

1 STATE OF OKLAHOMA

2 1st Session of the 53rd Legislature (2011)

3 SENATE BILL 300

By: Branan

4
5
6 AS INTRODUCED

7 An Act relating to fuel adjustment; amending 17 O.S.
8 2001, Section 251, as amended by Section 1, Chapter
9 410, O.S.L. 2004 (17 O.S. Supp. 2010, Section 250),
10 which relates to definitions; defining term; stating
11 legislative finding; authorizing electric utilities
12 to enter into certain long-term natural gas
13 contracts; stating purpose; requiring contracts to be
14 filed with Corporation Commission for review and
15 approval; authorizing utility to recover rates;
16 preventing reversal of Commission approval;
17 authorizing Commission to promulgate rules; providing
18 for codification; providing for noncodification;
19 providing an effective date; and declaring an
20 emergency.

21 BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

22 SECTION 1. AMENDATORY 17 O.S. 2001, Section 250, as
23 amended by Section 1, Chapter 410, O.S.L. 2004 (17 O.S. Supp. 2010,
24 Section 250), is amended to read as follows:

Section 250. As used in this act:

1. "Affiliated person, subsidiary, firm or corporation" means
any person, subsidiary, firm or corporation which:

a. controls or is controlled by a public utility,

1 b. is controlled by an entity that also controls the
2 utility, or

3 c. the utility or an entity controlling the utility has
4 directly or indirectly the power to control;

5 2. "Commission" means any state regulatory body which has
6 jurisdiction to regulate public utilities or electric cooperatives;

7 3. "Emergency sales of gas" mean sales of natural gas made by a
8 public utility or subsidiary thereof to one or more interstate
9 pipelines or other out-of-state customer pursuant to federal law
10 which exempts such transactions from the jurisdiction of the Federal
11 Power Commission;

12 4. "Fair field price" means the value attributed to gas
13 produced from wells owned by a public utility, or a subsidiary or
14 affiliate of a public utility, which shall be the going price paid
15 by the utility, subsidiary or affiliate to others in the field where
16 such production is located. If the utility, subsidiary or affiliate
17 is not purchasing gas in such field, then such value shall be the
18 price paid by the utility, subsidiary or affiliate in the nearest
19 field where conditions are similar. The value to be attributed to
20 residue gas owned by a public utility, or a subsidiary or affiliate
21 of a public utility, from gas processing plants shall be the going
22 price paid by the utility, subsidiary or affiliate to others from
23 the same plant. If the utility, subsidiary or affiliate is not
24 purchasing gas from said plant, then the value shall be the price

1 paid by the utility, subsidiary or affiliate at the nearest plant
2 where conditions are similar. However, the Commission may require
3 an adjustment of the fair field price when it deems it proper to do
4 so based on information before it. The fair field price shall not
5 be applicable to gas purchased by a public utility from a subsidiary
6 or affiliate of a public utility pursuant to a competitive bid
7 process;

8 5. "Fuel adjustment clause" means any mechanism which allows a
9 public utility or electric generating cooperative to automatically
10 adjust its charges above or below the base amount included in its
11 rates, based upon changes in costs of fuel for generation of
12 electricity, purchased power or purchased gas;

13 6. "Heat rate" means a measure of the efficiency of an electric
14 generating station, computed by dividing the total British Thermal
15 Unit content of the fuel burned by the resulting net kilowatt-hours
16 generated;

17 7. "Line loss" means the kilowatt-hours of electricity lost in
18 the operation of an electric transmission or distribution system;

19 8. "Long-term gas supply agreement" means any gas supply
20 agreement with a term of not less than three (3) years nor more than
21 twenty (20) years;

22 9. "Public utility" or "utility" means any individual, firm,
23 association, partnership, corporation, or any combination thereof,
24 other than a municipal corporation or their lessees, trustees and

1 receivers, owning or operating for compensation in this state
2 equipment or facilities for:

- 3 a. producing, generating, transmitting, distributing,
4 selling or furnishing electricity, or
- 5 b. transmitting, directly or indirectly, or distributing
6 combustible hydrocarbon natural or synthetic natural
7 gas for sale to the public or for wholesale, unless
8 its wholesale rates are regulated by a federal agency;
9 and

10 ~~9-~~ 10. "Purchased power adjustment clause" means any mechanism
11 which allows an electric public utility or electric distribution
12 cooperative to adjust its charges above or below the base amount
13 included in its rates based upon changes in costs of wholesale power
14 purchased from others.

15 SECTION 2. NEW LAW A new section of law to be codified
16 in the Oklahoma Statutes as Section 251.1 of Title 17, unless there
17 is created a duplication in numbering, reads as follows:

18 A. The Legislature finds that the greater use of natural gas in
19 power generation is a benefit to the sound economic, public health,
20 and environmental condition of this state.

21 B. In order to achieve this greater benefit, utilities shall be
22 authorized to enter into long-term gas supply agreements for natural
23 gas in a manner that protects electricity consumers. In addition,
24 it is important to give financial markets confidence that utilities

1 will be able to recover the costs of long-term gas supply agreements
2 without the risk of future disallowance by the Corporation
3 Commission of previously approved contracts or the rate recovery of
4 same.

5 C. A utility may enter into long-term gas supply agreements to
6 further the intent of this section. Prior to their execution, all
7 long-term gas supply agreements shall be filed with the Commission
8 for review and approval. The Commission shall determine whether the
9 utility acted prudently by entering into the specific agreement,
10 whether the proposed agreement appears to be beneficial to consumers
11 and whether the agreement is in the public interest. If an
12 agreement is approved, the utility is entitled to recover through
13 rates the costs it incurs under the approved agreement, and any
14 approved amendments to the agreement, notwithstanding any change in
15 the market price of natural gas during the term of the agreement.
16 The Commission shall not reverse its approval of the long-term gas
17 supply agreement even if the agreement price is higher than a future
18 market price of natural gas.

19 SECTION 3. NEW LAW A new section of law not to be
20 codified in the Oklahoma Statutes reads as follows:

21 The Corporation Commission is authorized to promulgate rules to
22 implement the provisions of this act.

23 SECTION 4. This act shall become effective July 1, 2011.

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1 SECTION 5. It being immediately necessary for the preservation
2 of the public peace, health and safety, an emergency is hereby
3 declared to exist, by reason whereof this act shall take effect and
4 be in full force from and after its passage and approval.

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