

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

PROCEEDING NO. 21M-0130EG

IN THE MATTER OF THE COMMISSION’S CONSIDERATION OF REQUESTS FOR COST RECOVERY BY COLORADO INVESTOR-OWNED ELECTRIC AND NATURAL GAS UTILITIES RELATED TO THE EXTREME WEATHER EVENT OF FEBRUARY 13-16, 2021.

**DECISION OPENING PROCEEDING, JOINING
COLORADO INVESTOR-OWNED ELECTRIC AND
NATURAL GAS UTILITIES AS INDISPENSABLE
PARTIES, TAKING ADMINISTRATIVE NOTICE OF
FILINGS IN PROCEEDING NO. 21I-0076EG,
DIRECTING THE UTILITIES TO RECORD AND
TRACK THE EXTRAORDINARY COSTS
INCURRED AS A RESULT OF THE FEBRUARY
WEATHER EVENT, PROHIBITING THE
RECOVERY OF SUCH EXTRAORDINARY
COSTS THROUGH THE NORMAL
IMPLEMENTATION OF CERTAIN RATE
MECHANISMS, ESTABLISHING NOTICE
AND INTERVENTION PERIOD, AND
SETTING FILING DEADLINES**

Mailed Date: March 23, 2021

Adopted Date: March 17, 2021

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TO THE PARTIES IN THIS MATTER AND ALL INTERESTED PERSONS, FIRMS, OR CORPORATIONS:

I. BY THE COMMISSION

A. Statement

1. The State of Colorado and other states in the central United States experienced extremely cold weather beginning February 13, 2021. The natural gas commodity market responded to this holiday weekend event by raising prices to levels on the order of \$190 per MMBtu at the Rocky Mountain - Cheyenne Hub and \$150 per MMBtu at the West Texas Permian Basin – Waha Hub.¹ Natural gas prices prior to the cold weather were running in the range of approximately \$2 to \$3 per MMBtu.²

2. The extraordinarily high market costs caused Colorado utilities to incur extraordinarily high expenses in the procurement of natural gas for their gas utility customers and for operating their gas-fired electric generation units.³

3. This Decision opens a proceeding to commence the Commission's consideration of the impacts of the extreme weather event on the revenue requirements and rates of Colorado's investor-owned electric and natural gas utilities. We find it appropriate to prohibit the specific investor-owned utilities joined as indispensable parties to this Proceeding and identified in Paragraph No. 13 below, from addressing the recovery of the extraordinary costs of the February extreme weather event through the normal course of the implementation of their Electric Commodity Adjustment or Energy Cost Adjustment (ECA) rate mechanisms and their Gas Cost Adjustment (GCA) rate mechanisms. We instead direct the utilities to isolate the extraordinary

¹ Decision No. C21-0087, issued February 17, 2021, Proceeding No. 21I-0076EG.

² Public Service Company of Colorado February Extreme Weather Event Report for February 13 through 16, 2021, p. 4.

³ Reports filed by the investor-owned electric and gas utilities in Proceeding No. 21I-0076EG pursuant to Decision Nos. C21-0087 and C21-0101 issued February 17 and 24, 2021.

costs associated with the February extreme weather for the purpose of proposing discrete methods for cost recovery in separate, utility-specific proceedings.

4. We will establish certain guidelines and timelines for the Colorado utilities to make their individual filings addressing the recovery of the extraordinary costs associated with the February extreme weather event to ensure efficient and timely consideration of their specific requests in light of our overall docket. In establishing such guidelines and timelines, we take administrative notice of the information filed by the utilities in Proceeding No. 21I-0076EG as part of our investigation into the utilities' responses to the extreme weather event. We further solicit comments from the utilities and other parties to this Proceeding, in accordance with the discussion that follows.

B. Investigation of Extreme Weather Event in Proceeding No. 21I-0076EG

5. The Commission opened an investigatory proceeding to collect certain information related to the extreme weather event from the investor-owned electric and gas utilities by Decision No. C21-0087, issued on February 17, 2021 in Proceeding No. 21I-0076EG.

