

Council Meeting Date: October 24, 2017

To: President and Members of City Council

From: Jerry A. Forte, P.E., CEO, Colorado Springs Utilities

Subject Title: A resolution setting the Gas Cost Adjustment and Gas Capacity Charge effective November 1, 2017

Presenter:
Sonya Thieme, Rates Manager

Summary:
Colorado Springs Utilities (Utilities) is requesting changes to the Gas Cost Adjustment (GCA) and Gas Capacity Charge (GCC) rates effective November 1, 2017. Consistent with the Cost Adjustment Guidelines, the proposed GCA adjustment changes the current effective rate of \$0.2367 per Ccf to a proposed rate of \$0.2090 per Ccf. The proposed GCC changes increase the rates by Rate Class consistent with capacity allocation.

Previous Council Action:
On January 24, 2017, City Council approved the current GCA rate of \$0.2367 per Ccf effective February 1, 2017 by Resolution 9-17. On December 8, 2015, City Council approved the current GCC rates effective January 1, 2016 by Resolution 139-15.

Background:
The GCA rate has remained at the approved level since February 1, 2017. The GCC rates have remained at the approved level since January 1, 2016. Utilities' staff continues to provide regular updates to Utilities Board and will recommend timely adjustments to the GCA rate per the Cost Adjustment Guidelines. Utilities' staff will conduct an annual review of GCC in July and update the Utilities Board Finance Committee and Utilities Board of any proposed adjustments.

Financial Implications:
Implementing the proposed rates will impact the respective customer's gas bill as follows:
Monthly Gas bill:
 Typical Residential gas bill decrease of \$2.05 or 4.8%
 Typical Commercial gas bill decrease of \$39.69 or 6.5%
 Typical industrial gas bill decrease of \$396.80 or 6.7%

Board/Commission Recommendation:
N/A

Stakeholder Process:
N/A

Alternatives:
N/A

Proposed Motion:

Move adoption of the proposed resolution.

Summary of Ordinance Language

N/A

c: Utilities' Officer Team

Attachments:

- Resolution
- Tariff sheets
- GCA Schedule 1
- GCC Schedule 2

RESOLUTION NO. _____

**A RESOLUTION SETTING THE GAS COST ADJUSTMENT
AND GAS CAPACITY CHARGE EFFECTIVE NOVEMBER 1, 2017**

WHEREAS, the Colorado Springs Utilities' Natural Gas Rate Schedules allow Gas Cost Adjustment and Gas Capacity Charge rates to be changed as often as monthly; and

WHEREAS, Colorado Springs Utilities has prepared projections of costs and revenues in conformance with the language in the rate schedules; and

WHEREAS, Colorado Springs Utilities has shown that a Gas Cost Adjustment rate of \$0.2367 per kWh should be adjusted to \$0.2090 per Ccf in order to represent the current state of natural gas system revenue needs and that the Gas Cost Adjustment shall be revised accordingly; and

WHEREAS, Utilities has proposed, and the City Council finds it prudent, to approve changes to the Gas Capacity Charge rates; and

WHEREAS, the proposed Gas Cost Adjustment and Gas Capacity Charge rates shall be effective November 1, 2017.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF COLORADO SPRINGS:

Section 1. That Colorado Springs Utilities Tariff, City Council Volume No. 5, Natural Gas Rate Schedules shall be revised as follows:

Effective November 1, 2017

City Council Vol. No. 5 Sheet No.	Title	Cancels Sheet No.
Sixteenth Revised Sheet No. 10a	Gas Cost Adjustment	Fifteenth Revised Sheet No. 10a
First Revised Sheet No. 11a	Gas Capacity Charge	Original Sheet No. 11a

Section 2. The Gas Cost Adjustment and Gas Capacity Charge rates and the effective dates shall be published in the legal section of a newspaper of general circulation in Colorado Springs Utilities' service area within ten (10) days following the date of the passage of this Resolution.

Section 3. The attached tariff sheets are hereby approved and adopted effective November 1, 2017 and shall remain in effect unless changed by subsequent Resolution of the City Council.

