

Resolution Supporting Congressional Legislation for Operations and Safety Research & Development (R&D) Funding for Gas Distribution Utilities

WHEREAS, U.S. demand for natural gas is projected to increase by 50% or more during the next 20 years, including significant growth in the use of natural gas for electric power generation; and

WHEREAS, The expected demand increase for natural gas will necessitate construction of significant amounts of new distribution pipeline capacity, as well as investment in gas utility facilities, operational and maintenance changes, additional storage capacity and upgrading ability to serve changing load profiles; and

WHEREAS, These changes are occurring at a time when the nation is under security alert and attempting to enhance the security, safety and reliability of the nation's energy supply and delivery infrastructures; and

WHEREAS, Even before terrorist events of September 11, 2001, the National Petroleum Council (at the request of the Secretary of Energy) estimated that natural gas distribution utilities will need to invest \$100 billion to upgrade and expand their systems over the next two decades; and

WHEREAS, NARUC's recently adopted energy policy (November 14, 2001) states that Congress should encourage domestic exploration and production of new natural gas supplies and expansion of natural gas transmission and delivery infrastructure; and

WHEREAS, NARUC's recently adopted resolution (November 14, 2001) that States should approve appropriate applications by gas utilities to recover prudently incurred costs necessary to further safeguard the reliability and security of our energy supply and delivery infrastructure; and

WHEREAS, The FERC funding mechanism that has been the major gas R&D funding source for 20 years will be phased out entirely in 2004; and

WHEREAS, The proposed federal R&D funding surcharge of approximately 1 cent per Mcf would amount to substantially less than the current FERC funding for R&D, which is approximately 2 cents per Dth for most companies; now therefore be it

RESOLVED, That the Board of Directors of the National Association of Regulatory Utility Commissioners (NARUC), convened in its February 2002 Winter Meetings in Washington, D.C., supports Congressional legislation establishing an R&D funding program for gas distribution utilities to ensure essential research for distribution delivery systems in the approximate amount of \$65 million per year; and be it further

RESOLVED, That the approximate annual funding of \$65 million would be collected through a legislatively designed, volumetric or per therm equivalent charge designed to collect approximately \$1 per year for residential customers, with a cap of approximately \$250 per year for very large-volume customers; and be it further

RESOLVED, Funds collected for this research would be

directed by a governing body and would be focused on improving gas system reliability and integrity; enhanced health, safety and environment; and reduced operating and maintenance costs for local natural gas distribution companies. Funds would not be dedicated to end-use applications so that the research program's efforts would be devoted entirely to enhancing distribution service operations as demand for those services continues to increase.

Sponsored by the Committees on Gas and Energy Resources and the Environment

Adopted by the NARUC Board of Directors February 13, 2002