

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

PROCEEDING NO. 14A-0491G

IN THE MATTER OF THE APPLICATION OF PUBLIC SERVICE COMPANY OF COLORADO FOR AUTHORIZATION TO CONTINUE IN EFFECT AND TO EXTEND FOR AN ADDITIONAL THREE-YEAR PERIOD THE CURRENT PROCEDURES FOR SEEKING AND OBTAINING AUTHORIZATION TO IMPLEMENT ANNUAL GAS PRICE VOLATILITY MITIGATION PLANS FOR ITS GAS SALES CUSTOMERS.

**DECISION GRANTING APPLICATION
AND DENYING INTERVENTION**

Mailed Date: July 29, 2014
Adopted Date: July 23, 2014

I. BY THE COMMISSION

A. Statement

1. On May 15, 2014, Public Service Company of Colorado (Public Service or the Company) filed an application seeking Commission authorization to extend for another three years the procedures by which Public Service may implement its Gas Price Volatility Mitigation (GPVM) Plans, beginning on July 1, 2015. Public Service also filed a Motion for Extraordinary Protection for Highly Confidential Information.

2. Public Service filed the application pursuant to the terms of the Settlement originally approved in Proceeding No. 02A-267G, and extended and modified by Decision Nos. R09-0211 on March 2, 2009 and R13-0121 on January 25, 2013 in Proceeding Nos. 08A-095G and 12A-240G, respectively. Decision No. R09-0211 effectively ended the previously granted authorities in 2013 and required Public Service to file a new application to continue its GPVM Plan. In Decision No. R13-0121, the Commission granted Public Service

an additional two-year timeframe to obtain extended authority to file annual GPVM Plans, but did not set specific dates or deadlines to file such plans.

3. This application seeks to continue the previously approved Commission authorizations with respect to specific formats, parameters, and procedures for the GPVM Plans for the three gas purchase years of 2015 through 2017. In support of its application, Public Service pre-filed testimony and exhibits of two witnesses and appendices documenting the Monthly Gas Cost Adjustment (GCA) Settlement in Proceeding No. 02A-267G and Commission decisions approving the Settlement, as well as the Commission's approval of the prior two-year extension.

4. Public Service states in its testimony that the goal of the GPVM Plan is to reduce the volatility of natural gas prices and protect customers through the mitigation of price spikes.¹ This is accomplished by an effective cap on gas prices for a certain percentage of the projected winter gas requirements that reduce volatility. The GPVM Plan details the use of tools including gas storage and approved financial instruments that serve to hedge prices in each gas purchase year. As determined in Decision No. R13-0121, an annual hedging budget is to be calculated and approved through the GPVM Plan and includes factors including the quantity of gas to be hedged, the timing of the hedges, the financial instruments to be used, costs to implement the plan, and the proposed method to recover such costs. Further, the GPVM Plan establishes accounting controls, such as individual authority limits for personnel trading financial derivatives. Public Service asks the Commission to continue to authorize the Company to hedge up to 50 percent of winter gas volume, using storage to hedge approximately 20 percent of the volume, and use financial instruments to hedge the remainder.

¹ Direct Testimony of Jeffrey D. Ishee, p. 3, lines 4-6.

5. On June 4, 2014, East Cheyenne Gas Storage, LLC (East Cheyenne) filed a motion for permissive intervention. East Cheyenne owns and operates a gas storage facility that can be used by Public Service and other participants in the Cheyenne Hub market center to physically hedge natural gas costs and improve the reliability of natural gas delivery. East Cheyenne contends this proceeding may impact the gas storage market by determining the percentage of winter gas volumes Public Service must hedge through storage. East Cheyenne takes no specific position on the application, but believes a formal evidentiary hearing will be necessary to determine, among other things, the benefits of alternative hedging programs and the percentage of winter gas volumes Public Service should hedge using physical storage.

