

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

DOCKET NO. 04A-045EG

IN THE MATTER OF THE APPLICATION OF PUBLIC SERVICE COMPANY OF
COLORADO FOR APPROVAL OF ITS 2004-2005 GAS PRICE VOLATILITY
MITIGATION PLAN.

**ORDER APPROVING STIPULATION
WITH CLARIFICATION**

Mailed Date: March 18, 2004
Adopted Date: March 17, 2004

I. BY THE COMMISSION

A. Statement

1. On January 28, 2004, Public Service Company of Colorado (Public Service or Company) filed an application for approval of its 2004-2005 Gas Price Volatility Mitigation Plan for its electric department. Staff of the Commission (Staff) and the Office of Consumer Counsel filed notices of intervention in this matter. On March 1, 2004, Public Service and Staff filed their Stipulation and Settlement Agreement (Stipulation).¹ The parties state that the Stipulation resolves all issues in this case. In the Stipulation, the parties request that the Commission grant the application without hearing and that the March 11, 2004 hearing date be vacated.

2. In Decision No. C04-0428 the Commission vacated the March 11, 2004 hearing date. The Commission stated that it recently completed hearings on the Stipulation and Settlement Agreement for Public Service's 2003-2004 Gas Price Volatility Mitigation Plan

¹ Public Service represents that the Colorado Office of Consumer Counsel does not oppose Commission approval of the Stipulation.

(Docket No. 03A-489EG) and the issues are similar in this case. Therefore, we concluded that it was unnecessary to conduct a hearing to clarify the Stipulation in this docket.

3. In the Stipulation the parties request Commission approval of the following three items: 1) a seasonal strategy and a long-term strategy; 2) the floor price and maximum hedging budget; and 3) the gas purchase volume to be included in the Price Volatility Mitigation Plan and the timing for implementation. These parameters are presented in the confidential attachments KJH-2, KJH-3, and KJH-5 to the testimony of Kurtis J. Haeger, with revised pages 9 and 12 of KJH-2, and a revised exhibit KJH-5 provided as Confidential Settlement Exhibit 1.

4. We find that the information contained in the testimony and Stipulation set forth a reasonable strategy for mitigating the volatility of natural gas prices for the gas fuels that Public Service uses for its electric generation facilities. Further, the Stipulation meets the requirements of the Settlement Agreement dated April 4, 2003 in Public Service's general rate case, approved by the Commission in Docket No. 02S-315EG by Decision No. C03-0670.

5. Now being duly advised in this matter, we approve the Stipulation, with the following clarification: If conditions change to the point where an update to the PVM Plan is warranted, Public Service or any other party may request that the Commission modify the PVM Plan approved in this docket. Although unlikely given the comprehensive approach Public Service has presented in its PVM Plan, an approved PVM Plan should be subject to change where circumstances require. When requesting a change to the PVM Plan, the party requesting such change will have the burden of proof and the burden of going forward. We recognize that the reason for establishing this pre-approval procedure is to give Public Service certainty that the actions it takes to mitigate gas price volatility will be deemed prudent. Pre-approval of

PVM Plans also provides a means for other parties to have input to the PVM Plans before actions are taken. However, Public Service and interested parties should have the opportunity to request modification of an approved PVM Plan where circumstances change and the Company is still able to modify its actions in a timely manner. Given the importance of providing certainty to Public Service and interested parties and the difficulty in implementing subsequent changes, the Commission will require substantial justification for changing the PVM Plan.

II. ORDER

A. The Commission Orders That:

1. The Stipulation and Settlement Agreement filed on March 1, 2004 by Public Service Company of Colorado and Staff of the Commission is approved, with the clarification discussed above.

2. 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 Mailed Date of this Decision.

3. This Order is effective on its Mailed Date.

**B. ADOPTED IN COMMISSIONERS' WEEKLY MEETING
March 17, 2004.**

THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

Commissioners