

Company Name: KCPL GMO
Case Description: 2010 KCPL GMO FAC: Fuel Adjustment Clause
Case: EO-2011-0390

Filed
June 22, 2012
Data Center
Missouri Public
Service Commission

Response to Eaves Dana Interrogatories – Set MPSC_20120306
Date of Response: 03/26/2012

Question No. :0089

Reference Mr. Blunk's direct testimony page 4 lines 18 and 19. Please provide a list of each and every utility Mr. Blunk refers to in this testimony. Please list and describe all contacts with representatives of Missouri regulated utilities in which Mr. Blunk or the Company (KCPL, GMO, GPE) contacted with regard to purchase power hedge activities. Please provide a copy of or a summary of the responses to such inquiries.

RESPONSE: (do not edit or delete this line or anything above this)

Blunk Direct, page 4, lines 18-19:

18 over a decade. Other utilities are or have used natural gas derivatives to hedge electricity
19 price risk.

Response:

As described on page 16 of Mr. Blunk's Direct Testimony, the Company conducted an informal survey asking utilities across the country if they had used natural gas derivatives to cross hedge electricity price risk. Mr. Blunk also spoke with Mr. Robert Neff of Ameren on the topic in January or February 2012. Attached is a spreadsheet which summarizes the responses of that informal survey. Also attached are copies of the survey and the various email responses, including Ameren's, to that survey.

ATTACHMENTS:

- MPSC0089-Hedging Survey Results.xlsx
- MPSC0089-Survey-EEI.pdf
- MPSC0089-Survey response-Ameren Missouri.pdf
- MPSC0089-Survey response-APS.pdf
- MPSC0089-Survey response-Dominion.pdf
- MPSC0089-Survey response-FPL.pdf
- MPSC0089-Survey response-Indianapolis Power and Light.pdf
- MPSC0089-Survey response-Madison Gas and Electric.pdf
- MPSC0089-Survey response-MD.pdf
- MPSC0089-Survey response-Mississippi Power.pdf
- MPSC0089-Survey response-NSTAR.pdf
- MPSC0089-Survey response-Ontario Power.pdf
- MPSC0089-Survey response-Portland General.pdf
- MPSC0089-Survey response-Progress Energy.pdf

GMO Exhibit No. 17
Date 6-25-12 Reporter KE
File No. EO-2011-0390

Cross hedging survey results

- 1) Do you or have you ever used derivatives (futures, options, forwards, etc.) to hedge natural gas price risk?
- 2) Do you or have you ever used derivatives (futures, options, forwards, etc.) to hedge electricity price risk?
- 3) Do you or have you ever used natural gas derivatives (futures, options, forwards, etc.) to cross hedge electricity price risk?

		1	2	3	
Ameren MO	x	y	y	y	
APS-IPL	x	y	y	y	
Dominion	x	y	y	n	
FPL	x	y	n	y - rarely	
Indianapolis Power and Light-AES	x	n	y	n	
Madison Gas & Electric	x	y	y	y	
MD-BGE	x	n	n	n	
Mississippi Power-Southern Co	x	y	y	y	in that hedging natural gas equates to hedging the price of electricity generated from gas
NSTAR	x	n	n	n	
Ontario	x	n	n	n	
Portland General	x	y	y	y	
Progress Energy	x	y	y	n	
	12	8	8	6	
		67%	67%	50%	

Blunk Ed

From: Bielski, Casimir [CBielski@eei.org]
Sent: Wednesday, January 18, 2012 6:58 AM
To: Rate Committee
Subject: Hedging Practices

From Lois Liechti at KCPL:

- 1) Do you or have you ever used derivatives (futures, options, forwards, etc.) to hedge natural gas price risk?
- 2) Do you or have you ever used derivatives (futures, options, forwards, etc.) to hedge electricity price risk?
- 3) Do you or have you ever used natural gas derivatives (futures, options, forwards, etc.) to cross hedge electricity price risk?

Thanks.

