

STATE OF OKLAHOMA

1st Session of the 47th Legislature (1999)

HOUSE BILL NO. 1786

By: Morgan

AS INTRODUCED

An Act relating to oil and gas; amending Section 1, Chapter 340, O.S.L. 1993, as amended by Section 2, Chapter 293, O.S.L. 1995 (52 O.S. Supp. 1998, Section 24.3), which relates to gathering of natural gas; clarifying language; and providing an effective date.

BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

SECTION 1. AMENDATORY Section 1, Chapter 340, O.S.L. 1993, as amended by Section 2, Chapter 293, O.S.L. 1995 (52 O.S. Supp. 1998, Section 24.3), is amended to read as follows:

Section 24.3 A. No person gathering natural gas for hire, for compensation or otherwise shall charge any fee for such service which is unduly discriminatory. Upon complaint of an aggrieved party, the Corporation Commission shall have the authority to remedy any unduly discriminatory fee for gathering by ordering an adjustment of the fee as to the aggrieved party to the extent necessary to remove any unduly discriminatory portion of such fee; ~~provided, no.~~ No person may challenge as unduly discriminatory a fee which such person is obligated to pay by existing contract.

B. No person gathering natural gas for hire, for compensation, or otherwise or gathering natural gas, in whole or in part, for such person's own account, whether in connection with the purchase and resale of natural gas or otherwise, shall refuse to provide open access natural gas gathering for a fee for any person seeking such gathering unless:

1. The natural gas cannot be reasonably carried by such gatherer;

2. An extension or expansion of facilities would be required;

3. There is another gatherer of natural gas that is willing to gather or that can more conveniently gather such natural gas;

4. The gathering of such gas could reasonably be expected to have a material adverse affect on safety or on service to existing customers or on the operation of or recovery in any processing facility;

5. The gas does not satisfy minimum standards for quality or energy or recoverable hydrocarbon content consistently applied by the gatherer for that system;

6. Such gathering is inconsistent with an existing contract which governs the gas of the person seeking gathering; or

7. For such other good cause as the Corporation Commission may determine by rule or in the particular case.

Upon complaint of an aggrieved party, the Corporation Commission shall have authority to determine whether a gatherer is required by reason of this section to provide open access gathering to such party, and if so, and the parties are unable to agree upon a fee for gathering, to fix a fee for such gathering.

C. If a person engaged in the gathering of natural gas and a person seeking gathering are unable to agree upon a fee for such gathering, then upon complaint of the person seeking gathering, the Corporation Commission shall have the authority to determine a fee for such gathering if:

1. The Corporation Commission makes a factual determination that competitive gathering conditions do not exist for the gathering of complainant's gas; and

2. The fee for such gathering is not governed by a contract by which complainant is bound; and

3. If under subsection B of this section the complainant would be entitled to an order requiring the gatherer to provide the gathering service for which complainant seeks to fix a fee.

D. Any action by the Corporation Commission under this section shall be initiated by the filing of a complaint by the aggrieved party, following which the Corporation Commission shall conduct a hearing and take evidence as is necessary to determine the complaint. Notice shall be given to the gatherer at least ten (10) days prior to such hearing. In fixing a fee under subsection B or C of this section for any gathering service, the Corporation Commission shall determine a fee which would result from arm's-length bargaining in good faith in a competitive market between parties of equal bargaining power. In determining such a fee, the Corporation Commission shall consider all economically significant factors which it determines to be relevant, which may include, but are not limited to:

1. The fees which said gatherer receives from other shippers;
2. The fees charged by other gatherers within a relevant area determined by the Corporation Commission;
3. The financial risks of installing such a gathering system;
4. The financial risks of operating such a gathering system;
5. The capital, operating and maintenance costs of such a gathering system; and
6. Such other factors which the Corporation Commission determines to be relevant;

provided, in no event is such fee to be computed on a utility rate of return basis.

E. Nothing in this section shall give the Corporation Commission jurisdiction over the purchase, processing or resale of natural gas or the price or other compensation for or any of the other terms or conditions of any such purchase, processing or resale.

F. The Corporation Commission is hereby authorized to promulgate rules to administer the provisions of this section.

SECTION 2. This act shall become effective November 1, 1999.

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