

Resolution Encouraging State PUCs to Fully Explore and Examine Various Regulatory Tools That Could Be Used to Help Utilities and Their Customers Mitigate the Impact of Higher Prices for Natural Gas

WHEREAS, The recent supply and demand imbalance for natural gas, especially has resulted in dramatic price volatility in the natural gas market; and

WHEREAS, This increasing demand for natural gas for electricity generation is fundamentally altering the purchasing patterns of local distribution companies; and

WHEREAS, The recent rise in natural gas prices raises concerns for all industry participants, including producers, interstate pipelines, LDCs, marketers, and especially consumers; and

WHEREAS, Government policies that foster the development of balanced natural gas portfolios could benefit consumers by providing greater price certainty; and

WHEREAS, A balanced portfolio could include elements of on-system and off-system storage, spot purchases, long-term fixed and variable rate contracts as well as financial hedging instruments; and

WHEREAS, The elements of a balanced natural gas portfolio will vary by circumstances of individual utilities; and

WHEREAS, The National Regulatory Research Institute (NRRI) issued its report on May 2, 2001 entitled "Use of Hedging By Local Gas Distribution Companies: Basic Considerations and Regulatory Issues"; and

WHEREAS, State PUCs may want to recognize that while it is generally understood that LDCs and their customers may avoid potentially higher natural gas prices through the use of a balanced portfolio strategy and other risk management tools, it is also recognized that such strategies may not necessarily ensure the lowest cost gas supplies for consumers; now therefore be it

RESOLVED, That the Board of Directors of the National Association of Regulatory Utility Commissioners (NARUC) convened in its July 2001 Summer Committee Meetings in Seattle, Washington, encourages state PUCs to fully explore and examine various regulatory tools such as those identified in NRRI's Report, that could be used to help utilities and their customers mitigate the impact of higher prices for natural gas, and be it further

RESOLVED, That state PUCs further develop, if they haven't already, policies and procedures that promote, to the extent appropriate in their state, a balanced portfolio approach to natural gas procurement.

Sponsored by the Committee on Gas

Adopted by the NARUC Board of Directors, July 18, 2001.