Lois

Lois Liechti | Senior Manager, Regulatory Affairs | Kansas City Power & Light Company | 816.556.2612 | lois.liechti@kcpl.com

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Blunk Ed

From: Cooper, Wil L [WCooper@ameren.com]
Sent: Wednesday, January 18, 2012 12:49 PM
To: Rate Committee
Subject: RE: Hedging Practices

"Yes" to all three for Ameren Missouri.

Best Regards,

Wil Cooper

.....
WILBON COOPER
Manager
Rates and Tariffs
T 314.554.3248
C 314.919.6925
F 314.612.2180
E wcooper@ameren.com

.....
Ameren Missouri
1901 Chouteau
St Louis, MO 63103
AmerenMissouri.com
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From: Bielski, Casimir [mailto:CBielski@eei.org]
Sent: Wednesday, January 18, 2012 6:58 AM
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Thanks.

Lois

Lois Liechti | Senior Manager, Regulatory Affairs | Kansas City Power & Light Company | 816.556.2612 | lois.liechti@kcpl.com

3/16/2012

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Ameren Corporation

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Blunk Ed

From: David.Rumolo@aps.com
Sent: Wednesday, January 18, 2012 11:33 AM
To: Rate Committee
Subject: RE: Hedging Practices

Yes to all 3. We have a hedge plan that has been reviewed by our Commission.

From: Bielski, Casimir [mailto:CBielski@eei.org]
Sent: Wednesday, January 18, 2012 5:58 AM
To: Rate Committee
Subject: Hedging Practices

From Lois Liechti at KCPL:

- 1) Do you or have you ever used derivatives (futures, options, forwards, etc.) to hedge natural gas price risk?
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- 3) Do you or have you ever used natural gas derivatives (futures, options, forwards, etc.) to cross hedge electricity price risk?

Thanks.

Lois

Lois Liechti | Senior Manager, Regulatory Affairs | Kansas City Power & Light Company | 816.556.2612 | lois.liechti@kcpl.com

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Blunk Ed

From: Jeff Washington [jeff.washington@dom.com]

Sent: Thursday, January 19, 2012 9:47 AM

To: Rate Committee

Subject: RE: Hedging Practices

Dominion Response:

1) Do you or have you ever used derivatives (futures, options, forwards, etc.) to hedge natural gas price risk?

Yes

2) Do you or have you ever used derivatives (futures, options, forwards, etc.) to hedge electricity price risk?

Yes

3) Do you or have you ever used natural gas derivatives (futures, options, forwards, etc.) to cross hedge electricity price risk?

No

From: Bielski, Casimir [mailto:CBielski@eei.org]

Sent: Wednesday, January 18, 2012 7:58 AM

To: Rate Committee

Subject: Hedging Practices

From Lois Liechti at KCPL:

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2) Do you or have you ever used derivatives (futures, options, forwards, etc.) to hedge electricity price risk?

3) Do you or have you ever used natural gas derivatives (futures, options, forwards, etc.) to cross hedge electricity price risk?

Thanks.

Lois

Lois Liechti | Senior Manager, Regulatory Affairs | Kansas City Power & Light Company | 816.556.2612 | lois.liechti@kcpl.com

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Blunk Ed

From: Liechti Lois
Sent: Friday, January 20, 2012 9:30 AM
To: Blunk Ed
Subject: FW: Hedging Practices

Lois Liechti | Senior Manager, Regulatory Affairs | Kansas City Power & Light Company | 816.556.2612 | lois.liechti@kcpl.com

From: Deaton, Renae [mailto:Renae.Deaton@fpl.com]
Sent: Friday, January 20, 2012 7:33 AM
To: Rate Committee
Subject: RE: Hedging Practices

For FPL: 1. Yes, 2. No, 3. Yes (rarely)

From: Bielski, Casimir [mailto:CBielski@eei.org]
Sent: Wednesday, January 18, 2012 7:58 AM
To: Rate Committee
Subject: Hedging Practices

From Lois Liechti at KCPL:

- 1) Do you or have you ever used derivatives (futures, options, forwards, etc.) to hedge natural gas price risk?
- 2) Do you or have you ever used derivatives (futures, options, forwards, etc.) to hedge electricity price risk?
- 3) Do you or have you ever used natural gas derivatives (futures, options, forwards, etc.) to cross hedge electricity price risk?

