

# Colorado

Public Utilities Commission



*For Your Information*

*EG-3*

## UNDERSTANDING HOW THE GAS COST ADJUSTMENT WORKS

Have you noticed a charge on your natural gas bill for a “gas cost adjustment (GCA)”? Are you wondering what this charge is for? After reading this information, you will have a better understanding of how you are billed for the natural gas that you use.

### COMPONENTS OF A GAS BILL

Typically, your natural gas bill contains two parts. One part is a charge for your share of the pipes, meters and other facilities and administrative services that are required to deliver the gas to your residence or business. The other part is a charge for the actual amount of gas that you use each month. This usage portion typically accounts for 65-75 percent of a customer’s bill, and more when prices and consumption are higher.

The GCA is used by utilities to pass through to their customers market fluctuations in the wholesale price of natural gas. Wholesale prices were deregulated by the federal government in the 1980s and 1990s. **Neither the Public Utilities Commission nor the regulated gas utilities have control over wholesale gas prices.** Utilities obtain their gas supplies in this unregulated market and pass these costs on to their customers on a dollar-for-dollar basis. Utilities will use a number of price mitigation strategies – such as storage, hedging and long-term contracts – to try to keep gas costs down. But the utility does not make any profit from the natural gas commodity itself.

Xcel Energy, Colorado’s largest gas utility, adjusts retail gas prices on a monthly basis to reflect changes in wholesale prices. Other gas utilities make gas cost adjustments on an annual basis, but they are allowed to adjust prices more frequently when unexpected changes occur – such as a sharp spike in wholesale natural gas prices.

{PRIVATE }Because the price of natural gas at the wellhead is market-driven and potentially volatile, the law allows utilities to implement gas cost adjustments very quickly. Those gas purchase costs are reviewed by the PUC each summer and are subject to possible refund if they are found to be imprudent.

To reach PUC Consumer Affairs:

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## **WHAT CAN CONSUMERS DO TO MANAGE HIGHER GAS BILLS?**

Here are some steps that consumers can take to manage their winter gas bills:

- One option is to conserve on the use of natural gas. Lower consumption lessens the burden of higher gas prices by reducing the amount of dollars flowing from consumers for a given increase in price. In most markets, consumers cushion the impact of higher prices by cutting back on consumption. Although some energy efficiency efforts may be costly, and prohibitively expensive for some consumers, others can be achieved at low cost.
- A second option for consumers is to take advantage of bill payment plans, if offered by their local gas utility, to even out their monthly gas bills. These plans allow consumers to reduce their winter gas bills by paying more during other times of the year when gas consumption is typically much lower.
- A third option is for consumers who qualify to take advantage of energy assistance programs administered by different levels of government. For example, several states, including Colorado, have programs that subsidize low-income households that otherwise would find it difficult to pay their gas bills, especially during the winter months. As the gap between unsubsidized gas bills and “affordable” gas bills increases, it becomes more imperative for low-income households to avail themselves of assistance programs. Colorado customers who need help paying their energy bills should call 1-866-HEAT HELP (1-866-432-8435).
- A fourth option is for consumers to familiarize themselves with their gas utility’s disconnection policies. Consumers should also contact their utility prior to reaching the point of disconnection so payment plans can be worked out or funds from assistance programs can be made available.

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