

Resolution on Long-Term Contracting

WHEREAS, Over the past 20 years long term commodity gas and gas transportation and storage transactions have declined; *and*

WHEREAS, The U.S. must expand its natural gas infrastructure over the next several years, to accommodate gas supplies from new sources, to meet growing demand, to provide storage accommodating higher peak demand, and to moderate future gas prices; *and*

WHEREAS, Without long-term shipping and storage commitments, financing of critical pipeline and storage infrastructure is both difficult and expensive, producing a chilling effect on future natural gas market conditions; *and*

WHEREAS, Long-term contracting produces preferred financing for gas transportation and storage projects, but because of the uncertainty surrounding future market conditions, market participants have taken a short-term perspective; *and*

WHEREAS, Prudent long-term gas procurement and capacity plans, within the context of a portfolio approach, may encompass long term contracts for pipeline and storage capacity supporting new gas production sources and LNG terminals; *and*

WHEREAS, The attractiveness of long-term contracts is utility and State-specific but recent market conditions indicate long-term transactions may be more economically attractive for shippers and other market participants in assuring that sufficient, reliable, affordable pipeline and storage capacity will be available to accommodate new gas supply sources; *and*

WHEREAS, A joint NARUC and IOGCC task force recently undertook research on this subject; *now therefore be it*

RESOLVED, That the National Association of Regulatory Utility Commissioners (NARUC), convened in its November 2005 Annual Convention, in Indian Wells, California, urges State regulators to:

- Recognize the need for additional gas infrastructure to accommodate future gas demand, and moderate the volatility of natural gas prices;
- Consider long term contracting as a potentially appropriate ingredient in a gas utility's portfolio strategy;
- Encourage gas utilities to develop long-term strategies for capacity and supply contracts to access new and expanded natural gas and LNG supply sources;
- Not discourage long-term transportation and storage contracts when a specific record merits encouragement; and
- Consider pre-approval of long-term contracts.

Sponsored by the Committee on Gas

Recommended by the NARUC Board of Directors November 15, 2005

Adopted by the NARUC November 16, 2005