6. In the order opening the investigation, we required each utility to prepare and file a "Situation Report," on or before February 24, 2021, providing the following information:

- A discussion of the utility's forecasts for temperatures and load leading up to the period February 13-16, 2021;
- The pricing of natural gas leading up to the period February 13-16, 2021;
- The purchases of natural gas executed by the utility to serve projected loads for the period February 13-16, 2021;
- The role and effectiveness of natural gas hedging activities as they relate to the period February 13-16, 2021; and

- Any other information that the utility believes the Commission may find helpful in understanding the planning and actions taken as they relate to the extreme weather event of February 13-16, 2021.⁴

7. By Decision No C21-0101, issued in the investigation on February 24, 2021, we modified the deadline for submitting the Situation Reports and required additional information, including:

- A discussion of the utility's forecasts for temperatures and load leading up to the period February 13-16, 2021;
- A discussion of the pricing of natural gas leading up to the period February 13-16, 2021;
- Details of the purchases of natural gas executed by the utility to serve projected loads for the period February 13-16, 2021;
- An assessment of the role and effectiveness of natural gas hedging activities as they relate to the period February 13-16, 2021;
- A discussion of the level or amount of hedged gas that was budgeted to serve customers over the period February 13-16, 2021 and the actual amount of hedged gas that was used to serve customers over the same period;
- A discussion of the utility's policy regarding gas reserves and an explanation regarding under what circumstances gas reserves are intended to be used, and when, since 2006, the utility has used its gas reserves;
- Details regarding the amount of natural gas the utility had contracted prior to February 8, 2021, to serve load over the period February 13-16, 2021;
- Details regarding the amount of natural gas the utility had in storage prior to February 8, 2021, to serve load over the period February 13-16, 2021;
- Details regarding the utility's forecast of temperatures and gas needs including reserves for the long weekend of February 13-15, 2021 each the five days leading up to the weekend;
- Details regarding time of purchase, counter-party, amount, delivery point, delivery timeframe and cost for each purchase of incremental natural gas executed the week of February 8-12, 2021;
- Details regarding the gas price quotes received by the utility throughout the day of February 12, 2021;

⁴ See Decision No. C21-0087, ¶ 4.

- A detailed description of the management review process involved in approving gas purchases and storage used for the February 13-16, 2021 period;
- Estimates of the total cost of the incremental purchases and the impact of the event to the average residential and the average small commercial customer;
- A discussion of whether interruptible or curtailable customers were directed to interrupt or curtail load in order to reduce consumption over the weekend of February 13-16 and an estimate of the reduced gas consumption realized; and, if the utility did not direct interruptible or curtailable customers to interrupt or curtail load, explain why not;
- A discussion of whether the utility issued any calls or requests to customers for conservation in order to reduce natural gas needs over the period February 13-16, 2021; and if the utility did issue such calls or requests, please describe these requests or notices in detail;
- A discussion of whether the utility developed any estimate of the range of potential reductions that could be reasonably achieved through calls or requests for conservation;
- A discussion of whether the utility purchase of incremental natural gas to serve load over the period February 13-16, 2021 resulted in excess or unconsumed gas in the system that could be sold to other utilities seeking natural gas or electricity during a later period;
- Details regarding the sale of either natural gas or electricity to other entities over the period February 13-16, 2021 or the week following providing details of those transactions including counter-party, time of delivery, amount, sale price, and delivery point;
- A discussion of whether the utility has acquired or plans to acquire incremental debt or equity to fund the expenses incurred to purchase natural [gas] for the period February 13-16, 2021;
- A discussion of the utility's proposed procedural process for proceeding with consideration for recovery of the extraordinary gas costs; and
- Any additional information that the utility believes the Commission may find helpful in understanding the planning and actions taken as they relate to the extreme weather event of February 13-16, 2021.⁵

8. The modified date for the filing of the Situation Reports including the additional information listed above was March 5, 2021.

⁵ See Decision No. C21-0101, ¶ 7.

9. By Decision No. C21-0149, issued March 12, 2021, the Commission granted motions for extraordinary protection for information claimed by certain utilities to be highly confidential and further directed the utilities to file supplemental information, including certain updates and clarifications regarding the Situation Reports. Responses to Decision No. C21-0149 were due March 19, 2021.

10. The investor-owned electric and natural gas utilities each submitted responses to Decision Nos. C21-0087, C21-0101, and C21-0149.

C. Findings, Conclusions, and Directives

11. The Commission's authority to establish rates for Colorado's investor-owned electric and natural gas utilities, as well as its inherent police powers, derive from Article XXV of the Colorado Constitution. The Commission is further charged with ensuring the provision of safe and reliable utility service at just and reasonable rates pursuant to §§ 40-3-101, 40-3-102, 40-3-111, and 40-6-111, C.R.S.

12. The Commission, on its own motion, opens this Proceeding to examine consideration of the impacts of extreme weather events on the revenue requirements and rates of Colorado's investor-owned electric and natural gas utilities.

13. We join the following investor-owned electric and natural gas utilities as indispensable parties to this Proceeding, including:

- Public Service Company of Colorado (Electric, Natural Gas, and Steam)⁶
- Black Hills Colorado Electric, LLC⁷

⁶ Public Service Company of Colorado (Public Service) implements an ECA for its electric utility operations and a GCA for its natural gas utility operations. Public Service further implements a Steam Cost Adjustment (SCA) for its steam utility operations. The prohibition on recovering the extraordinary costs associated with the February extreme weather event shall apply to the SCA.

