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April 5, 2002

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Director, Utility Services
DONNA M. PRENGER
Director, Administration
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Secretary/Chief Regulatory Law Judge
DANA K. JOYCE
General Counsel

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

FILED²

APR 05 2002

Missouri Public
Service Commission

RE: Case No. GX-2002-478

Dear Mr. Roberts:

Enclosed for filing in the above-captioned case are an original and eight (8) conformed copies of a **MOTION FOR FINDING OF NECESSITY FOR RULEMAKING**.

This filing has been mailed or hand-delivered this date to all counsel of record.

Thank you for your attention to this matter.

Sincerely yours,

Lera L. Shemwell
Senior Counsel
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(573) 751-9285 (Fax)

LLS:sw
Enclosure
cc: Counsel of Record

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

FILED²
APR 05 2002

Missouri Public
Service Commission

In the Matter of Proposed Rulemaking)
concerning Mitigation of Natural Gas)
Price Volatility.)

Case No. GX-2002-478

MOTION FOR FINDING OF NECESSITY FOR RULEMAKING

COMES NOW the Staff of the Missouri Public Service Commission by and through the Office of the General Counsel and, pursuant to Section 536.016 RSMo 2000, and for its Motion for Finding of Necessity of Rulemaking states as follows:

1. The extreme weather conditions of the winter of 2000-2001 coupled with high natural gas prices resulted in an unprecedented number of natural gas customers being disconnected because they were unable to pay their bills.
2. In response to this situation the Commission created the Natural Gas Commodity Price Task Force to address steps that could be taken to mitigate natural gas price volatility.
3. The Staff is recommending that the Task Force recommendations regarding natural-gas-price-volatility mitigation be codified. Doing so will provide guidance to Missouri's natural gas utilities as to the Commission's expectations regarding management of price volatility.
4. By statute, the Commission is charged with regulation of natural gas utilities to assure that all charges made by gas corporations for service rendered are just and reasonable. Section 393.130 RSMo 2000. This rulemaking furthers the Commission's ability to assure that consumers are paying only just and reasonable rates.

5. Section 386.610 provides that the provisions of the Public Service Commission Law shall be liberally construed with a view to public welfare, efficient facilities and substantial justice between patrons and public utilities.

6. Section 536.016 RSMo 2000, provides that a state agency shall propose rules "based upon substantial evidence on the record and a finding by the agency that the rule is necessary to carry out the purposes of the statute that granted such rulemaking authority." Attached, as Attachment A, is Staff's notarized affidavit concerning the necessity for this rule.

WHEREFORE, the Staff respectfully requests that the Commission find that the proposed rulemaking is necessary to encourage utility companies to engage in efforts to mitigate natural gas price volatility.

Respectfully submitted,

DANA K. JOYCE
General Counsel

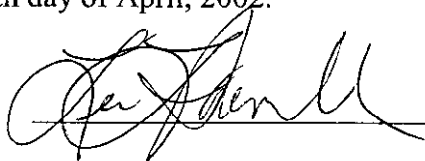


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Certificate of Service

I hereby certify that copies of the foregoing have been mailed or hand-delivered to all counsel of record as shown on the attached service list this 5th day of April, 2002.



**Before the Public Service Commission
of the State of Missouri**

**In the Matter of Proposed Rulemaking)
concerning Mitigation of Natural Gas)
Price Volatility.)**

Case No. GX-2002-___

AFFIDAVIT

1. The winter of 2000-01 was an extraordinary burden on many of the about 1.3 million customers of regulated natural gas utilities in the state of Missouri.

Extraordinarily cold weather, which increased usage, and unprecedented natural gas market prices, which increased cost, resulted in natural gas heating bills that more than doubled for the average customer.

2. This resulted in high numbers of customers being disconnected and unusually high average amounts owed by those who had been disconnected. In fact, to some degree, this situation still confronts some customers who are not able to receive natural gas service due to high unpaid balances. These conditions also resulted in high bad-debt levels for the utilities that serve those customers.

3. In response to the crisis of the winter of 2000-2001, and in anticipation of continuing volatility in the price of natural gas, the Missouri Public Service Commission created a Natural Gas Commodity Price Task Force on January 23, 2001.

4. A number of the recommendations of this Task Force focus on encouraging natural gas utilities to take steps to help stabilize natural gas prices.

5. Codifying the Task Force's recommendations regarding volatility would provide guidance to natural gas utilities concerning the Commission's expectations that utilities will take prudent measures to mitigate natural gas price volatility.

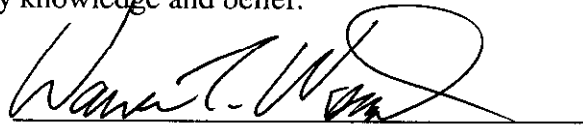
6. Numerous cases involving natural gas utilities have clarified that utilities have a responsibility to consider tools for mitigating natural gas price volatility as part of a prudent natural-gas-purchasing plan for their customers. This rule will further clarify that responsibility.

7. The expected benefit is that natural gas utilities that do not currently engage in efforts to stabilize natural gas prices to their customers, or do so on a very limited basis, may begin to take steps to protect their customers from upward price volatility in response to this rule.

8. Natural gas utilities currently either have personnel or contract with outside experts to perform their gas supply planning and purchasing function. Any additional costs associated with administering upward-price-volatility-reduction programs should be matched, or exceeded by, corresponding reductions in the likelihood and magnitude of prudence disallowances and bad-debt levels.

9. The effect of price volatility management on regulated natural gas utility customers should be more stable natural gas prices. Because prices are volatile and weather is difficult to predict, it is possible that a utility's efforts in this area could result in higher-than-market delivered prices of natural gas to customers during certain periods. That possibility, however, should be offset by a leveling effect on customers' bills.

I certify that I have read the foregoing statement and that the facts therein are complete, true and accurate to the best of my knowledge and belief.



Affiant

Subscribed and sworn to before me, the undersigned notary public on

April 5, 2002



Notary Public

SHARON S WILES
NOTARY PUBLIC STATE OF MISSOURI
COLE COUNTY
MY COMMISSION EXP. AUG. 23, 2002

Service List for
Case No. GX-2002-_____
Revised: April 5, 2002 (SW)

Office of the Public Counsel
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