Dated at Colorado Springs, Colorado this 24th day of October, 2017.

Council President

ATTEST:

Sarah Johnson, City Clerk



NATURAL GAS RATE SCHEDULES
GAS COST ADJUSTMENT (GCA)

APPLICABILITY

Applicable to all rate schedules that are subject to a Gas Cost Adjustment (GCA).

GAS COST ADJUSTMENT

The GCA will be computed as follows:

The sum of:

- a) the forecasted cost of purchasing natural gas for the future recovery period to be determined by Utilities, plus
- b) an amount determined by Utilities as a projected over or under collected balance at the end of the recovery period used in a) above less the over or under collected balance of natural gas costs at the beginning of the recovery period.

Divided by:

- c) the forecasted sales subject to the GCA for the same period used in a) above.

GCA Rate

Rate Schedule	Per Ccf	Per Mcf
G1R, G1CS, G1CL, G1S	\$0.2090	
G2I, GCS-FIRM, GCS-INTS		\$2.0900

These rates may change as often as monthly by Resolution after review by the Office of the City Auditor and approval by City Council.

Approval Date: October 24, 2017
 Effective Date: November 1, 2017
 Resolution No. _____



NATURAL GAS RATE SCHEDULES

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Applicable to all rate schedules that are subject to a Gas Cost Adjustment (GCA).

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Divided by:

- c) the forecasted sales subject to the GCA for the same period used in a) above.

GCA Rate

Rate Schedule	Per Ccf	Per Mcf
G1R, G1CS, G1CL, G1S	\$0. 2367 <u>2090</u>	
G2I, GCS-FIRM, GCS-INTS		2.3670 <u>2.0900</u>

These rates may change as often as monthly by Resolution after review by the Office of the City Auditor and approval by City Council.

Approval Date: ~~January 24, 2017~~October 24, 2017
 Effective Date: ~~February 1, 2017~~November 1, 2017
 Resolution No. _____



NATURAL GAS RATE SCHEDULES
GAS CAPACITY CHARGE (GCC)

APPLICABILITY

Applicable to all rate schedules subject to the Gas Capacity Charge (GCC).

GAS CAPACITY CHARGE

The Revenue Requirements for delivering natural gas to Utilities' distribution system and storage facilities are supported by the rates below:

Rate Class	Per Ccf	Per Mcf
Residential Service - Firm (G1R)	\$0.1009	
Commercial Service - Firm (G1CS)	\$0.1009	
Commercial Service - Firm (G1CL)	\$0.0851	
Commercial Service - Firm (G8M)	\$0.0851	
Commercial Service - Firm (G1S)	\$0.0623	
Industrial Service - Interruptible Sales (G2I)		\$0.2940
Industrial Service - Interruptible Sales (G3M)		\$0.2940
Contract Service - Firm (GCS-FIRM)		\$0.8510
Contract Service - Firm (GCS-G6M)		\$0.8510
Contract Service - Interruptible Sales (GCS-INTS)		\$0.2940
Contract Service - Interruptible Sales (GCS-G7M)		\$0.2940

These rates may change as often as monthly by Resolution after review by the Office of the City Auditor and approval by City Council.

Approval Date: October 24, 2017
 Effective Date: November 1, 2017
 Resolution No. _____



NATURAL GAS RATE SCHEDULES
GAS CAPACITY CHARGE (GCC)

APPLICABILITY

Applicable to all rate schedules subject to the Gas Capacity Charge (GCC).

GAS CAPACITY CHARGE

The Revenue Requirements ~~off~~for delivering natural gas to Utilities' distribution system and storage facilities isare supported by the rates below:

Rate Class	Per Ccf	Per Mcf
Residential Service - Firm (G1R)	\$0. 10731009	
Commercial Service - Firm (G1CS)	\$0. 10731009	
Commercial Service - Firm (G1CL)	\$0. 08940851	
Commercial Service - Firm (G8M)	\$0. 08940851	
Commercial Service - Firm (G1S)	\$0. 07340623	
Industrial Service - Interruptible Sales (G2I)		\$0. 31302940
Industrial Service - Interruptible Sales (G3M)		\$0. 31302940
Contract Service - Firm (GCS-FIRM)		\$0. 89408510
Contract Service - Firm (GCS-G6M)		\$0. 89408510
Contract Service - Interruptible Sales (GCS-INTS)		\$0. 31302940
Contract Service - Interruptible Sales (GCS-G7M)		\$0. 31302940

These rates may change as often as monthly by Resolution after review by the Office of the City Auditor and approval by City Council.

