Decision No. C23-0059

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

PROCEEDING NO. 23L-0040G

IN THE MATTER OF THE APPLICATION OF PUBLIC SERVICE COMPANY OF COLORADO FOR AN ORDER AUTHORIZING IT TO REVISE ITS GAS COST ADJUSTMENT TO BE EFFECTIVE FEBRUARY 1, 2023, ON LESS THAN STATUTORY NOTICE.

COMMISSION DECISION DENYING APPLICATION

Mailed Date: January 26, 2023
Adopted Date: January 25, 2023

TABLE OF CONTENTS

I. BY THE COMMISSION

A. Statement

1. On January 17, 2023, Public Service Company of Colorado (Public Service or Applicant) filed an application requesting a Commission order authorizing it, without a formal hearing and on less-than-statutory notice, to place into effect on February 1, 2023, tariffs resulting in a decrease to its existing natural gas rates now on file with the Commission. The

application contains all materials required by the Commission's rules and is complete. In addition, pursuant to Rules 1100 and 1101(b), 4 *Code of Colorado Regulations* (CCR) 723-1 of the Rules of Practice and Procedure and Rule 4603(b) of the Rules Regulating Gas Utilities and Pipeline Operators, 4 CCR 723-4, certain materials were designated as confidential.

2. In accordance with Rule 1003 of the Rules of Practice and Procedure, 4 CCR 723-1, Public Service also included a motion requesting two variances from the currently effective Sheets of the Colo. PUC No. 6 Gas Tariffs relating to the GCA so that costs of procurement of liquefied natural gas services can be recovered through the GCA and so that deferred gas costs can be included in the interim filing.

3. On January 24, 2023, Public Service filed an Amendment to the verified application to reflect a correction of the costs related to procurement of liquefied natural gas commodities and services reducing the amount from $4,039,793 to $3,622,382.

4. The verified application was filed under the interim GCA mechanism directed to be placed into effect by the Commission in Decision No. C09-0596, mailed June 9, 2009, in Proceeding No. 08A-095G.

5. The proposed tariffs are attached to the application and affect Applicant's customers in its Colorado certificated areas on file with the Commission. The filing constitutes a decrease of $69,345,943 when compared to revenue that would be collected under the currently effective GCA rates, based on forecasted February and March sales quantities. The annual revenue resulting from the interim February and March 2023 GCA rates would be $273,289,642 less than the annual revenue that would have been collected assuming the currently effective GCA rates for the period October 2022 through September 2023.

6. This application for authority to decrease rates is made pursuant to§ 40-3-104(2), C.R.S., and Rule 4 CCR 723-1-4109(b)(II).

B. Discussion

7. Public Service is an operating public utility subject to the jurisdiction of this Commission and is engaged in, *inter alia*, in the purchase, transmission, distribution, transportation, and resale of natural gas in various certificated areas within the State of Colorado.

8. Applicant's natural gas supplies for sale to its residential, commercial, industrial, and resale customers, are purchased from numerous producer/suppliers located inside and outside of the State of Colorado. The rates and charges incident to these purchases are established through contracts between Applicant and the various producer/suppliers.

9. These gas supplies are either delivered directly into Applicant's natural gas pipeline system from wellhead, gathering system, gas processing plant interconnections, or through several interstate pipeline and/or storage facilities with which Applicant is directly connected. The transportation of these gas supplies is made pursuant to service agreements between Applicant and upstream pipeline service providers based upon Applicant's system requirements for the various pipeline services, such as gathering, storage, and transportation. These upstream pipeline service providers include Colorado Interstate Gas Company (CIG). Front Range Pipeline (Front Range), Tallgrass Interstate Gas Transmission (TIGT), Southern Star Central Gas Pipeline, Inc. (Southern Star), and Red Cedar Gathering Company (Red Cedar).

10. CIG, TIGT, Southern Star, and Red Cedar are natural gas companies under the provisions of the Natural Gas Act, as amended, and the rates and charges incidental to the provision of the various pipeline delivery services to Applicant are subject to the jurisdiction of

the Federal Energy Regulatory Commission (FERC). This Commission has no jurisdiction over the pipeline delivery rates of CIG, TIGT, Southern Star, and Red Cedar, but it expects Applicant to negotiate the lowest prices for supplies of natural gas that are consistent with the provisions of the Natural Gas Policy Act of 1978, 15 U.S.C. §§ 3301-3432 and applicable federal regulations, or determinations made under applicable federal regulations.

