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