

FIRST REGULAR SESSION

# HOUSE BILL NO. 778

## 91ST GENERAL ASSEMBLY

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INTRODUCED BY REPRESENTATIVE BOUCHER.

Read 1<sup>st</sup> time February 14, 2001, and 1000 copies ordered printed.

TED WEDEL, Chief Clerk

189IL.011

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### AN ACT

To amend chapter 393, RSMo, by adding thereto one new section relating to mitigation strategy for natural gas pricing.

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*Be it enacted by the General Assembly of the state of Missouri, as follows:*

Section A. Chapter 393, RSMo, is amended by adding thereto one new section, to be known as section 393.221, to read as follows:

**393.221. 1. Every natural gas company regulated by the Missouri public service commission shall submit a mitigation strategy for natural gas pricing for approval by the commission. The commission shall adopt regulations regarding the approval and implementation of such mitigation strategies submitted by natural gas companies. Such mitigation strategies shall include a gas purchasing program and a gas price mitigation plan.**

**2. The gas purchasing program shall establish reasonable and objective gas purchasing guidelines to serve as a basis for evaluating a gas company's overall performance in making gas purchases. The program shall establish pricing, volume and time parameters for gas purchases as follows:**

**(1) Companies shall make gas purchases for a rolling eighteen-month period;**

**(2) Companies may hedge a larger portion of supplies when future prices are below an established benchmark or purchase a larger portion of supplies on the spot market when future prices are above the established benchmark. Companies may use the following hedging instruments to secure the right to buy specified quantities of gas at specified prices in the future:**

**(a) Fixed price agreements to lock in the future purchase and delivery of a specific daily quantity of gas at a specific price; or**

21           (b) Cap price agreements to establish a maximum price for specific daily quantities  
22 of gas in the future using call options which allows companies to cap the price to be paid  
23 for future gas purchases at specific levels;

24           (3) Companies shall establish the following parameters for the use of hedging  
25 instruments in subdivision (2) of this subsection:

26           (a) Pricing parameters based on NYMEX futures prices to establish the percentage  
27 of total monthly volumes projected to meet system requirements that will be eligible for  
28 purchase using hedging instruments;

29           (b) Volume parameters to establish target percentages as a proportion of normal  
30 firm gas supply purchases which will be subject to the use of hedging instruments; and

31           (c) Timing parameters to prescribe the intervals at which gas purchasers must meet  
32 target hedging percentages; and

33           (4) Companies shall file a written confidential quarterly report with the public  
34 service commission containing information on the company's gas purchasing activities,  
35 including a description of any hedging transactions undertaken or maintained.

36           3. The gas price mitigation plan shall include:

37           (1) A prohibition on requests for rate increases during a natural gas company's  
38 rolling eighteen-month gas purchase period specified in subsection 2 of this section, except  
39 for natural gas purchases made outside the company's gas purchasing program that are  
40 necessitated by demand for natural gas products; and

41           (2) A one percent of profit contribution by every natural gas company to the  
42 utilicare program established in sections 660.100 to 660.136, RSMo, to provide assistance  
43 to low-income utility customers.