

Decision No. C23-0796

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

PROCEEDING NO. 23A-0533G

IN THE MATTER OF THE APPLICATION OF PUBLIC SERVICE COMPANY OF COLORADO FOR APPROVAL OF ITS 2024 GAS PRICE RISK MANAGEMENT PLAN AND TO APPROVE REVISED TARIFFS.

COMMISSION DECISION GRANTING APPLICATION

Mailed Date: November 30, 2023

Adopted Date: November 22, 2023

I. BY THE COMMISSION

A. Statement

1. This Decision grants the Application for Approval of a 2024 Gas Price Risk Management (GPRM) Plan (Application) filed by Public Service Company of Colorado (Public Service or the Company) on October 31, 2023, and later amended by the Company on November 14, 2023.

B. Discussion

2. Senate Bill (SB) 23-291, which was introduced in this most recent legislative session, requires Public Service to file a GPRM Plan by November 1, 2023, pursuant to § 40-3-120(1)(a), C.R.S. The GPRM Plan must include a maximum per-month fuel cost that accounts for price fluctuations based on seasonality and can be automatically recovered through the Company's Gas Cost Adjustment (GCA). The plan may include other elements such as physical hedging, financial hedging, fuel storage, or long-term contracting. In addition, the Commission must allow any prudently incurred costs above the maximum to be recorded in a

deferred balance that is recoverable and amortized over an appropriate timeline of no more than five years with financing costs, as determined by the Commission.

3. As explained in the Application, the proposed GPRM Plan incorporates two central features. The first is a maximum cap of the GCA equal to 180 percent of the five-year historical average of the Company's GCAs. Based on this data, the current maximum cap is \$7.80 per dekatherm (dth). The Application states that this upper limit for the GCA is proposed to prevent "bill shock," particularly in colder winter months when higher prices combined with higher demand for natural gas can have significant impact on customers' monthly bills.

4. The second main feature of the GPRM Plan is a minimum threshold of the GCA equal to 80 percent of the five-year historical average of Company GCAs. Based on this data, the current soft minimum threshold is \$3.46 per dth. Within these parameters, the Company would seek to build up a reserve fund, not to exceed \$75 million, during times when natural gas prices are low to help moderate customers' natural gas costs when market prices are historically high.

5. Public Service will continue to calculate its quarterly GCA as has been done historically when implementing the proposed GPRM Plan. If the value of the GCA falls within the upper and lower bounds when the next quarterly GCA is calculated, no additional action will be taken. However, if the value of the GCA is above the upper bound in any quarter, the GCA will be set to be equal to the upper bound, and the difference between the revenues to be collected under the calculated GCA value and revenues to be collected subject to the upper bound will be deferred to the new reserve tracker (*i.e.*, the Deferred Gas Reserve Tracker) as an under-collected balance. In subsequent quarters, should the GCA fall back below the upper bound, the Company may set the value of the GCA to be higher than its calculated value to reverse the under-collected

deferral balance from the tracker, so long as the value set for the GCA in that quarter remains equal to or below the upper bound of \$7.80 per dekatherm.

6. If instead the value of the GCA is below the lower bound of \$3.46 per dekatherm in any quarter, the GCA may be set equal to the lower bound. The decision of whether to set the GCA equal to the lower bound will depend on the level of the balance in the Deferred Gas Reserve Tracker. If the Company and the Commission agree that the reserve balance is adequate then the GCA value would be set equal to its calculated value and be allowed to fall beneath the lower bound. If the reserve balance is below the Company's target \$75 million value, the GCA will be set equal to the lower bound. The difference between revenues to be collected under the calculated GCA value and the revenues to be collected at the lower bound will be deferred and will increase the reserve balance in the Deferred Gas Reserve Tracker as an "over-collected amount."

7. When an under-collected balance exists in the Deferred Gas Reserve Tracker, the Company will transfer that balance to the Extraordinary Gas Cost Rate Rider (EGCRR) for recovery as part of any regular quarterly GCA filing at the Company's discretion and only when the newly proposed EGCRR rate and the GCA rate combined remain below the upper limit approved in the GPRM Plan. Under-collections of up to \$75 million in the Deferred Gas Reserve Tracker (inclusive of interest expense) would be recouped from customers through the EGCRR over the course of twelve months. For under-collections greater than \$75 million but less than \$150 million, the Company proposes a recovery period of over the course of 24 months.

