

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO**

PROCEEDING NO. 20A-0026G

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IN THE MATTER OF THE APPLICATION OF PUBLIC SERVICE COMPANY OF  
COLORADO FOR APPROVAL OF ITS GAS PRICE VOLATILITY MITIGATION  
PLAN FOR THE PERIOD JULY 1, 2020 THROUGH JUNE 30, 2021.

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**DECISION GRANTING APPLICATION**

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Mailed Date: February 27, 2020

Adopted Date: February 19, 2020

**I. BY THE COMMISSION**

**A. Statement**

1. This Decision approves an application filed by Public Service Company of Colorado (Public Service or the Company) on January 15, 2020 for approval of its gas department Gas Price Volatility Mitigation (GPVM) Plan for the Gas Purchase Year July 1, 2020 through June 30, 2021 (Application).

**B. Procedural History**

2. Public Service filed the Application on January 15, 2020, consistent with the procedures and requirements for GPVM Plans adopted by the Commission.<sup>1</sup> On January 15, 2020, the Commission issued a public notice allowing for a ten-day intervention period for parties to raise concerns related to the Application. On January 24, 2020, WoodRiver Energy, LLC filed a Motion to Intervene. WoodRiver Energy, LLC withdrew its Motion to Intervene on January 27, 2020. No other interventions were filed.

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<sup>1</sup> Proceeding No. 18A-0334G Confidential Appendix A shows an Amended Stipulation and Agreement regarding the procedures and requirements for the GPVM Plan adopted in Decision No. C04-1112 in Proceeding No. 02A-267G issued September 22, 2004.

**C. Discussion of the Application**

3. Public Service states that it filed the Application pursuant to Decision No. C04-1112 in Proceeding No. 02A-267G and the Stipulation Agreement (Stipulation) reached in Proceeding No. 12A-240G, Decision No. R13-0121 on January 25, 2013. The Commission found that GPVM Plan procedures are designed to reduce the impact of market price swings on consumers. This agreement was extended for three years by Decision No. C14-0889 in Proceeding No. 14A-0491G on July 29, 2014, and extended another three years by Decision No. C18-0738 in Proceeding No. 18A-0334G on August 31, 2018.

4. As stated in its Application, and consistent with the Stipulation, Public Service requests approval of a general hedging strategy using natural gas storage, fixed price contracts, and Commission-authorized financial instruments. Specifically, the GPVM Plan includes: (a) the proposed quantity of natural gas to be hedged; (b) the timing of the hedges; (c) the annual hedging budget; and (d) the “not-to-exceed” amount of hedging costs that the Company may incur. The precise hedging strategy and its terms are confidential and are explained in detail in the GPVM Plan as set forth in Confidential Appendix A and Appendix B to the Application.

5. The Application is unopposed and will be determined without a hearing under Rule 1403 of the Commission’s Rules of Practice and Procedure, 4 *Code of Colorado Regulations* (CCR) 723-1.

6. Public Service is proposing no change to the hedged amount of 50 percent of the Company’s normal winter gas purchases or the method for calculating the annual budget. A portion of the 50 percent of gas purchases to be hedged is covered through the Company’s storage facilities and contracts.

7. The annual budget for the financial hedging portion is based on the premium for a Colorado Interstate Gas at-the-money call option for November 2020 through March 2021 times the financial hedge quantity. The budget for the 2020 to 2021 season is [REDACTED] million. The Company may recover premiums paid, including settlement costs paid to counterparties of up to [REDACTED] million, one and a half times the budget amount. Hedge program costs will be recovered through the next quarterly Gas Cost Adjustment filing after payments are made.

8. In addition to the detailed plan for the upcoming heating season, Public Service requests the continuation of its “Long-Term Strategy” whereby it is authorized to implement financial hedging to cover up to 25 percent of seasonal gas requirements for up to four years beyond the upcoming season for a total of five years into the future.<sup>2</sup> Any gas volumes and hedging costs incurred in implementing the long-term hedging strategy will be netted against the 50 percent hedge goal and associated budget for the applicable GPVM year.

9. The expected impact of the GPVM on purchased gas costs is detailed each year in the Company’s annual Gas Purchase Plan as required by Rule 4 CCR 723-4-4606(c) of the Commission’s Rules Regulating Gas Utilities and Pipeline Operators, and the results of the plan are reviewed in the annual Gas Purchase Report filed with the Commission pursuant to Rule 4 CCR 723-4-4608(c). In addition, Public Service will file by June 1 of 2020 in this same proceeding, a report detailing the results of the 2019 to 2020 Gas hedging program, with the costs and benefits of the program and outlook for the 2020 to 2021 season.

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<sup>2</sup> This five-year period covers the 2020 to 2021 heating season to the 2024 to 2025 season.



10. The costs and benefits of the most recent six hedging seasons are detailed in Schedule PVM-3 of Confidential Attachment A to the Application. This historical plan performance is summarized in the table below:

Season	Total Budget (\$Millions)	Volume (Million MMBtu)	Cost/(Benefit) (\$Millions)	Cost/(Benefit) (\$/MMBtu)
2013-2014	\$12.6M	27.77	(\$5.3M)	(\$0.19)
2014-2015	\$12.3M	27.44	\$9.4M	\$0.34
2015-2016	\$12.5M	36.74	\$12.2M	\$0.33
2016-2017	\$10.9M	30.22	\$3.1M	\$0.10
2017-2018	\$13.1M	29.01	\$4.4M	\$0.15
2018-2019	\$8.7M	28.11	(\$8.3M)	(\$0.30)
2019-2020 (est)	\$11.8M	27.68	\$5.3M	\$0.19
<b>7 Year Average</b>	<b>\$11.7M</b>	<b>29.57</b>	<b>\$4.2M</b>	<b>\$0.13</b>

11. We find that the GPVM Plan complies with the Commission's previously articulated application requirements in regard to such plans. Further, 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 GPVM Plan for the Gas Purchase Year July 1, 2020 through June 30, 2021.

## **II. ORDER**

### **A. The Commission Orders That:**

1. The Application filed by Public Service Company of Colorado on January 15, 2020, for approval of its gas department Gas Price Volatility Mitigation Plan for the Gas Purchase Year July 1, 2020 through June 30, 2021, 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 19, 2020.**

(S E A L)



ATTEST: A TRUE COPY

Doug Dean,  
Director

THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF COLORADO

JEFFREY P. ACKERMANN

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FRANCES A. KONCILJA

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JOHN GAVAN

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Commissioners