

Decision No. C25-0009

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

PROCEEDING NO. 24A-0490EG

IN THE MATTER OF THE APPLICATION OF PUBLIC SERVICE COMPANY OF COLORADO FOR APPROVAL OF ITS GAS AND ELECTRIC PRICE VOLATILITY MITIGATION PLAN FOR ITS GAS UTILITY AND ELECTRIC UTILITY FOR THE HEATING SEASONS 2025-2026 AND 2026-2027.

**COMMISSION DECISION DEEMING APPLICATION
COMPLETE AND GRANTING APPLICATION**

Issued Date: January 14, 2025
Adopted Date: December 18, 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 November 12, 2024, for approval of a two-year Gas and Electric Price Volatility Mitigation Plan (“GPVM,” “GPVM Plan,” or “Hedging Plan”) covering the periods July 1, 2025, through June 30, 2026, and July 1, 2026, through June 30, 2027 (Application).

B. Procedural History

2. On November 12, 2024, Public Service filed an Application requesting approval of a combined GPVM Plan for both its Gas Local Distribution System (“LDC”) and Electric Generation operations.

3. The Commission issued notice on November 15, 2024, providing 30 days for interested parties to intervene. No party filed a petition to intervene in this proceeding

C. Background of the GPVM

4. The Gas LDC GPVM framework, established in 2004 via Decision No. C04-1112 in Proceeding No. 02A-0267G, laid the foundation for financial hedging in gas operations by setting regulatory parameters for authorized financial tools, budget calculation methodologies, and volume limits. Since then, the Gas GPVM Master Plan has been renewed every three years, with the most recent approval in Decision No. C21-0764 (Proceeding No. 21A-0275G) for 2022-2025.

5. The Electric Operations GPVM framework originated in Proceeding No. 02S-315EG by Decision No. C03-0670, allowing for financial hedging of gas purchases for electric operations with a budget capped at \$15 million annually, later reduced to \$13.5 million in Proceeding No. 11A-689E by Decision No. C11-1291.

6. The most recent Gas GPVM Annual Plan was approved in Proceeding No. 24A-0039G by Decision No. C24-0167, while the Electric GPVM Annual Plan was approved in Proceeding No. 24A-0038E by Decision No. C24-0166.

7. The general goal of the GPVM plan is to reduce the exposure of Public Service's gas and electric customers to significant upward fluctuations in natural gas prices during the winter heating seasons at a reasonable cost through financial and physical hedging tools.

D. Discussion of the Application

8. Public Service states that it filed the Application in accordance with Commission Rule of Practice and Procedure 1303, 4 *Code of Colorado Regulations* ("CCR") 723-1, Rule 4002 of the Rules Regulating Gas Utilities 4 CCR 723-4 and Rules Regulating Electric Utilities, 4 CCR 723-3.

9. In the Application, Public Service seeks Commission review and approval to consolidate the historically separate Gas LDC and Electric gas operations filings into a single,

streamlined GPVM Plan covering two consecutive heating seasons: July 1, 2025, through June 30, 2026, and July 1, 2026, through June 30, 2027. This in turn would eliminate the need for annual filings of the respective GPVMs.

10. The GPVM Plan sets an annual fixed budget for both Gas and Electric operations, replacing the historical method of flexible budgeting within broader frameworks. The Plan also establishes specific hedging volume targets and proposes the use of physical fixed-price contracts, financial instruments, and natural gas storage to mitigate price volatility. Public Service highlights the importance of retaining flexibility in hedging strategies, including the ability to adjust volumes and methodologies in response to market conditions. These tools will be applied to hedge natural gas prices for both Company-owned electric generation facilities and third-party electric generation facilities where Public Service is responsible for fuel procurement.

11. In addition to the detailed plan for the upcoming two heating seasons, 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. 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. Public Service conducted a Monte Carlo simulation to model potential natural gas price swings during the proposed heating seasons. This statistical analysis allows the Company to assess a range of market scenarios and their financial implications, providing a data-driven foundation for its proposed hedging volumes and financial strategies.

13. The Application also includes proposed modifications to conservation messaging triggers, aiming to reduce unnecessary notifications and improve the overall effectiveness of

conservation signals during significant price spikes as a result of Winter Storm Uri (Proceeding No. 21A-0192EG), which emphasized the importance of conservation messaging.

14. Proposed modifications have been provided to update its Electric Tariff Sheet No. 143E for approved financial tools and similarly modification to Gas Tariff Sheet No. 50 for the same reason.

15. Lastly, as with prior GPVM plans, the Company requests authorization to recover costs associated with the GPVM Plan through established mechanisms, specifically the Gas Cost Adjustment (GCA) and Electric Cost Adjustment (ECA) riders.

E. Conclusion and Findings

16. 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 CCR 723-1.

17. 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 consolidated GPVM Plan for heating periods July 1, 2025, through June 30, 2026, and July 1, 2026, through June 30, 2027. Public Service is authorized to implement proposed budgets, hedging strategies, and conservation messaging updates.

18. We also note that Annual reporting shall continue under the Gas Purchase and Deferred Balance Report filed annually on October 1st.

19. We conclude that the Company's Application is just, reasonable, and in the public interest because it reflects an appropriate balance of providing ratepayer protection against medium-term commodity price movements while minimizing costs associated with financial hedging instruments.

II. ORDER

A. The Commission Orders That:

1. The Application for Approval of the two-year Electric and Gas Price Volatility Mitigation Plan covering the heating periods July 1, 2025, through June 30, 2026, and July 1, 2026, through June 30, 2027, is deemed complete, for purposes of § 40-6-109.5, C.R.S., and 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 Issued Date.

**B. ADOPTED IN COMMISSIONERS' WEEKLY MEETING
December 18, 2024.**

(S E A L)



ATTEST: A TRUE COPY

THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

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MEGAN M. GILMAN

TOM PLANT

Commissioners

Rebecca E. White,
Director