



March 2013

KOGA 2013 Legislative Roundup

William G. Barr III, KOGA Legislative Committee Chairman

The Kentucky General Assembly concluded its odd-year 30 Day session on March 26th. The session was dominated by legislation addressing Kentucky's underfunded public employee pension plan, special taxing district transparency and accountability, overseas military voting and regulation of industrial hemp (to name a few).

Under the tireless leadership of our new Executive Director, Andrew McNeill, KOGA was fully engaged on several issues – some pro industry, others adverse. We held a “KOGA Day at the Capital” on February 12th. Ten members from the KOGA Board met with key legislative members and Secretary Len Peters to discuss Kentucky's oil and gas industry and the role it plays in Kentucky's economy and energy portfolio.

Here's a summary of the items KOGA worked on during the session:

HB 212 – An Act Related to Clean and Alternative Transportation Fuels. HB 212 qualifies compressed natural gas (CNG) stations for existing energy project incentives. CNG projects with an investment of \$1 million or more will qualify to recapture up to 50% of the project cost through a tax-increment financing type program. The initial bill had tax credits for the purchase and retrofit of CNG vehicles. These provisions created a fiscal-impact for the legislation (which would have stopped the bill) and, therefore, were removed. HB 212 passed 93-0 in the House and unanimously on the Senate Consent Calendar. It was sponsored by Rep. Keith Hall. Link: <http://www.lrc.ky.gov/record/13RS/HB212.htm>

HB 110 – An Act Related to Utility Rate Adjustments for Fuel Costs. HB 110 intended to establish a significant regulatory barrier for utilities to switch from coal generation to natural gas generation. It would have prohibited utilities from using the well-established fuel adjustment clause at the Public Service Commission to adjust consumer rates due to fluctuations in natural gas fuel costs. The legislation was called for “discussion only” early in the Session. KOGA testified on the bill, pointing out the bill's policy flaws and unintended consequences. No vote was taken and the bill didn't reemerge for the remainder of the session. A bill with similar

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intent, HB 363, was also filed but was never called in Committee. Both bills were sponsored by Rep. Jim Gooch.

Links: <http://www.lrc.ky.gov/record/13RS/HB110.htm> and <http://www.lrc.ky.gov/record/13RS/HB363.htm>

HB 348 – An Act Related to the Reclamation of Oil and Gas Well Sites. HB 348 would have created new bonding requirements for oil and gas wells for the purpose of reclamation. The Kentucky Farm Bureau (KFB) was the primary proponent of the legislation. KOGA felt that while the issue deserved discussion, the bill was seriously flawed. We reached out to the KFB and committed to working with them during the interim to develop a bill that could be acceptable to the industry and the Farm Bureau. The Farm Bureau was very willing to work on the issue with us. HB 348 was sponsored by Rep. Jim Gooch, who appreciated KOGA’s willingness to work through the issue with KFB. Link: <http://www.lrc.ky.gov/record/13RS/HB348.htm>

HB 27 – An Act Related to City Operated Natural Gas Distribution Systems. HB 27 was promoted by Atmos Energy and supported by the Kentucky League of Cities (KLC). It contained a variety of provisions. KOGA was primarily interested in a provision that sought to clarify municipal condemnation authority over “natural gas distribution systems.” KOGA expressed its concern with that term to Atmos and KLC. Due to the compressed timeframe of the short session, KOGA agreed to remain neutral on the bill with the commitment by Atmos to work together to clear up the language in the 2014 session. The sponsor of the bill was Rep. Tommy Thompson. In a parliamentary maneuver, the bill was actually placed under HB 338. Here’s the link: <http://www.lrc.ky.gov/record/13RS/HB338.htm>

All in all, KOGA believes we had a very good session. We passed HB 212, stopped HB 110 from gaining traction and got commitments to work on HB 348 and cleaning up HB 27. We’re well positioned to build on this success in 2014 and beyond.

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