11. Public Service acknowledges that the company has read and agrees to abide by the provisions of Rules 4002(b)(IV) through (VI) and Rules 4002(b)(XI)(A) through (C) of the Rules Regulating Gas Utilities and Pipeline Operators, 4 CCR 723-4.

12. Public Service incorporates by reference information on file with the Commission in Proceeding No. 06M-525EG as required pursuant to Rule 4002(c).

13. The natural gas costs reflected in this filing are based on the New York Mercantile Exchange (NYMEX) December 2022 daily Settlement Price for natural gas on the first business day of the month of this Application, or January 3, 2023. The NYMEX price for February 2023 and March 2023 was adjusted for the basis differentials applicable to regional indices used by the Applicant for its gas purchases. The resulting Gas Commodity Cost is $5.413 per Dth, as compared to the current Gas Commodity Cost of $7.207/Dth.

14. Applicant states that the GCA is currently not impacted by transportation commodity discounts, as all discounted transportation commodity rates are in excess of the current gas cost portion of the transportation charge (balancing costs). Accordingly, the Applicant represents that the GCA applicable to sales customers would not be affected by transportation discounts.

15. Applicant anticipates that the adjustment in the interim GCA requested herein would bring future gas cost recovery amounts more closely in line with the predicted future price of gas.

16. Pursuant to the Settlement Agreement approved by Decision No. C09-0596 in Proceeding No. 08A-095G, the filing of this application has been brought to the attention of Applicant's affected customers by means of a legal notice in a newspaper of general circulation, and a first of the month display ad. In addition, Public Service, at its option, may continue press releases, call center voice activation messaging, and timely postings to its internet website, as long as such forms of notice and communication reasonably and effectively continue to provide information to customers.

17. Public Service is requesting two variances in this proceeding pertaining to the Public Service gas tariffs. The first variance is so that the costs of procurement of liquefied natural gas (LNG) services can be recovered through the GCA, specifically tariff Sheet No. 50. The tariff currently includes specific FERC actual gas cost accounts that will be included for recovery. Public Service states that to the extent that it is unable to procure traditional third-party pipeline services in constrained areas of the system, it is necessary to procure LNG commodities and services to ensure reliability. While Public Service believes LNG and related delivery costs are broadly includable for recovery through the GCA under Commission rules, to the extent the Company is of the opinion the tariff does not appear to accommodate those costs for recovery, it is seeking a variance from the tariff definitions to reflect those costs. Public Service is requesting a variance to the GCA tariff to reflect costs related to procurement of LNG

commodities and services of $3,622,382.[1] These costs were incurred in November and December and are forecast to continue through the GCA period of March 2023 and are included in both the deferred balance calculation and the forecasted cost. Public Service states it has not incurred any LNG costs prior to the 2022-2023 winter season. The variance to include LNG commodity costs and services is requested to be permanent. Public Service states it intends to file an advice letter and tariff to modify the GCA to include costs associated with LNG and related LNG services as recoverable through the GCA.

18. According to the Company, the second variance is so that updated deferred gas costs can be included in this interim change of rates. Specifically, Public Service seeks variances from Sheet No. 50E which states: "The four GCA rate components (Gas Commodity Cost, Upstream Service Cost, Gas Storage Cost and Deferred Gas Cost) shall be subject to regularly scheduled revision each quarter by the Company filing an annual GCA application or quarterly application, <u>while only the Gas Commodity Cost rate component shall be subject to revision</u> allowed <u>by the Company filing an interim application</u>" (emphasis added). According to its filing, the variance would allow Public Service to include Deferred Gas Costs in this application. The requested variance is temporary through March 31, 2023.

19. On January 23, 2023, the Utility Consumer Advocate (UCA) filed a Protest and Response to Motion for Variances to this application. In the protest, UCA is not seeking to intervene as a matter of right or requesting this matter be set for hearing but requested that the Commission set-aside the cost recovery of the LNG related costs.

[1] This is the subject of the amendment filed on January 24, 2023. The original text of the application provided the number as $4,039,792, however, the actual calculation used $3.6 million.

