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LRB095 09002 MJR 33730 a

1 AMENDMENT TO HOUSE BILL 1431

2 AMENDMENT NO. _____. Amend House Bill 1431 in Section 5,
3 Sec. 9-220, by replacing subsec. (h) with the following:

4 "(h) A gas utility located in Jefferson County ~~Any gas~~
5 ~~utility~~ may enter into a 20-year supply contract with any
6 company for synthetic natural gas produced from coal through
7 the gasification process if the company has commenced
8 construction of a coal gasification facility by July 1, 2008.
9 The cost for the synthetic natural gas is reasonable and
10 prudent and recoverable through the purchased gas adjustment
11 clause for years one through 10 of the contract if: (i) the
12 only coal used in the gasification process has high volatile
13 bituminous rank and greater than 1.7 pounds of sulfur per
14 million Btu content; (ii) at the time the contract term
15 commences, the price per million Btu does not exceed \$5 in 2004
16 dollars, adjusted annually based on the change in the Annual
17 Consumer Price Index for All Urban Consumers for the Midwest
18 Region as published in April by the United States Department of

1 Labor, Bureau of Labor Statistics (or a suitable Consumer Price
2 Index calculation if this Consumer Price Index is not
3 available) for the previous calendar year; provided that the
4 price per million Btu shall not exceed \$5.50 at any time during
5 the contract; (iii) the utility's aggregate long-term supply
6 contracts for the purchase of synthetic natural gas produced
7 from coal through the gasification process does not exceed 25%
8 of the annual system supply requirements of the utility at the
9 time the contract is entered into; and (iv) the contract is
10 entered into within one year after the effective date of this
11 amendatory Act of the 94th General Assembly and terminates 20
12 years after the commencement of the production of synthetic
13 natural gas. The contract shall provide that if, at any time
14 during years 11 through 20 of the contract, the Commission
15 determines that the cost for the synthetic natural gas under
16 the contract is not reasonable and prudent, then the company
17 shall reimburse the utility for the difference between the cost
18 deemed reasonable and prudent by the Commission and the cost
19 imposed under the contract.

20 A gas utility other than a gas utility located in Jefferson
21 County may enter into a 20-year supply contract with any
22 company for synthetic natural gas produced from coal through
23 the gasification process if the company has received all
24 necessary permits for the construction and operation of a coal
25 gasification facility by July 1, 2015. The cost for the
26 synthetic natural gas is reasonable and prudent and recoverable

1 through the purchased gas adjustment clause for years one
2 through 20 of the contract if: (i) the only coal used in the
3 gasification process has high volatile bituminous rank and
4 greater than 1.7 pounds of sulfur per million Btu content; (ii)
5 at the time the contract is signed, the price per million Btu
6 shall be no greater than the long-term market price derived
7 from the simple average of the Henry Hub monthly futures prices
8 for natural gas as reported by the New York Mercantile Exchange
9 (NYMEX) for the 60 months immediately following the effective
10 date of the contract, adjusted annually based on the change in
11 the Annual Consumer Price Index for All Urban Consumers for the
12 Midwest Region as published in April by the United States
13 Department of Labor, Bureau of Labor Statistics (or a suitable
14 Consumer Price Index calculation if this Consumer Price Index
15 is not available) for the previous calendar year; provided that
16 the price per million Btu shall not increase by more than \$1.50
17 per million Btu during the life of the contract; (iii) the
18 utility's aggregate long-term supply contracts for the
19 purchase of synthetic natural gas produced from coal through
20 the gasification process does not exceed 10% of the annual
21 system supply requirements of the utility at the time the
22 contract is entered into; and (iv) the contract is entered into
23 before December 31, 2009 and terminates 20 years after the
24 commencement of the production of synthetic natural gas. The
25 amount of gas a utility may sell under this Section is limited
26 to 50% of its output."