Long Term Natural Gas Contracts – Cost Recovery

1. **Definition.** For purposes of this section, "long term gas contract" means a contract between an investor-owned electric or gas utility and an unaffiliated supplier of natural gas –
   a. with a term of at not less than least three years or more than twenty years; and
   b. for natural gas used by an electric utility to generate electricity; or
   c. for natural gas purchased by an electric utility on behalf of an independent power producer that sells electric power to the electric utility; or
   d. for natural gas purchased by a gas utility for resale to its retail natural gas customers.

2. **Regulation of long-term gas contracts.** An investor-owned electric or gas utility may apply to the Public Utilities Commission for a finding that statutory prudence should apply to a proposed long term gas contract.

3. **Commission findings.** The Commission may find that statutory prudence applies to a proposed long term gas contract if it finds that –
   a. the utility acted prudently by entering into the contract;
   b. the proposed contract appears to be beneficial to consumers;
   c. the contract is in the public interest;
   d. the assurance of cost recovery is appropriate.

4. **Right to cost recovery.** An investor-owned utility is entitled to timely recovery of the full cost associated with a long-term gas contract for which the Commission has determined that statutory prudence applies. The Commission may not reverse a finding of statutory prudence unless the Commission finds that the utility misrepresented material facts relied upon by the Commission in granting its approval. In particular, the Commission may not reverse a finding of statutory prudence because the contract price is higher than the current or projected future market price of natural gas.