20. UCA filed the protest letter to express its concerns regarding the request for variance addressing LNG and the related costs. These concerns are:

- Given that this is the first time that the Company has apparently employed LNG, and, admittedly, the first time it has sought cost recovery for LNG costs, it believes that this issue and the incumbent cost recovery should be reviewed in a thoughtful and deliberate manner;
- The Company's statement explaining its request for the LNG that: "To the extent that the Company is unable to procure traditional third-party pipeline services in constrained areas of the system, it is necessary to procure liquefied natural gas commodities and services to ensure reliability of its service to customers;"
- Questions whether the use of LNG represents support for capacity or energy needs and whether accelerated cost recovery is appropriate under these circumstances given UCA belief that operational challenges faced by the Company are not appropriate for recovery in the GCA;
- Public Service states the cost of the LNG was $4,039,792 but does not provide a volume quantity. Thus, there are insufficient facts presented to determine the per MMBtu price of the LNG gas;
- There is insufficient detail provided to determine if this use of LNG is prudent, particularly considering that the market price of LNG gas is generally higher than conventionally procured gas;
- There is no explanation in the Application where the implied supply constraints are located and why such constraints have or will occur;
- There is no explanation in the Application explaining why conventional gas supplies were unavailable;
- There are no details in the Application on who the supplier of the LNG is and the cost of transporting such gas;
- There is no disaggregation of the LNG costs included in the Application for the "procurement of liquefied natural gas commodities and services." It is unknown what portion of this amount is for just the gas, what portion is for transportation,

what portion is for conversion of LNG to usable natural gas, what portion is for "services" (as well as what "services" consist of), and other costs'

- Public Service does not provide any information on the extent or duration of these LNG supplies. This leads to a number of further questions such as: will Public Service be using more LNG in the future months, will LNG costs be going up, will LNG be used only in peak winter months, and will LNG continue to be used for years to come or is this a one time, one month change?

C. Conclusions and Findings

21. We deny the Company's request for variance related to the LNG costs and thus deny the application.

22. We find good cause to approve the request to reduce the GCA rates due to the revised forecast of natural gas rates as specified in this application.

23. We also find good cause to approve the request for temporary variance through March 31, 2023, to the tariffs to include the deferred account balance through December 31, 2022, in the calculation of the GCA for the period February 1 through March 31, 2023.

24. However, we are troubled by the request for variance from the tariff for LNG costs and for the inclusion of these costs in the calculation of the GCA. We share the concerns raised by the UCA in its protest letter along with additional concerns surrounding the safety of LNG in the selected areas. We find it is not in the public interest to approve unanticipated costs through the GCA that have not been fully explained and supported or previously addressed in other proceedings. Doing so is not a guarantee of automatic recovery of those costs through rate riders. Rather, they are best addressed in separate proceedings. If Public Service wishes to include them in its GCA, we instruct the Company that such inclusion must be based on

substantially more information than presented in this record. Accordingly, we deny the Company's request for variance and the application.

25. Because reducing the GCA rates due to the revised forecast of natural gas rates will benefit Public Service's customers, a new application is necessary to request a Commission order authorizing it, without a formal hearing and on less-than-statutory notice, to place into effect on modified a GCA tariff. To facilitate the expedited consideration of the new application, the filing should be based upon the calculations provided in the application but removing the costs associated with deploying LNG. The new application should also include a request for a temporary variance from the GCA tariff to include the revised balance of the deferred account. In order for the reduced GCA rates to take effect on February 1, 2023, it is necessary for the new application to be filed by the close of business on Friday, January 27, 2023.

II. ORDER

A. The Commission Orders That:

1. The Application filed by Public Service Company of Colorado (Public Service) on January 17, 2023, for an Order Authorizing it to Adjust its Gas Cost Adjustment to be Effective February 1, 2023, on Less Than Statutory Notice (Application) is deemed complete.

2. The Application filed by Public Service for authority to change tariffs on less than statutory notice and the motion for waivers are denied, consistent with the discussion above.

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 on its Mailed Date.

B. ADOPTED IN COMMISSIONERS' WEEKLY MEETING January 25, 2023.

(S E A L)

THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

ERIC BLANK

JOHN GAVAN

MEGAN M. GILMAN

Commissioners

ATTEST: A TRUE COPY

G. Harris Adams.,
Interim Director