Thanks.

Lois

Lois Liechti | Senior Manager, Regulatory Affairs | Kansas City Power & Light Company | 816.556.2612 | lois.liechti@kcpl.com

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Blunk Ed

From: Ken Flora [Ken.Flor@AES.com]
Sent: Wednesday, January 18, 2012 8:57 AM
To: Rate Committee
Subject: RE: Hedging Practices

Here are responses from Indianapolis Power & Light Company.

- 1) Do you or have you ever used derivatives (futures, options, forwards, etc.) to hedge natural gas price risk?
NO.
- 2) Do you or have you ever used derivatives (futures, options, forwards, etc.) to hedge electricity price risk?
YES. On a very limited basis we have used fixed price for variable price financial swaps to hedge projected wholesale sales margins for our business.
- 3) Do you or have you ever used natural gas derivatives (futures, options, forwards, etc.) to cross hedge electricity price risk?
NO.

From: Bielski, Casimir [mailto:CBielski@eei.org]
Sent: Wednesday, January 18, 2012 7:58 AM
To: Rate Committee
Subject: Hedging Practices

From Lois Liechti at KCPL:

- 1) Do you or have you ever used derivatives (futures, options, forwards, etc.) to hedge natural gas price risk?
- 2) Do you or have you ever used derivatives (futures, options, forwards, etc.) to hedge electricity price risk?
- 3) Do you or have you ever used natural gas derivatives (futures, options, forwards, etc.) to cross hedge electricity price risk?

Thanks.

Lois

Lois Liechti | Senior Manager, Regulatory Affairs | Kansas City Power & Light Company | 816.556.2612 | lois.liechti@kcpl.com

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Blunk Ed

From: GBollom@mge.com
Sent: Wednesday, January 18, 2012 12:48 PM
To: Rate Committee
Subject: Re: Hedging Practices

MGE can use all three as part of electric and natural gas risk management plans approved by both our board of directors and the Public Service Commission.

Gregory A. Bollom
Assistant Vice President - Energy Planning Madison Gas and Electric Company P. O. Box 1231
Madison, Wisconsin 53701-1231
Office: 608.252.4748
Fax: 608.252.7098
email: gbollom@mge.com

"Bielski, Casimir" <CBielski@eei.org >	"Rate Committee" <ratecomte@ls.eei.org>	To
01/18/2012 06:58 AM		cc
Please respond to "Rate Committee" <ratecomte@ls.eei .org>	Hedging Practices	Subject

From Lois Liechti at KCPL:

- 1) Do you or have you ever used derivatives (futures, options, forwards, etc.) to hedge natural gas price risk?
- 2) Do you or have you ever used derivatives (futures, options, forwards, etc.) to hedge electricity price risk?
- 3) Do you or have you ever used natural gas derivatives (futures, options, forwards, etc.) to cross hedge electricity price risk?

Thanks.

Lois

Lois Liechti | Senior Manager, Regulatory Affairs | Kansas City Power & Light Company |
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Bielski at cbielski@eei.org with any concerns.

Blunk Ed

From: Liechti Lois
Sent: Wednesday, January 18, 2012 8:35 AM
To: Blunk Ed
Subject: FW: Hedging Practices

Lois Liechti | Senior Manager, Regulatory Affairs | Kansas City Power & Light Company | 816.556.2612 | lois.liechti@kcpl.com

From: Harbaugh, Wayne [mailto:Wayne.Harbaugh@bge.com]
Sent: Wednesday, January 18, 2012 8:30 AM
To: Rate Committee
Subject: RE: Hedging Practices

MD utilities purchase all of their electric default service requirements through a series of full requirements auctions. The residential and small commercial default service is supplied by laddered 2-year contracts, which are conducted every 6-months for roughly 25% of the expected load. No hedging is permitted.

