

**278.5085 Presumption of reasonableness of supply contract for natural gas produced from coal through gassification process.**

If a gas distribution utility as defined in KRS 278.010(3)(b) enters into a twenty (20) year supply contract with any person for pipeline quality synthetic natural gas produced from coal through a gasification process, the commission shall find the transaction reasonable and shall allow the utility to recover the cost of the synthetic natural gas if:

- (1) The only coal used in the gasification process is coal subject to the tax imposed under KRS 143.020;
- (2) The price per million British thermal units (BTU) is no greater than the long-term market price derived from the simple average of the Henry Hub monthly futures prices for natural gas as reported by the New York Mercantile Exchange (NYMEX) for the sixty (60) months immediately following the effective date of the contract, adjusted annually based upon the change in the Annual Consumer Price Index for All Urban Consumers for the Midwest Region as published in April by the United States Department of Labor, Bureau of Labor Statistics, or a suitable Consumer Price Index calculation if this Consumer Price Index is not available. The total price adjustment over the life of the contract shall not exceed one dollar and fifty cents (\$1.50) per million BTU; and
- (3) The utility's aggregate long-term supply contracts for the purchase of synthetic natural gas produced from coal through the gasification process do not exceed twenty five-percent (25%) of the annual system supply requirements of the utility, by volume, as measured in thousand cubic foot units (Mcf) at the time the utility enters into the contract.

**Effective:** July 12, 2006

**History:** Created 2006 Ky. Acts ch. 55, sec. 1, effective July 12, 2006.

**Legislative Research Commission Note (7/12/2006).** A reference to "million cubic foot units (Mcf)" in subsection (3) of 2006 Ky. Acts ch. 55 has been changed in codification by the reviser of statutes to correct a drafting error to read "thousand cubic foot units (Mcf)" to conform with the U. S. Census Bureau's Harmonized Commodity Description and Coding System which collects information based on the metric standard.