractual Agreements between producers and landowners

1. As a well depletes, does the landowner receiving wellhead gas get curtailed such that he does not take more than the lessor's share of gas? Is there a limit?
2. In a typical mineral lease agreement, is the producer required to provide gas, (odorize, respond to outages, insure supply), to the landowner or does the producer simply provide an access point for the landowner to acquire gas?
3. What's the definition of domestic use?

Taps on Interstate Pipelines.

1. What are the interstate pipelines practices of providing taps? Are these published as part of the tariffs?
2. What is FERC's practices in resolving disputes for taps on interstate pipelines?
3. What can the KCC do to monitor the tap granting practice?
4. For what reasons would a transmission line deny a tap?

Public Utility Certificates for Gas Utilities in Areas where there is no Infrastructure

- 1.** Public utilities have certificated large geographical territories in western Kansas. In some cases, the utility has no infrastructure to serve a given territory. Should the public utility be allowed to deny access to other entities that desire to sell natural gas to consumers in an area where no infrastructure is available to the public utility?
- 2.** Were end use customers being served off of gathering lines prior to utilities being granted certificates?
- 3.** If a utility serves customers under its tariffs approved by the commission, is the utility required to provide the equivalent quality of service to gas gathering customers as it does to urban customers? That is, the same quality of gas and the same guarantees in supply.
- 5.** If the utility can not provide equivalent service, should there be a different pricing structure for customers served by gathering lines?
- 6.** Should the utility be required to provide the same quality of gas to gathering line customers. That is, the utility should be responsible for cleaning the gas being delivered to its customers?
- 7.** If the utility is required to clean the gas prior to being delivered to gathering line customers, should the entire rate base be required to cover those costs?
- 8.** When abandonment of gas service is deemed appropriate, KCC precedent requires the LDC to pay this cost when the abandonment is for economic decisions. Should the LDC be required to pay for conversion if the abandonment is caused by lack of supply or poor quality gas?