From: Bielski, Casimir [mailto:CBielski@eei.org]
Sent: Wednesday, January 18, 2012 7:58 AM
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From Lois Liechti at KCPL:

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Thanks.

Lois

Lois Liechti | Senior Manager, Regulatory Affairs | Kansas City Power & Light Company | 816.556.2612 | lois.liechti@kcpl.com

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Blunk Ed

From: Vogt, Larry J. [LJVOGT@southernco.com]

Sent: Thursday, January 19, 2012 8:27 AM

To: Rate Committee

Subject: RE: Hedging Practices

1) Yes

2) & 3) Yes, in that hedging natural gas price equates to hedging the price of electricity generated from gas

The link is our Energy Cost Management Clause under which we recover the costs of financial contracts for hedging.

<http://www.mississippipower.com/pricing/pdf/ECM-1.pdf>

Larry Vogt
Mississippi Power

From: Bielski, Casimir [mailto:CBielski@eei.org]

Sent: Wednesday, January 18, 2012 6:58 AM

To: Rate Committee

Subject: Hedging Practices

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Thanks.

Lois

Lois Liechti | Senior Manager, Regulatory Affairs | Kansas City Power & Light Company | 816.556.2612 | lois.liechti@kcpl.com

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Blunk Ed

From: Vogt, Larry J. [LJVOGT@southernco.com]
Sent: Thursday, January 19, 2012 8:27 AM
To: Rate Committee
Subject: RE: Hedging Practices

- 1) Yes
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The link is our Energy Cost Management Clause under which we recover the costs of financial contracts for hedging.

<http://www.mississippipower.com/pricing/pdf/ECM-1.pdf>

Larry Vogt
Mississippi Power

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Lois

Lois Liechti | Senior Manager, Regulatory Affairs | Kansas City Power & Light Company | 816.556.2612 | lois.liechti@kcpl.com

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Blunk Ed

From: Vaughan, Christine [Christine.Vaughan@nstar.com]**Sent:** Wednesday, January 18, 2012 10:37 AM**To:** Rate Committee**Subject:** RE: Hedging Practices

With NSTAR gas we hedge a third of our winter supply for gas. Our hedging policy was approved by the state regulators (MDPU) and it requires purchases to be made over the previous twelve months in equal installments in order to avoid speculative purchases.

Also at NSTAR gas we offer customers a locked in fixed price offering for the season (they must choose this and pay a premium).

No hedging at NSTAR electric.

From: Bielski, Casimir [mailto:CBielski@eei.org]**Sent:** Wednesday, January 18, 2012 7:58 AM**To:** Rate Committee**Subject:** Hedging Practices

From Lois Liechti at KCPL:

- 1) Do you or have you ever used derivatives (futures, options, forwards, etc.) to hedge natural gas price risk?
- 2) Do you or have you ever used derivatives (futures, options, forwards, etc.) to hedge electricity price risk?
- 3) Do you or have you ever used natural gas derivatives (futures, options, forwards, etc.) to cross hedge electricity price risk?

Thanks.

Lois

Lois Liechti | Senior Manager, Regulatory Affairs | Kansas City Power & Light Company | 816.556.2612 | lois.liechti@kcpl.com

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Blunk Ed

From: Liechti Lois
Sent: Wednesday, January 18, 2012 8:35 AM
To: Blunk Ed
Subject: FW: Hedging Practices

I may have sent this one already.

Lois Liechti | Senior Manager, Regulatory Affairs | Kansas City Power & Light Company | 816.556.2612 | lois.liechti@kcpl.com

From: PUGH Randy -REGAFFCRPSTY [mailto:randy.pugh@opg.com]
Sent: Wednesday, January 18, 2012 8:13 AM
To: Rate Committee
Subject: RE: Hedging Practices

Ontario utilities are not allowed to hedge commodity prices. Consumers wishing greater price stability can contract for commodity purchases through retailers/marketers.

