

Resolution Supporting Fuel Diversity for Electric Generation

WHEREAS, Since the early 1990s, new electric generating facilities have been predominately gas-fired. According to the Energy Information Administration, of the 187 gigawatts of capacity added to the electric power grid in the United States between 2000 and 2003, about 93 percent was natural gas-fired; *and*

WHEREAS, Over the next several years, most of the new electric generating facilities that will become operational will also be gas-fired; *and*

WHEREAS, Many regions of the country have significantly increased their dependence on natural gas for electric generation; *and*

WHEREAS, Natural gas-based generation technologies have made significant advances in efficiency and environmental performance, and are a necessary part of the overall generation mix, adding to system flexibility and reliability; *and*

WHEREAS, Natural gas prices have reached a new plateau, relative to price levels in the 1990s, and are expected to continue to reflect a tight natural gas market over the next several years; *and*

WHEREAS, Fuel diversity is increasingly being advocated by industry stakeholders and policy makers as desirable for resource planning in the electric industry; *and*

WHEREAS, The choice of fuel mix for electric generation, takes into account several factors including long-term economic costs, environmental effects, power system reliability, and price volatility; *and*

WHEREAS, Market incentives alone would be unlikely to achieve the most reliable long-term fuel mix for electric generation; *and*

WHEREAS, History has taught us the economic and environmental risk of over-reliance on a single source of fuel for new electric generating capacity; *and*

WHEREAS, Evidence from various studies sponsored by both government and industry, including the September 2003 National Petroleum Council study requested by the U.S. Secretary of Energy Spencer Abraham, have shown the decline in recent years of gas-fired generating facilities with dual-fuel capability; *and*

WHEREAS, These studies have also shown the economic benefits of gas-fired generating facilities with dual-fuel capability, including the dampening of both electricity prices and natural-gas demand during peak periods; *and*

WHEREAS, These studies have also identified the need to consider the use of alternative fuels in the electric generation industry to provide for a balanced fuel mix as well as the important role that State commissions can play in affecting the capabilities of new gas-fired generating facilities

to consider building with dual-fuel capability or for existing gas-fired generating facilities to switch to an alternate fuel where economic; *now therefore be it*

RESOLVED, That the Board of Directors of the National Association of Regulatory Utility Commissioners (NARUC), convened in its July 2004 Summer Committee Meetings in Salt Lake City, Utah, encourages State commissions and other policy makers to support the concept of fuel diversity for electric generation; *and be it further*

RESOLVED, That the NARUC recognizes that the diversity of fuel sources for electric generation for any single utility or region likely depends critically on local issues, preferences and conditions.

*Sponsored by the NARUC Natural Gas Task Force, Committee on Gas, Committee on Consumer Affairs, Committee on Electricity, and Committee on Energy Resources and Environment
Adopted by the NARUC Board of Directors July 14, 2004*