

Policy Statement and Recommendations

In addition to the recommendations regarding specific options, the task force developed and voted on a general policy statement. All stakeholder groups broadly supported this statement:

Natural Gas Commodity Price Task Force Policy Statement

The Missouri Public Service Commission's Natural Gas Commodity Price Task Force (Task Force) examined several means or mechanisms that may be used to mitigate large-scale swings in natural gas prices. Each mechanism may be desirable in certain circumstances, but each has unique risks and costs that require evaluation in each circumstance.

The Task Force reached a consensus regarding the overall strategy of employing various mechanisms to mitigate and control upward gas price volatility. Our sense was that Local Distribution Companies (LDCs) in Missouri should be encouraged by the Commission and all other stakeholders to utilize various mitigation tools to balance market price risks, benefits, and price stability. LDCs should create a balanced portfolio of gas supply contracts with various price structures in an attempt to reduce, but not eliminate, market sensitive pricing. Part of a balanced portfolio may be over market at times and this is necessary to dampen price volatility. It is also recognized that gas price stability and especially limits to upward gas price spikes are desired and valued by many customers but may result in higher gas costs over the long-term due to the costs of hedging and fixed-price contracts.

A number of options were supported by a majority. The tables in section 3 show that the greatest level of consensus exists on options 2.h, 3.a, 3.c, 4.a, 4.b, and 4.d. Option 2.h deals specifically with actions to address the needs of low and fixed income customers through legislative actions and was consistently supported in the public meetings. Options 3.a and 3.c are different from the other options in that they deal with whether utilities should consider using fixed price contracts, call options, collars, and natural gas storage. The task force strongly supported the recommendation that gas utilities "consider" using these options as part of an analysis of prudent gas purchasing options. The policy statement adequately addresses the caveats of using these mechanisms. All stakeholder groups strongly supported the options identified and recommendations addressed in the following areas:

- 2.h) Alternative Recovery Mechanisms for Low and Fixed Income Customers
w/Legislative Actions for Collection of Funding vs. Ratepayer Allocations
- 3.a) Fixed Price Contracts, Call Options, and Collars
- 3.c) Natural Gas Storage
- 4.a) Properly Structured Incentive Plans
- 4.b) Performance Based Regulations (PBRs) in the Form of Rate or Bill Caps
Should Not Be Implemented
- 4.d) Expanded Information Exchange between LDCs, PSC, and OPC
Regarding Procurement Plans & Strategies Should be Pursued to Reduce
Disincentives in Gas Costs