BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of a Working Docket to Address the Hedging Practices of Electric Utilities used to Mitigate the Rising Costs of Fuel	)))	**File No. EW-2013-0101**

NOTICE OF STAFF'S QUESTIONS

COME NOW the Staff of the Missouri Public Service Commission ("Staff"), by and through counsel, and for its filing in this case respectfully states:

1. The Commission opened this docket on September 5, 2012, "to review policies or procedures with regard to electric companies' hedging programs that will hopefully assist the utilities with developing effective hedging programs that serve the public interest by mitigating the rising costs of fuel."

2. On April 8, 2013, Staff submitted a *Report* recommending that each electric utility begin meeting periodically with Staff to discuss the utility's hedging strategies. Staff's *Report* also recommended the participants continue workshops in this docket.

3. On May 1, 2013, the Commission issued its *Order Directing Staff to Proceed with Its Investigation*.

4. In response to the Commission's May 1 order, Staff submits the list of questions attached hereto as Appendix A. Staff requests that each Missouri investor-owned electric utility—Union Electric Company d/b/a Ameren Missouri, Kansas City Power & Light Company, KCP&L Greater Missouri Operations Company, and The Empire District Electric Company—separately provide answers in EFIS, in this docket, no later than July 3, 2013.

WHEREFORE, Staff submits the list of questions as Appendix A for response by Missouri's investor-owned electric utilities.

Respectfully Submitted,

STAFF OF THE MISSOURI PUBLIC SERVICE COMMISSION

/s/ John D. Borgmeyer

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CERTIFICATE OF SERVICE

I hereby certify that true and correct copies of the foregoing were served electronically to all counsel of record this 31st day of May, 2013.

/s/ John D. Borgmeyer

Staff Hedging Questions
for Missouri Investor-Owned Electric Utilities

1. What market conditions support hedging fuel and purchased power?

2. What market conditions support *not* hedging fuel and purchased power?

3. Do electric utility customers place a value on less volatile fuel and purchased power prices? How should electric utilities determine that value?

4. How should utilities develop and use fuel and purchased power price forecasts in determining a hedging strategy?

5. What impact does a fuel adjustment clause have on mitigating fuel and purchased power price volatility for customers, and on a company's cash flow?

6. What are the different hedging tools[1] available to electric utilities, and what are the costs and benefits of each tool? For each tool identified, what fuel and purchased power market conditions support its use?

7. How should electric utilities and state utility regulators measure the effectiveness of a hedging strategy?

8. Should utilities use generally accepted accounting principles (GAAP) in measuring the results of their hedging strategies (from both an operational perspective and a financial reporting perspective)? Why or why not?

9. What measured/measurable benefits should customers receive from a utility's hedging strategy?

10. Should utilities have a budget for their hedging programs? Why, or why not?

11. How active should electric utilities be in changing hedging positions or strategy based on new market conditions and new information?

12. How have changes in the natural gas market since 2009 affected the benefits, for both utilities and their customers, of hedging natural gas? Should electric utilities change or modify their strategy in response to changes in the natural gas market since 2009?

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[1] Please address the pricing structures, mechanisms and instruments listed in 4 CSR 240-40.018(2): natural gas storage, fixed price contracts, call options, collars, outsourcing/agency agreements, futures contracts, financial swaps and options from OTC markets, or any other tools.