6. On June 16, 2014, Public Service filed a response in opposition to East Cheyenne's motion to intervene, arguing the motion fails to satisfy the Commission's standards for permissive intervention. Public Service argues that East Cheyenne is not an entity regulated by the Commission. Further, it is not a sales customer of the Company. Public Service indicates that the purpose for utilizing storage is merely to reduce the volume and premium the Company will incur in purchasing hedging instruments, and therefore East Cheyenne's financial interests would not be affected. Finally, East Cheyenne states that it does not take a position on the application in its intervention.

7. Staff of the Commission (Staff) and the Office of Consumer Counsel (OCC) filed interventions as of right on June 16 and 18, 2014, respectively. Both parties indicated an interest in monitoring the proceeding but do not request a hearing. In its intervention, Staff states that it generally supports the application, and conditions its participation on whether or not East Cheyenne is granted intervention. Staff also argues that East Cheyenne does not meet the criteria

for permissive intervention. The OCC states it has reviewed the application, and also conditions its participation on whether a hearing is held.

B. Findings

8. With respect to the intervention by East Cheyenne, Rule 1401(c), 4 *Code of Colorado Regulations* (CCR) 723-1 of the Commission's Rules of Practice and Procedure states that a motion to intervene must demonstrate the subject proceeding may substantially affect the pecuniary or tangible interests of the movant. Subjective, policy, or academic interest in a proceeding is not sufficient basis to intervene. Advisors agree with Public Service that, because East Cheyenne is not a sales customer of Public Service, and because East Cheyenne asserts a generalized interest in the effect Public Service's application would have on the gas storage market, its actual pecuniary or tangible interests will not be substantially affected by the application required under Rule 1401. Rule 1401(a) also states that a motion to intervene and request for hearing must, among other things, state the application or petition is contested or opposed and provide support for that conclusion. East Cheyenne's motion does not satisfy this standard.

9. We deny East Cheyenne's motion to intervene because it does not meet the standards for permissive intervention under Rules 1401(a) and (c). The Application is therefore unopposed, and the Commission may determine this matter upon the record, without a formal hearing under § 40-6-109(5), C.R.S., and Rule 1403, Rules of Practice and Procedure, 4 CCR 723-1.

10. We believe that Public Service's request for the extension of the current Commission-approved procedures for obtaining authorization to implement the Company's GPVM Plans for the gas purchase years of 2015 through 2017 is reasonable.

Fundamentally, the circumstances underlying the request have not changed. Public Service's testimony provides adequate detail and support for the request. We grant Public Service's application and extend existing authorizations for Public Service's GPVM Plan for an additional three years.

11. Public Service argues that documents filed with regard to its hedging strategy are sensitive, and harm to the Company likely would result if the information were to be disclosed.² The same type of data was granted extraordinary protection in Public Service's 2014 through 2015 GPVM Plan in Proceeding No. 14A-0065G. We therefore grant Public Service's Motion for Extraordinary Protection for Highly Confidential Information in this proceeding.

II. ORDER

A. The Commission Orders That:

1. Public Service Company of Colorado's (Public Service) Application to extend its Gas Price Volatility Mitigation (GPVM) procedures for an additional three years and for authorization to implement its annual GPVM Plans filed on May 15, 2014, is approved consistent with the discussion above.

2. The Motion to Intervene filed by East Cheyenne Gas Storage, LLC is denied.

3. We note the interventions by right filed by Staff of the Commission and the Office of Consumer Counsel.

4. We grant Public Service's Motion for Extraordinary Protection of Highly Confidential Information.

² The information considered to be Highly Confidential is contained in Confidential Appendix A to the Monthly GCA Settlement, and in Highly Confidential Exhibit JDI-1 attached to the Direct Testimony of Jeffrey D. Ishee.

5. The 20-day time 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.

6. This Decision is effective upon its Mailed Date.

**B. ADOPTED IN COMMISSIONERS' WEEKLY MEETING
July 23, 2014.**

(S E A L)



ATTEST: A TRUE COPY

Doug Dean,
Director

THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

JOSHUA B. EPEL

PAMELA J. PATTON

GLENN A. VAAD

Commissioners