8. Specific details governing the Deferred Gas Reserve Tracker are set forth in the redlined version of the proposed changes to the Company's GCA Tariff on Sheet Nos. 50 through 50G. In order to fully implement the proposed GPRM Plan, the Company requests that the Commission approve two tariff revisions to the GCA and EGCRR tariffs.

9. Public Service states in the Application that the Company developed the 2024 GPRM Plan with the support of Staff of the Colorado Public Utilities Commission (Staff) and the Colorado Office of the Utility Consumer Advocate (UCA).

10. By Decision No. C23-0741-I, issued on November 1, 2023, the Commission established a shortened notice and intervention period ending November 15, 2023.

11. On November 14, 2023, Public Service filed an amendment to the Application. Public Service explains in the amendment that after further consultation with Staff and UCA, the Company agreed to confer with Staff and UCA on or before January 15, 2025 in the event the Company seeks to continue use of the EGCR for recovery of balances transferred from the Deferred Gas Reserve Tracker that is part of the proposed GPRM Plan. Public Service states that the contents of the original application, the proposed tariff changes, and the mechanics of the GPRM Plan remain the same as initially filed. Public Service therefore concludes that its amendment is not substantive such that no additional Commission notice is required.

12. No interventions were filed on or before November 15, 2023.

C. Findings and Conclusions

13. No intervention pleading was timely filed and this proceeding is therefore uncontested. Pursuant to § 40-6-109(5), C.R.S., this matter may be determined without a hearing.

14. We find good cause to grant Public Service's Application, as amended. The proposed GPRM Plan satisfies the statutory requirements in SB 23-291 in that the plan (1) sets a maximum per-month GCA that accounts for fluctuations in gas commodity prices, including seasonal fluctuations and (2) includes the required cost recovery features for uncollected amounts. As required by SB 23-291, unrecovered GCA costs above the maximum value will be recorded in

a deferred balance that is recoverable and amortized over an appropriate timeline of no more than five years. We further find that the statute does not preclude the adoption of the “soft minimum” for the purpose of establishing a reserve for leveling or reducing the volatility of fuel costs that are recovered pursuant to the Company’s GCA. We conclude that the Application filing sufficiently supports a Commission determination that the proposed GPRM Plan is in the best interests of Public Service’s ratepayers and is in the public interest.

15. We appreciate that Public Service, Staff, and UCA were willing to work together to position the Application as uncontested matter so that implementation of the proposed GPRM Plan will put in place the contemplated protections from SB 23-291 for most of the current 2023 through 2024 heating season.

16. In accordance with SB 23-291 and its response to last winter’s high gas commodity prices, the Company’s GPRM Plan is intended to reduce end-use customer hardship through a “smoothing” those prices. Yet it is important to note that the Commission has no reach into the gas commodity markets that set the prices the utilities must pay and ultimately charge their end-use customers. There will continue to be volatility in gas commodity prices due to extreme weather events, certain local and seasonal impacts, and global factors affecting the markets. Nevertheless, the GPRM Plan offers some predictability in consumers’ gas bills.

II. ORDER

A. The Commission Orders That:

1. The Application for Approval of a 2024 Gas Price Risk Management Plan (Application), filed on October 31, 2023 by Public Service Company of Colorado (Public Service), is granted consistent with the discussion above.

2. Public Service is authorized to implement the revisions to its Colorado PUC No. 6 Gas Tariff as set forth in the attachments to the Direct Testimony of Jason Peuquet submitted with the Application. Public Service shall file compliance tariff sheets in a separate proceeding and on not less than two business days' notice. The advice letter and tariff sheets shall be filed as a new advice letter proceeding and shall comply with all applicable rules. In calculating the proposed effective date, the date the filing is received at the Commission is not included in the notice period and the entire notice period must expire prior to the effective date. The advice letter and tariff must comply in all substantive respects to this Decision in order to be filed as a compliance tariff filing on shorted notice.

3. The 20-day period provided for in § 40-6-114, C.R.S., within which to file applications for rehearing, reargument, or reconsideration, begins on the first day following the effective date of this Decision.

4. This Decision is effective upon its Mailed Date.

**B. ADOPTED IN COMMISSIONERS' WEEKLY MEETING
November 22, 2023.**

(S E A L)



ATTEST: A TRUE COPY

A handwritten signature in cursive script that reads "Rebecca E. White".

Rebecca E. White,
Director

THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

ERIC BLANK

MEGAN M. GILMAN

TOM PLANT

Commissioners