

**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     )     **File No. EW-2013-0101**  
used to Mitigate the Rising Costs of Fuel     )

**STAFF'S STATUS REPORT  
AND REQUEST FOR FURTHER DIRECTION**

**COMES NOW** the Staff (Staff) of the Missouri Public Service Commission (Commission), by and through counsel, and for its status report and request for further direction in this matter respectfully states as follows:

1. On September 5, 2012, the Commission opened this investigatory docket “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.”<sup>1</sup>

2. Pursuant to the Commission’s September 5 order, Staff held an initial workshop on November 14, 2012. Several investor-owned electric utilities and gas distribution companies presented brief overviews of their current hedging practices, and participants discussed potential topics for future workshops.

3. During a second workshop held on January 31, 2013, Staff presented information about the current and future natural gas market. Then the participants—including both Missouri investor-owned electric utilities (IOUs) and Missouri local distribution gas companies (LDCs), as well as Staff—conducted a round-table

---

<sup>1</sup> This docket originated with a request by Kansas City Power & Light Greater Missouri Operations Company (GMO) for additional guidance from the Commission regarding the appropriateness of the use of natural gas hedging by electric utilities. GMO also suggested that the Commission implement a process to avoid disputes over its hedging programs in the future. EO-2011-0390, EFIS No. 132, *Report and Order*, p. 65-66.

discussion on a series of questions about hedging. Participants discussed the purpose and goals of natural gas hedging for both IOUs and LDCs, and how their hedging programs function. Participants indicated that, in general, they determine the “effectiveness” of a hedging program by analyzing whether hedges were made according to a strategy resulting from adherence to the utility’s risk management policy, and that, in their view, the purpose of hedging is to reduce price volatility. Participants generally do not investigate the “cost-effectiveness” of a hedging program by analyzing whether other hedging strategies might have resulted in lower fuel costs for customers than the companies’ current hedging strategies. The participants also discussed alternatives to hedging, such as a so-called rainy-day fund (or self-insurance) the utilities could collect to mitigate significant natural gas price increases, and whether the Commission should pre-approve certain aspects of the utilities’ hedging programs (such as the program budget).

4. The discussions so far have provided Staff with the opportunity “to review policies or procedures with regard to electric companies’ hedging programs,” as the Commission requested. Staff now seeks guidance from the Commission as to whether additional workshops are needed, what specific issues the Commission would like the stakeholders to address at those workshops, or whether a more comprehensive report of the discussions to date would assist the Commission in determining further action.

**WHEREFORE**, Staff submits this status report and request for further direction for the Commission’s consideration.

Respectfully Submitted,

**STAFF OF THE MISSOURI  
PUBLIC SERVICE COMMISSION**

**/s/ John D. Borgmeyer**

John D. Borgmeyer  
Legal Counsel  
Missouri Bar No. 61992

Attorney for the Staff of the  
Missouri Public Service Commission  
P.O. Box 360  
Jefferson City, Missouri 65102  
Telephone: (573) 751-5472  
Fax: (573) 751-9285  
Email: john.borgmeyer@psc.mo.gov

**CERTIFICATE OF SERVICE**

I hereby certify that true and correct copies of the foregoing were served electronically to all counsel of record this 28<sup>th</sup> day of February, 2013.

**/s/ John D. Borgmeyer**