

In the Matter of an Investigation into the Status of)
Missouri's Natural Gas Local Distribution Companies') **Case No. GW-2006-0110**
Compliance with Commission Rule 4 CSR 240-40.018.)

In support of his Motion, Public Counsel states that in 2003, the Commission promulgated Rule 4 CSR 240-40.018, which requires natural gas utilities to "structure their portfolios of contracts with various supply and pricing provisions in an effort to mitigate upward natural gas price spikes, and provide a level of stability of delivered natural gas prices." Public Counsel further states that "all indications point to wholesale natural gas prices for the upcoming winter reaching record highs." Even if the winter proves to be a mild one, Public Counsel opines that "high end-user gas prices will create serious hardship to many customers" and that "[a] harsh winter coupled with record-high prices will cause untoward human suffering and severe economic disruption." Under these circumstances, Public Counsel asserts, "It is incumbent on the Commission to ensure that natural gas utilities have done everything in their power to mitigate price spikes and keep rates stable."

Public Counsel notes that, in its Agenda meeting on September 6, 2005, the Commission discussed beginning a process in which natural gas utilities would make presentations on their efforts to comply with 4 CSR 240-40.018. Public Counsel urges the Commission to structure its investigation as a formal one in a docketed case. The benefit, in Public Counsel's view, is that a docketed case will allow the Commission to take evidence and create a record that documents the natural gas utilities' efforts to keep the delivered price of natural gas stable. Before the winter heating season begins, and before utilities raise their rates through the Purchased Gas Adjustment (PGA) process, Public Counsel states that they should be required to demonstrate their compliance with the rule.

Public Counsel further states that, while some information about specific contracts, prices, and hedging strategies may not be public information, this should not dissuade the Commission from opening a case and taking evidence on the record. The Commission can issue its standard protective order to protect such information.

Public Counsel suggests that the Commission docket this case with a "GW" designation. This type of investigation case does not typically culminate in a Commission order, but rather in a report from the participants in the investigation. This type of case is not considered contested, so that the Commission may confer with members of its Staff.¹ Creating an investigation case, Public Counsel states, "strikes a balance between a free flow of information and the need to create a record documenting compliance."

Public Counsel also suggests that if, during the course of the investigation case, it appears that a utility has not fully complied with Rule 4 CSR 240-40.018, the Commission should immediately institute a complaint against that utility. Furthermore, if the

¹ The Commission does not necessarily endorse or concur with the Public Counsel's opinion regarding the application of the *ex parte* rule to this proceeding.

investigation, or the events of the upcoming winter, shows that the current rule did not prompt utilities to undertake adequate actions to mitigate price spikes and keep prices stable, the Commission "should revise the currently toothless rule to provide significant penalties (such as imputed lower gas costs) for noncompliance."

The Commission is of the opinion that Missouri local distribution companies and gas corporations should have an opportunity to respond to Public Counsel's motion and will therefore provide an appropriate response period.

IT IS THEREFORE ORDERED:

1. That the Commission's Data Center shall send a copy of this order to all Missouri certificated local distribution companies and gas corporations.

2. That any entity may file a response or objection to the Public Counsel's motion, described above, no later than October 4, 2005, with:

Colleen M. Dale, Secretary
Missouri Public Service Commission
Post Office Box 360
Jefferson City, Missouri 65102

and send copies to:

Office of the Public Counsel
Post Office Box 2230
Jefferson City, Missouri 65102

3. That the Staff of the Commission shall file a memorandum advising either approval or rejection of Public Counsel's motion and giving the reasons therefor no later than October 4, 2005.

4. That this order shall become effective on September 14, 2005.

BY THE COMMISSION

A handwritten signature in black ink, appearing to read 'Colleen M. Dale', written over a horizontal line.

Colleen M. Dale
Secretary

(S E A L)

Kevin A. Thompson, Deputy Chief
Regulatory Law Judge, by delegation
of authority pursuant to Section 386.240,
RSMo 2000.

Dated at Jefferson City, Missouri,
on this 14th day of September, 2005.