

# MEMORANDUM

Dale Hardy Roberts, Secretary


**DATE:** May 1, 2003

Authorization to File the Proposed Rule 4 CSR 240-40.018  
With the Office of Secretary of State

**CASE NO:** GX-2002-478

The undersigned Commissioners hereby authorize the Secretary of the Missouri Public Service Commission to file the following Proposed Rule with the Office of Secretary of State, to wit:

**4 CSR 240-40.018 Natural Gas Price Volatility Mitigation**



Kelvin L. Simmons, Chair



Connie Murray, Commissioner


Steve Gaw, Commissioner



Bryan Forbis, Commissioner



Commissioners  
KELVIN L. SIMMONS  
Chair  
CONNIE MURRAY –  
SHEILA LUMPE  
STEVE GAW  
BRYAN FORBIS

## Missouri Public Service Commission

POST OFFICE BOX 360  
JEFFERSON CITY, MISSOURI 65102  
573-751-3234  
573-751-1847 (Fax Number)  
<http://www.psc.state.mo.us>  
May 1, 2003

ROBERT J. QUINN, JR.  
Executive Director  
WESS A. HENDERSON  
Director, Utility Operations  
ROBERT SCHALLENBERG  
Director, Utility Services  
DONNA M. PRENGER  
Director, Administration  
DALE HARDY ROBERTS  
Secretary/Chief Regulatory Law Judge  
DANA K. JOYCE  
General Counsel

Mr. Matt Blunt  
Secretary of State  
Administrative Rules Division  
600 West Main Street  
Jefferson City, MO 65101

Dear Secretary Blunt,

**RE: 4 CSR 240-40.018 – Natural Gas Price Volatility Mitigation**

### CERTIFICATION OF ADMINISTRATIVE RULE

I do hereby certify that the attached is an accurate and complete copy of the proposed rule lawfully submitted by the Missouri Public Service Commission on this 1st day of May 2003.

The Missouri Public Service Commission has determined and hereby certifies that this proposed rule will not have an economic impact on small businesses. The Missouri Public Service Commission also certifies that it has conducted an analysis of whether or not there has been a taking of real property pursuant to section 536.017, RSMo 2000 and that this proposed rule does not constitute a taking of real property under relevant state and federal law.

Statutory Authority: Sections 386 and 393.

If there are any questions regarding the content of the rule, please contact: Bob Berlin, 200 Madison Street, Suite 800, P. O. Box 360, Jefferson City, MO 65101, (573) 526-7779, [bobberlin@psc.state.mo.us](mailto:bobberlin@psc.state.mo.us).

Sincerely yours,

Dale Hardy Roberts  
Secretary/Chief Regulatory Law Judge

DHR:RB/sls  
Enclosures: Transmittal Form, Order of Rulemaking & 3.5" Diskette

AFFIDAVIT

STATE OF MISSOURI

COUNTY OF COLE

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I, Joseph L. Driskill, Director of the Department of Economic Development, first being duly sworn on my oath state that it is my opinion that the cost of the **Proposed Rule -- 4 CSR 240-40.018 -- Natural Gas Price Volatility Mitigation**, is less than five hundred dollars in the aggregate to this agency, any other agency of state government or any political subdivision thereof.



Joseph L. Driskill

DIRECTOR

Department of Economic Development

Subscribed and sworn to before me this 28<sup>th</sup> day of April, 2003.

I am commissioned as a notary public within the County of Callaway, State of Missouri, and my commission expires on September 21, 2004.



NOTARY PUBLIC

NOTARY PUBLIC STATE OF MISSOURI  
CALLAWAY COUNTY, MO  
MY COMMISSION EXP. SEPT. 21, 2004

**Title 4 – DEPARTMENT OF ECONOMIC DEVELOPMENT**  
**Division 240 – Public Service Commission**  
**Chapter 40 – Gas Utilities and Gas Safety Standards**

**RECEIVED**

**PROPOSED RULE**

**MAY 01 2003**

**4 CSR 240-40.018 Natural Gas Price Volatility Mitigation**

**SECRETARY OF STATE  
ADMINISTRATIVE RULES**

***PURPOSE:** This rule represents a statement of Commission policy that natural gas local distribution companies should undertake diversified natural gas purchasing activities as part of a prudent effort to mitigate upward natural gas price volatility and secure adequate natural gas supplies for their customers.*

**(1) Natural Gas Supply Planning Efforts to Ensure Price Stability.**

(A) As part of a prudent planning effort to secure adequate natural gas supplies for their customers, natural gas utilities should 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.

(B) In making this planning effort, natural gas utilities should consider the use of a broad array of pricing structures, mechanisms, and instruments, including, but not limited to, those items described in (2)(A) through (2)(G), to balance market price risks, benefits, and price stability. Each of these mechanisms may be desirable in certain circumstances, but each has unique risks and costs that require evaluation by the natural gas utility in each circumstance.

(C) Part of a natural gas utility's balanced portfolio may be higher than spot market price at times, and this is recognized as a possible result of prudent efforts to dampen upward volatility.

**(2) Pricing Structures, Mechanisms and Instruments.**

(A) Natural Gas Storage;

(B) Fixed Price Contracts;

(C) Call Options;

(D) Collars;

(E) Outsourcing/Agency Agreements;

(F) Futures Contracts; and

(G) Other tools utilized in the market for cost-effective management of price and/or usage volatility.

***AUTHORITY:** sections 386.250 and 393.130, RSMo 2000.*

***PUBLIC COST:** This proposed rule will not cost state agencies or political subdivisions more than five hundred dollars (\$500) in the aggregate.*

***PRIVATE COST:** This proposed rule will not cost private entities more than five hundred dollars (\$500) in the aggregate.*

**NOTICE TO SUBMIT COMMENTS AND NOTICE OF PUBLIC HEARING:** *Anyone may file comments in support of or in opposition to this proposed rule with the Missouri Public Service Commission, Dale Hardy Roberts, Secretary of the Commission, PO Box 360, Jefferson City, MO 65102. To be considered, comments must be received at the Commission's offices on or before July 3, 2003, and should include a reference to Commission Case No. GX-2002-478. If comments are submitted via a paper filing, an original and eight (8) copies of the comments are required. Comments may also be submitted via a filing using the Commission's electronic filing and information system at <<http://www.psc.state.mo.us/efis.asp>>. A public hearing regarding this proposed rule is scheduled for July 10, 2003, at 10:00 a.m. in Room 310 of the Governor Office Building, 200 Madison Street, Jefferson City, Missouri. Interested persons may appear at this hearing to submit additional comments and/or testimony in support of or in opposition to this proposed rule, and may be asked to respond to commission questions. Any persons with special needs as addressed by the Americans with Disabilities Act should contact the Missouri Public Service Commission at least ten (10) days prior to the hearing at one (1) of the following numbers: Consumer Services Hotline 1-800-392-4211 or TDD Hotline 1-800-829-7541.*