

COLORADO DEPARTMENT OF REGULATORY AGENCIES

Public Utilities Commission

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PART 3

RULES REGULATING ELECTRIC UTILITIES

FUEL COST RECOVERY AND ELECTRICITY PRODUCTION COST EFFICIENCY

3860. Overview and Purpose.

Rules 3860 through 3863 address the utility's recovery of fuel costs incurred in the production of electricity and the efficiency of electricity production while minimizing fuel costs.

3861. Definitions.

The following definitions apply to rules 3860 through 3863 unless a specific statute or rule provides otherwise. In the event of a conflict between these definitions and a statutory definition, the statutory definition shall apply.

- (a) "E-GPIM Total Gas Cost" means the utility's incurred expenditures on gas commodity used for the production of electricity in each past calendar quarter.
- (b) "E-GPIM Total Gas Quantity" means the quantity of gas commodity fuel used for the production of electricity (Mcf or Dth) in each past calendar quarter.
- (c) "Gas commodity fuel performance incentive mechanism" (E-GPIM) means an incentive mechanism that shares the risk of gas commodity costs between the utility and its customers.

3862. Gas Commodity Fuel Performance Incentive Mechanism.

- (a) Utilities shall include a E-GPIM in their rate adjustment filings used for the recovery of purchased fuel costs for electricity production.
- (b) The utility shall file tariffs for the rate adjustment used for the recovery of purchased fuel costs for electricity production that comply with these rules within 30 days of the effective date of these rules.
- (c) Symmetric sharing.
 - (I) E-GPIM benchmark gas rate. The E-GPIM benchmark gas rate for the completed calendar quarter preceding a regular rate adjustment filing used for the recovery of purchased fuel costs will be calculated as the E-GPIM total gas cost for that same quarter in the previous year divided by the E-GPIM total gas quantity for the same quarter in the previous year.

- (II) E-GPIM actual gas rate. The E-GPIM actual gas rate for the completed calendar quarter preceding the regular rate adjustment filing used for the recovery of purchased fuel costs will be calculated as the E-GPIM total gas cost for that quarter divided by the E-GPIM total gas quantity for that same quarter.
- (III) E-GPIM sharing amount. The GCFPIM sharing amount will be calculated as five percent of the difference between the E-GPIM benchmark gas rate and the E-GPIM actual gas rate, either positive or negative, multiplied by the E-GPIM total gas quantity for the completed calendar quarter preceding the regular rate adjustment filing used for the recovery of purchased fuel costs, subject to the following limitations:

 - (A) the E-GPIM sharing amount for a quarter shall be zero if the difference between the GCFPIM benchmark gas rate and the GCFPIM actual gas rate is less than \$0.20 per Mcf or Dth; and
 - (B) the utility's cumulative quarterly E-GPIM sharing amounts, positive or negative, shall be capped each calendar year at an amount equal to a 40 basis point pre-tax return on the utility's rate base as established by the Commission in the utility's most recent base rate proceeding.
- (IV) Unless subject to the limitations in subparagraph 3862(c)(III), the E-GPIM sharing amount shall be accounted for in the deferred balance of the rate adjustment mechanism used for the recovery of purchased fuel costs.
- (d) The calculation of the symmetric sharing amount included in the deferred balance for the rate adjustment mechanism used for the recovery of purchased fuel costs shall be provided in work papers in executable format with all cell formulas intact, using spreadsheet software that is compatible with software used by Commission staff.
- (e) The Commission may examine the implementation of the E-GPIM in any prudence review process for the rate adjustment mechanism used for the recovery of purchased fuel costs.

 - (I) The utility's prudence review filing for the rate adjustment mechanism used for the recovery of purchased fuel costs shall provide the quantities of, and actual invoice costs of, specific gas commodity supplies, segregated by electric production facility, that the utility purchased in order to generate electricity for each month of the calendar year subject to the prudence review. Each utility shall provide a description and explanation of the following:

 - (A) the volumes and costs associated with fixed-price, long-term supply contracts;
 - (B) the volumes and costs associated with storage injections and withdrawals, including both physical and contract storage; and
 - (C) the volumes and costs associated with associated with financial hedging.
 - (II) The utility's prudence review filing for the rate adjustment mechanism used for the recovery of purchased fuel costs shall also provide, for the 12 months ending December 31:

- (A) the quarterly GCFPIM benchmark gas rates and GCFPIM actual gas rates;
- (B) the quarterly and twelve-month cumulative GCFPIM sharing amounts; and
- (C) the calculation of cap on the annual cumulative GCFPIM sharing amount.

3863. Electricity Production Cost Efficiency.

- (a) The utility shall minimize fuel costs through the economic dispatch of its owned and contracted generation resources.
- (b) The Commission may disallow a utility from recovering costs associated with prolonged uneconomic operations of generation facilities for which the utility procures fuel. The baseline economic operations of new and existing generation facilities for which the utility procures fuel shall be established or updated in the utility's electric resource plan proceedings filed pursuant to rule 3603.
- (c) The Commission may establish performance incentive mechanisms to avoid the uneconomic operation of generation facilities for which the utility procures fuel. The performance incentive mechanisms shall foster lower fuel usage and improved fuel utilization through any reasonable combination of reduced periods of out-of-merit generation, increased grid flexibility, and cost-effective substitutes (e.g., storage). The performance incentive mechanism shall further complement the utility's E-GPIM regarding incurred gas commodity fuel costs.

38604. – 3874. [Reserved].