⁷ Black Hills Colorado Electric, LLC implements an ECA.

- Black Hills Colorado Gas, LLC⁸
- Atmos Energy Corporation⁹
- Colorado Natural Gas, Inc.¹⁰

14. The investor-owned electric and natural gas utilities that are parties to this Proceeding shall not include the extraordinary costs of the February extreme weather event for recovery through the normal course of the implementation of their ECA and GCA rate mechanisms. The Commission directs the investor-owned electric and natural gas utilities that are parties to this Proceeding to record and track the extraordinary costs associated with the February extreme weather for the purpose of proposing discrete methods for cost recovery in separate, utility-specific proceedings.

15. The investor-owned electric and natural gas utilities that are parties to this Proceeding have each filed information regarding their responses to the February weather event in the investigation in Proceeding No. 21I-0076EG. By this Decision, we take administrative notice of the filing by these utilities submitted in response to Decision Nos. C21-0087, C21-0101, and C21-0149.

16. We intend to establish certain guidelines and timelines for the Colorado utilities to make their individual filings to address their recovery of costs of the February extreme weather event for recovery to ensure efficient and timely consideration of their specific cost recovery requests in light of our overall docket. The establishment of such guidelines and timelines will rely upon the information collected in Proceeding No. 21I-0076EG, as discussed above, in addition to any comments filed by the utilities and other parties to this Proceeding.

⁸ Black Hills Colorado Gas, LLC implements a GCA.

⁹ Atmos Energy Corporation implements a GCA.

¹⁰ Colorado Natural Gas, Inc. implements a GCA.

17. Interested persons may seek to participate as parties in this Proceeding. A notice of intervention by right or a motion to intervene by permission may be filed by any person, firm, or corporation desiring to be a party as ordered below. Such pleadings shall be filed no later than April 2, 2021.

18. The investor-owned electric and natural gas utilities made indispensable parties to this Proceeding and the persons seeking intervention in this matter may file comments addressing the procedures and dates for the utility filings for the recovery of costs of the February extreme weather event no later than April 2, 2021. Responsive comments shall be filed no later than April 9, 2021.

19. The Commission will establish other procedures, as necessary, by a separate decision.

II. ORDER

A. The Commission Orders That:

1. The Commission opens a proceeding to commence its consideration of the impacts of the extreme weather event beginning on February 13, 2021 on the revenue requirements and rates of Colorado investor-owned electric and natural gas utilities, consistent with the discussion above.

2. Public Service Company of Colorado is joined as an indispensable party to this Proceeding.

3. Black Hills Colorado Electric, LLC is joined as an indispensable party to this Proceeding.

4. Black Hills Colorado Gas, LLC is joined as an indispensable party to this Proceeding.

5. Atmos Energy Corporation is joined as an indispensable party to this Proceeding.
6. Colorado Natural Gas, Inc. is joined as an indispensable party to this Proceeding.
7. The Commission takes administrative notice of the filings made by the investor-owned electric and natural gas utilities that are parties to this Proceeding in response to Decision Nos. C21-0087, C21-0101, and C21-0149 in Proceeding No. 21I-0076EG, consistent with the discussion above.
8. The investor-owned electric and natural gas utilities that are parties to this Proceeding shall record and track the extraordinary costs associated with the February extreme weather for the purpose of proposing discrete methods for cost recovery in separate, utility-specific proceedings, consistent with the discussion above.
9. The investor-owned electric and natural gas utilities that are parties to this Proceeding are precluded from including the extraordinary costs of the February extreme weather event for recovery through the normal course of the implementation of their Electric Commodity Adjustment or Energy Cost Adjustment rate mechanisms and their Gas Cost Adjustment rate mechanisms.
10. Any person desiring to intervene or participate as a party in this Proceeding, including Staff of the Colorado Public Utilities Commission, shall file a motion for leave to intervene permissively, or under the Commission's Rules of Practice and Procedure, file other appropriate pleadings to become a party, no later than April 2, 2021.
11. Comments from the investor-owned electric and natural gas utilities that are parties to this Proceeding and persons desiring to participate as a party in this proceeding addressing the procedures and dates for the utility filings for the recovery of costs of the

February extreme weather event shall be filed no later than April 2, 2021. Responsive comments may be filed no later than April 9, 2021.

12. This Decision is effective upon its Mailed Date.

**B. ADOPTED IN COMMISSIONERS' WEEKLY MEETING
March 17, 2021.**

(S E A L)



ATTEST: A TRUE COPY

A handwritten signature in cursive script that reads "Doug Dean".

Doug Dean,
Director

THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

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JOHN GAVAN

MEGAN M. GILMAN

Commissioners