Regards.

Randy Pugh
Ontario Power Generation

From: Bielski, Casimir [mailto:CBielski@eei.org]
Sent: Wednesday, January 18, 2012 7:58 AM
To: Rate Committee
Subject: Hedging Practices

From Lois Liechti at KCPL:

- 1) Do you or have you ever used derivatives (futures, options, forwards, etc.) to hedge natural gas price risk?
- 2) Do you or have you ever used derivatives (futures, options, forwards, etc.) to hedge electricity price risk?
- 3) Do you or have you ever used natural gas derivatives (futures, options, forwards, etc.) to cross hedge electricity price risk?

Thanks.

Lois

Lois Liechti | Senior Manager, Regulatory Affairs | Kansas City Power & Light Company | 816.556.2612 | lois.liechti@kcpl.com

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3/16/2012

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Blunk Ed

From: Randy Dahlgren [Randy.Dahlgren@pgn.com]
Sent: Wednesday, January 18, 2012 12:05 PM
To: Rate Committee
Subject: RE: Hedging Practices

Portland General uses all 3.

From: Bielski, Casimir [mailto:CBielski@eei.org]
Sent: Wednesday, January 18, 2012 4:58 AM
To: Rate Committee
Subject: Hedging Practices

From Lois Liechti at KCPL:

- 1) Do you or have you ever used derivatives (futures, options, forwards, etc.) to hedge natural gas price risk?
- 2) Do you or have you ever used derivatives (futures, options, forwards, etc.) to hedge electricity price risk?
- 3) Do you or have you ever used natural gas derivatives (futures, options, forwards, etc.) to cross hedge electricity price risk?

Thanks.

Lois

Lois Liechti | Senior Manager, Regulatory Affairs | Kansas City Power & Light Company | 816.556.2612 | lois.liechti@kcpl.com

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Blunk Ed

From: Wheeler, Steve [steve.wheeler@pgnmail.com]

Sent: Wednesday, January 18, 2012 7:39 AM

To: Rate Committee

Subject: RE: Hedging Practices

For Progress Energy Carolinas

- 1) Do you or have you ever used derivatives (futures, options, forwards, etc.) to hedge natural gas price risk? Yes
- 2) Do you or have you ever used derivatives (futures, options, forwards, etc.) to hedge electricity price risk? Yes, but only to a very limited extent
- 3) Do you or have you ever used natural gas derivatives (futures, options, forwards, etc.) to cross hedge electricity price risk? No

Steven B. Wheeler, P.E., Lead Regulatory Specialist

Progress Energy - Service Company

Mail Drop: PEB 19C5

Telephone: (919) 546-6895/Fax: 546-7491

Internet Address: steve.wheeler@pgnmail.com

From: Bielski, Casimir [mailto:CBielski@eei.org]

Sent: Wednesday, January 18, 2012 7:58 AM

To: Rate Committee

Subject: Hedging Practices

From Lois Liechti at KCPL:

- 1) Do you or have you ever used derivatives (futures, options, forwards, etc.) to hedge natural gas price risk?
- 2) Do you or have you ever used derivatives (futures, options, forwards, etc.) to hedge electricity price risk?
- 3) Do you or have you ever used natural gas derivatives (futures, options, forwards, etc.) to cross hedge electricity price risk?

Thanks.

Lois

Lois Liechti | Senior Manager, Regulatory Affairs | Kansas City Power & Light Company | 816.556.2612 | lois.liechti@kcpl.com

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Verification of Response

**Kansas City Power & Light Company
AND
KCP&L Greater Missouri Operations**

Docket No. ~~ER-2010-03550~~

The response to Data Request # 0089 is true and accurate to the best of my knowledge and belief.

Signed: Tim Rush

Date: March 22, 2012