Approval Date: ~~December 8, 2015~~ October 24, 2017
 Effective Date: ~~January 1, 2016~~ November 1, 2017
 Resolution No. ~~139-15~~ _____

**Colorado Springs Utilities
Gas Cost Adjustment (GCA)**

**SCHEDULE 1
GCA EFFECTIVE 11/1/2017**

Line No.	Description	Forecast Calculation Period Nov 17-Oct 18
<u>(a)</u>	<u>(b)</u>	<u>(c)</u>
1	Forecasted Cost of Natural Gas	\$ 57,054,696 ^{(1)(2a)}
2	<u>Plus:</u>	
3	Forecasted Over/(Under) Recovery as of 10/31/2018	9,509
4	Less Forecasted Over/(Under) Recovery as of 10/31/2017	3,961,581
5	Cumulative Over/(Under) Recovery (Line 3 - Line 4)	<u>\$ (3,952,072) ^(2b)</u>
6	Total Cost (Line 1+Line 5)	<u>\$ 53,102,624</u>
7	<u>Divided by:</u>	
8	Forecasted Sales Volume Subject to the GCA (Ccf at 12.01 PSIA)	254,079,541 ^(2c)
9	<u>Equals:</u>	
10	GCA Rate per Ccf at 12.01 PSIA (Line 6 / Line 8)	<u>\$ 0.2090</u>

Notes:

⁽¹⁾ Includes credits for forecasted Off-System Sales

⁽²⁾ Tariff reference (Natural Gas Rate Schedules, City Council Volume No. 5, Sixteenth Revised Sheet No. 10a)

^{a)} Forecasted cost of natural gas

^{b)} Forecasted collected balance at the end of recovery period less collected balance at beginning of recovery period

^{c)} Forecasted sales subject to the GCA

Colorado Springs Utilities
Gas Capacity Charge (GCC)

SCHEDULE 2
GAS CAPACITY CHARGE RATES EFFECTIVE 11/1/2017

Line No.	Rate Class	AF01 % Sales	Commodity Related Expense	AF02 % Excess Demand	Demand Related Expense	Total Forecast Capacity Expense 11/17 - 7/20	Forecasted Sales 11/17 - 7/20	GCC Rate Per Ccf (12.01 PSIA)
<u>(a)</u>	<u>(b)</u>	<u>(c)</u>	<u>(d)</u>	<u>(e)</u>	<u>(f)</u>	<u>(g)</u> <u>[(d) + (f)]</u>	<u>(h)</u>	<u>(i)</u> <u>[(g) / (h)]</u>
1	Residential/Small Commercial (G1R/G1CS)	59.93%	\$ 14,076,963	69.54%	\$ 34,194,005	\$ 48,270,968	478,494,428	\$0.1009
2	Firm Commercial Large/ Special Contract Service (G1CL/G8M/GCS-FIRM/GCS-G6M)	33.11%	7,777,211	29.95%	14,726,926	22,504,137	264,354,103	\$0.0851
3	Firm Commercial Seasonal (G1S)	0.95%	223,146	0.51%	250,776	473,921	7,603,929	\$0.0623
4	Interruptible Service (G2I/G3M/GCS-INTS/G7M)	6.01%	1,411,689	0.00%	-	1,411,689	47,971,752	\$0.0294
5	Total	100.0%	\$ 23,489,009	100.0%	\$ 49,171,707	\$ 72,660,716	798,424,212	

Note: Immaterial differences may occur due to rounding on all GCC schedules.

