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2014 KENTUCKY GENERAL ASSEMBLY – REVIEW

Every year, my goal going into a Kentucky legislative session is to share with our members after it's over that KOGA had a "successful session." Success, of course, can be defined different ways. Some years we'll be on offense, trying to get legislation passed to support and promote the industry. Other years, we'll play defense against bad ideas that will hurt the industry. The success of the 2014 session was mostly defined by playing effective defense, though we ran a tight offense with an initiative in the Kentucky state budget.

Let's get beyond the clichés and look at some specifics.

- **The Bluegrass Pipeline and Eminent Domain:** The Bluegrass Pipeline (BGP) has been controversial since its announcement. Its proposed route is through an area of the state with very little history of pipeline construction. The project's opponents quickly framed natural-gas liquids as toxic fracking waste as they seized on the hot-button issue of eminent domain. The major media in Central Kentucky was quick to support their narrative.

There were several pieces of legislation that attempted to strip eminent domain authority from the BGP project. KOGA was faced with a major challenge. Many lawmakers had little, if any, knowledge of what NGLs were and, therefore, they were initially swayed when opponents labeled them as "hazardous materials."

KOGA went to work with our message: NGLs are vital energy resources and industrial feedstocks. Kentucky's operators produce millions of barrels of NGLs each year and those NGLs are transported in pipelines every day. The misguided attempt to thwart the Bluegrass Pipeline will have long-term ramifications and unintended consequences that will seriously impact the industry.

The message worked. Although the House of Representatives eventually passed legislation restricting the Bluegrass Pipeline's eminent domain authority, KOGA's strategy of slowing down the process meant the Senate could legitimately argue that the issue arrived in their body too late in the process. The Senate never even assigned the bill to committee.

This issue is clearly one where success is defined by playing effective defense. The industry spoke with one voice and Kentucky's lawmakers were compelled to listen.

- **Utility Fuel Switching – Part 2:** Kentucky's eastern Kentucky coal industry is suffering from the irrational regulatory agenda of the Obama EPA. As a result, there is an increased level of investment in natural gas baseload capacity. Some Kentucky lawmakers are very concerned about this trend. They are sympathetic to the coal industry's plight and worried about the possible volatility of natural gas prices and the potential impacts on future utility rates.

For the second year, those lawmakers have attempted to promote policy that would tilt the field in favor of coal-fired generation. The idea this year was to require a 30-day supply of the fuel source be stored on-site at a baseload generating station.

Clearly, this idea didn't recognize some fundamental real-world realities. The discussion on the issue was respectful and the legislation sponsor's recognized early in the session that the idea was a non-starter for Kentucky's utilities and KOGA. The bill was called for a hearing in January but was never called for a Committee vote. Again, another case of strong defense with the facts supporting our side of the argument.

- **Oil and Gas Operator's Manual – A Comprehensive Update:** As everyone knows, the industry is facing challenges from a vast array of regulations. Whether it's Clean Air, Clean Water or Endangered Species issues, KOGA felt it was important to develop a tool to keep our operators informed of how to navigate these items. So, we worked with the State Senate to secure \$50,000 over the next two years for a comprehensive update and revision to the Oil and Gas Operator's Manual. We plan to start working with the Division of Oil and Gas to get the revisions underway and hope to have a useful tool for Kentucky's operators by the end of the year.

It was a challenging, yet successful session for KOGA. I want to thank the members of KOGA's Government Affairs Committee for their strategic guidance and outreach during the session. Also, I'd like to thank everyone who attended KOGA Day at the Capitol. By showing up in force and speaking with one voice, we'll continue to promote and protect our industry's interests in Frankfort and D.C.