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July 3, 2003

VIA HAND DELIVERY

Mr. Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge
Missouri Public Service Commission
P.O. Box 360
Jefferson City, MO 65102

FILED²
JUL 03 2003
Missouri Public
Service Commission

**Re: In the Matter of a Proposed Natural Gas Price Volatility Mitigation Rules for
Gas Utilities
Case No. GX-2002-478**

Dear Mr. Roberts:

On behalf of Missouri Energy Development Association, I deliver herewith an original and eight (8) copies of Initial Comments of the Missouri Energy Development Association, for filing with the Commission in the referenced matter. I would appreciate it if you would see that copies are distributed to the appropriate Commission personnel. Service copies have been mailed or hand-delivered this date.

I have also enclosed an extra copy which I request that you stamp "Filed" and return to the person delivering them to you.

Thank you for your attention in this matter.

Sincerely,

BRYDON, SWEARENGEN & ENGLAND, P.C.

By:


Janet E. Wheeler

JEW/ccp
Enclosures

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

FILED²
JUL 03 2003

Missouri Public
Service Commission

In the matter of the proposed natural gas)
price volatility mitigation rules for gas utilities;)

Case No. GX-2002-478

INITIAL COMMENTS OF THE
MISSOURI ENERGY DEVELOPMENT ASSOCIATION

COMES NOW the Missouri Energy Development Association (hereinafter "MEDA") and, pursuant to the Notice published by the Commission in the June 2, 2003 edition of the Missouri Register, Vol. 28, No. 11, submits the following comments in response to the Commission's Proposed Rule relating to natural gas price volatility mitigation.

MEDA is an Association comprised primarily of the largest, investor-owned electric and natural gas utilities operating in Missouri.¹ MEDA's core mission is to advise policy-makers on measures that will advance the ability of Missouri utilities to build, maintain, and provide the infrastructure and services that are critical to the economic well-being, health and safety of Missouri citizens and businesses.

Consistent with that basic mission, MEDA strongly supports public policy initiatives that provide utilities and other stakeholders in the regulatory process with advance notice of the principles and standards that will be employed to

¹ The investor-owned energy companies who are members of MEDA include Aquila, Inc., AmerenUE, Atmos Energy Corporation, Empire District Electric Company, Kansas City Power & Light, Laclede Gas Company and Missouri Gas Energy.

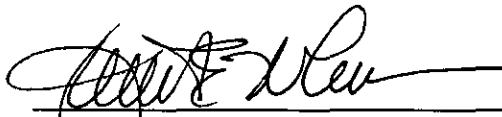
determine the ratemaking treatment of projects and transactions undertaken to provide utility services. In some instances, the financial exposure associated with a particular project or transaction is so great (relative to the financial resources available to the utility) that the pre-establishment of such principles and standards -- and the greater regulatory certainty that comes with it -- is absolutely critical to the utility's very ability to pursue such activities. Moreover, even where such action is not essential, it can nevertheless benefit consumers by reducing the kind of regulatory uncertainty that tends to drive-up the cost of attracting capital that utilities, and eventually their customers, must pay to finance such activities.

For these reasons, MEDA is generally supportive of the proposed rule relating to gas price mitigation measures that the Commission has set forth in 4 CSR 240-40.018 (hereinafter the "Proposed Rule"). As discussed in the comments filed by various utilities, there are certain technical modifications that can and should be made to the Proposed Rule. Moreover, the Proposed Rule does not go as far as it could in providing the degree of firm regulatory guidance that may be necessary to produce the sort of benefits described above. Nevertheless, the Proposed Rule does represent a constructive step in the right direction in that it provides at least some advance regulatory recognition of the prudence of using hedging instruments to reduce gas price volatility even when the ultimate impact of such hedging activities may be to increase gas costs. Given the tremendous financial commitments that gas utilities must undertake if

they are to utilize such instruments in a significant way, it is both fitting and appropriate that such a step be taken in this area.

In view of these considerations, MEDA urges the Commission to adopt the Proposed Rule, with suitable modifications as suggested by the utilities submitting comments in this proceeding.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Janet E. Wheeler", written over a horizontal line.

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Attorneys for Missouri Energy Development
Association

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed or hand-delivered this 3rd day of July, 2003 to:

Mr. Dana K. Joyce, General Counsel
Missouri Public Service Commission
200 Madison Street, Suite 800
P.O. Box 360
Jefferson City, MO 65102-0360

Office of the Public Counsel
200 Madison Street, Suite 650
P.O. Box 7800
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