

Decision No. C24-0166

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

PROCEEDING NO. 24A-0038E

IN THE MATTER OF THE APPLICATION OF PUBLIC SERVICE COMPANY OF COLORADO FOR APPROVAL OF ITS ELECTRIC GAS PRICE VOLATILITY MITIGATION PLAN FOR THE PERIOD OF MAY 1, 2024 THROUGH APRIL 30, 2025.

COMMISSION DECISION GRANTING APPLICATION

Mailed Date: March 15, 2024
Adopted Date: February 14, 2024

I. BY THE COMMISSION

A. Statement

1. This Decision grants the Application filed by Public Service Company of Colorado (Public Service or Company) on January 16, 2024, for approval of its annual electric department Gas Price Volatility Mitigation (GPVM) Plan for the Gas Purchase Year May 1, 2024, through April 30, 2025 (Application).

B. Procedural History

2. Public Service filed the Application on January 16, 2024. The Commission issued notice on January 17, 2024, providing 30 days for interested parties to intervene but later amended its notice on January 18, 2024, with the proper notice of ten days.

3. Concurrent with the GPVM Plan Application, the Company filed a Motion for Variances from Decision No. C03-0670 and GPVM Procedures in Proceeding No. 02S-315EG.

4. No party filed a petition to intervene in this proceeding before the January 28, 2024, deadline as specified in the amended Commission's notice.

C. Discussion of the Application

5. The general parameters for Public Service's GVPM Plan for its electric utility operations were established approximately 20 years ago pursuant to a Settlement Agreement in Proceeding No. 02S-315EG. That agreement allows Public Service to use financial hedging to reduce the exposure of electric sales customers to fluctuations in gas prices with net gas hedging costs to be passed through to retail customers capped at \$15 million for each gas purchase year.

6. In the Application, Public Service seeks Commission review and approval of the following for the hedging period May 1, 2024 through April 30, 2025: (1) the proposed quantity of gas to be hedged; (2) the timing of the hedges; (3) the types of hedging instruments to be used; (4) the floor price for the calculation of the costs and benefits of the plan; (5) the cap on the overall costs for the hedging period; (5) the Company's overall hedging plan concepts; and (6) the proposed implementation plan. Specific to this year's plan, the Company is proposing to incorporate fixed-price purchases into its 2024-2025 planned activities.

7. The GPVM plan details the circumstances under which the Company intends to use fixed price contracts, natural gas storage, and Commission-authorized financial instruments in hedging prices for natural gas acquired for the electric generation facilities owned by the Company and for certain other electric generation facilities owned by third parties for which the Company is responsible for supplying natural gas fuel.

8. The specific GPVM activities and its terms for which Public Service seeks Commission approval is set forth in the revised Confidential Attachment A to the Application under the title "Price Volatility Mitigation Plan Approval Form."

9. Concurrently with the filing of this Application, the Company filed an Unopposed Motion for Variances requesting that the Commission grant, to the extent necessary, temporary,

and partial variances from: (1) the \$15 Million budget cap established by the Settlement Agreement approved in Decision No. C03- 0670 in Proceeding No. 02S-315EG, and (2) from the GPVM procedures established by the initial Settlement Agreement in order to suspend additional financial hedging purchases after the hedging dollar budget is met or if the Company makes a determination that financial hedge prices are too. Public Service requested these variances in order to implement certain provisions regarding the hedging practices set forth in the Company's proposed Electric 2024-2025 Annual GPVM Plan.

10. Public Service is proposing a reduction in the total heating season volume hedged while maintaining 50 percent of the Company's normal winter purchase requirements for the central three winter months of December to February.

11. In addition to the detailed plan for the upcoming heating season, Public Service requests continuation of its "Long-Term Strategy" that authorizes the Company to implement financial hedging to cover up to 25 percent of seasonal gas requirements for five years beyond the upcoming season.¹ Any gas volumes and hedging costs incurred in implementing the long-term hedging strategy will be netted against the hedge goal and associated budget for the applicable GPVM year.

12. The Application is unopposed and will be determined without a hearing under Rule 1402 of the Commission's Rules of Practice and Procedure and 4 *Code of Colorado Regulations* (CCR) 723-1.

¹ This five-year period covers the 2024-2025 heating season to the 2029-2030 season.

D. Conclusion and Findings

13. Our review of the GPVM Plan and attachments leads us to conclude that the Application is reasonable and will likely serve to mitigate gas price volatility. Therefore, we grant the Application and approve Public Service's Electric GPVM Plan for the Purchase Year May 1, 2024, through April 30, 2025.

14. We conclude that the Company's Application is just, reasonable, and in the public interest because it reflects an appropriate balance of providing some ratepayer protection against medium-term movements in the commodity price of gas through financial hedging instruments while not buying expensive protection that does not reduce price risk from intra-month price spikes.

II. ORDER**A. The Commission Orders That:**

1. The Application for Approval of an Electric 2024-2025 Annual Gas Price Volatility Mitigation Plan for the Purchase Year May 1, 2024, through April 30, 2025, is granted.

2. The 20-day period provided by § 40-6-114, C.R.S., to file an Application for Rehearing, Reargument, or Reconsideration shall begin on the first day after the effective date of this Decision.

3. This Decision is effective upon its Mailed Date.

**B. ADOPTED IN COMMISSIONERS' WEEKLY MEETING
February 14, 2024.**

(S E A L)



ATTEST: A TRUE COPY

Rebecca E. White,
Director

THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

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MEGAN M. GILMAN

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Commissioners