

1 VIRGINIA ACTS OF ASSEMBLY — CHAPTER

2 *An Act to amend the Code of Virginia by adding a section numbered 2.2-4329.1, relating to public*
3 *procurement of energy; forward pricing mechanisms.*

4
5 Approved

[S 539]

6 **Be it enacted by the General Assembly of Virginia:**

7 **1. That the Code of Virginia is amended by adding a section numbered 2.2-4329.1 as follows:**

8 **§ 2.2-4329.1. Energy forward pricing mechanisms.**

9 *A. As used in this section, unless the context requires a different meaning:*

10 *"Energy" means natural gas, heating oil, propane, diesel fuel, unleaded fuel, and any other energy*
11 *source except electricity.*

12 *"Forward pricing mechanism" means either: (i) a contract or financial instrument that obligates a*
13 *public body to buy or sell a specified quantity of energy at a future date at a set price or (ii) an option*
14 *to buy or sell the contract or financial instrument.*

15 *B. Notwithstanding any other law to the contrary but subject to available appropriation, a public*
16 *body may use forward pricing mechanisms for budget risk reduction.*

17 *C. Forward pricing mechanism transactions shall be made only under the following conditions:*

18 *1. The quantity of energy affected by the forward pricing mechanism shall not exceed the estimated*
19 *energy use for the public body for the same period, which shall not exceed 48 months from the trade*
20 *date of the transaction; and*

21 *2. A separate account shall be established for operational energy for each public body using a*
22 *forward pricing mechanism.*

23 *D. Before exercising the authority under this section, the public body shall develop written policies*
24 *and procedures governing the use of forward pricing mechanisms and disclosure of the same to the*
25 *public.*

26 *E. Before exercising authority under subsection B, the public body shall establish an oversight*
27 *process that provides for review of the public body's use of forward pricing mechanisms. The oversight*
28 *process shall include internal or external audit reviews; annual reports to, and review by, an internal*
29 *investment committee; and internal management control.*

ENROLLED

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