**Colorado Springs Utilities
Gas Capacity Charge (GCC)**

**SCHEDULE 2.1
GAS CAPACITY CHARGE ALLOCATION FACTORS (AF) ⁽¹⁾**

Line No.	Rate Class	Forecasted Sales 11/17 - 7/20 ⁽²⁾	AF01		AF02		
			Average Day <u>(d)</u> [(c)/(1003)]	% Sales <u>(e)</u>	Peak Day ⁽³⁾ <u>(f)</u>	Excess Peak Day <u>(g)</u> [(f) - (d)]	% Excess Day <u>(h)</u>
1	Residential/Small Commercial (G1R/G1CS)	478,494,428	477,063	59.93%	1,687,745	1,210,682	69.54%
2	Firm Commercial Large/ Special Contract Service (G1CL/G8M/GCS-FIRM/GCS-G6M)	264,354,103	263,563	33.11%	784,969	521,406	29.95%
3	Firm Commercial Seasonal (G1S)	7,603,929	7,581	0.95%	16,502	8,921	0.51%
4	Interruptible Service (G2I/G3M/GCS-INTS/G7M)	47,971,752	47,828	6.01%	47,828 ⁽⁴⁾	-	0.00%
5	Total	798,424,212	796,036	100.00%	2,537,045	1,741,008	100.00%

Notes:

⁽¹⁾ Volumes in Ccf at 12.01 PSIA.

⁽²⁾ Forecasted sales based on 2018 long term forecast.

⁽³⁾ Forecasted Peak Day volumes based on 2014 Natural Gas rate filing.

⁽⁴⁾ Interruptible Peak Day volumes based on 100% load factor.

Colorado Springs Utilities
Gas Capacity Charge (GCC)

SCHEDULE 2.2
FORECASTED GAS CAPACITY EXPENSE ⁽¹⁾

Line No.	Description	Account	Total Forecast Capacity Expense 11/17 - 7/20	Commodity Related Expense	Demand Related Expense
(a)	(b)	(c)	(d)	(e)	(f)
1	Retail Gas Transportation - Demand	804020	\$ 55,969,287	\$ 17,014,663	\$ 38,954,624
2	Retail Gas Transportation - Commodity	804020	1,626,330	1,626,330	-
3	Gas No-Notice Storage - Commodity	804040	327,375	327,375	-
4	Gas No-Notice Storage - Demand	804040	12,675,842 ⁽²⁾	3,853,456	8,822,386
5	Gas Young Storage - Commodity	804030	58,008	58,008	-
6	Gas Young Storage - Demand	804030	2,171,742	660,210	1,511,533
7	Gas Young Storage - Trans Demand	804030	-	-	-
8	Tallgrass - Trans Demand	804070	449,519	136,654	312,865
9	Total Forecasted Capacity Expense		<u>\$ 73,278,102</u>	<u>\$ 23,676,695</u>	<u>\$ 49,601,408</u>
10	Plus: Cumulative Over/(Under) Recovery ⁽³⁾		<u>(617,386)</u>	<u>(187,685)</u>	<u>(429,700)</u>
11	Total (Line 9 + Line 10)		<u>\$ 72,660,716</u>	<u>\$ 23,489,009</u>	<u>\$ 49,171,707</u>

Notes:

⁽¹⁾ Demand expense classified as commodity and demand related expense based on system load factor from 2014 Natural Gas rate filing: 30.4%.

⁽²⁾ Industrial Transportation Service (G4T) Daily Balancing Demand Charges reduce forecasted expense by \$196,418.

⁽³⁾ Forecasted Over/(Under) recovery from S2.3 Line 3.

**Colorado Springs Utilities
Gas Capacity Charge (GCC)**

**SCHEDULE 2.3
FORECASTED GAS CAPACITY COLLECTION BALANCE**

Line No.	Description	Collection Balance
(a)	(b)	(c)
1	Forecasted Over/(Under) Recovery as of 10/31/2017	\$ 638,627
2	Less: Forecasted Over/(Under) Recovery as of 7/31/2020	<u>21,241</u>
3	Cumulative Over/(Under) Recovery (Line 1 - Line 2)	<u><u>\$ (617,386)</u></u>