12104061D

SENATE BILL NO. 539

Offered January 13, 2012

A BILL to amend the Code of Virginia by adding a section numbered 2.2-4329.1, relating to public procurement of energy; forward pricing mechanisms.

Patron—Puller

Referred to Committee on General Laws and Technology

Be it enacted by the General Assembly of Virginia:

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

§ 2.2-4329.1. Energy forward pricing mechanisms.

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

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

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

B. Notwithstanding any other law to the contrary, a public body may use forward pricing mechanisms for budget risk reduction.

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

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

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

D. Before exercising the authority under this section, the public body shall develop written policies and procedures governing the use of forward pricing mechanisms.

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