

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

PROCEEDING NO. 21A – _____E

**IN THE MATTER OF THE VERIFIED APPLICATION OF BLACK HILLS COLORADO
ELECTRIC, LLC FOR APPROVAL TO RECOVER GAS COSTS ASSOCIATED WITH
THE FEBRUARY EXTREME COLD WEATHER EVENT**

DIRECT TESTIMONY AND ATTACHMENTS OF

KENT J. KOPETZKY

ON BEHALF OF

BLACK HILLS COLORADO ELECTRIC, LLC

NOTICE OF CONFIDENTIALITY

THE FOLLOWING ATTACHMENTS HAVE BEEN FILED UNDER SEAL:

Hearing Exhibit 103, Attachment KJK-2HC

Hearing Exhibit 103, Attachment KJK-3HC

These documents are filed under seal pursuant to 4 CCR 723-1-1100 and 1101

Redacted Versions have been filed publicly

May 18, 2021

SUMMARY OF THE DIRECT TESTIMONY OF KENT J. KOPETZKY

Mr. Kent J. Kopetzky is employed by Black Hills Service Company, LLC as a Senior Manager, Gas Supply Services. In this role, Mr. Kopetzky is responsible for responsible for leading the scheduling function, developing gas supply plans, and negotiating all physical gas supply purchases for the Pueblo Airport Generating Station (“PAGS”) units that serve the customers of Black Hills Colorado Electric, LLC (“BHCE” or the “Company”).

The purpose of Mr. Kopetzky’s Direct Testimony is to support BHCE’s request to recover the incremental gas commodity purchase costs associated with the extreme weather and natural gas market event that occurred in February of 2021, and particularly from February 13-17, 2021 (the “February Event”). Specifically, Mr. Kopetzky describes how BHCE plans for and makes its natural gas purchases to support PAGS’ natural gas-fueled turbines. He also provides detailed information regarding the Company’s gas purchases for and during the February Event, allowing BHCE to continue providing safe and reliable service to customers under extraordinary conditions.

Mr. Kopetzky begins his discussion by describing BHCE’s process for procuring natural gas through a combination of long-term baseload contracts, monthly baseload contracts, daily spot market purchases, and intra-day market purchases. For the month of February 2021, BHCE had one long-term baseload contract and one monthly baseload contract, which were planned in advance and based on competitive bidding. Procuring gas supplies through baseload contracts alone would not provide BHCE with the flexibility to match its gas supply purchases to PAGS’ changing daily needs. Additionally, BHCE’s interruptible storage contract is used solely for short-term supply balancing rather than for firm supply. BHCE therefore meets its remaining natural gas commodity needs with daily and intra-day market purchases.

Mr. Kopetzky next addresses the daily and intra-day gas procurement process. He explains that, industry-wide, daily spot market gas purchases are made on Monday, Tuesday, Wednesday, and Thursday for delivery on the next gas day and on Fridays for delivery on Saturdays, Sundays, and Mondays (and for Tuesdays following holiday weekends). Daily spot market purchases are priced either at a “Daily Index + Premium/Discount” price (daily index price plus agreed premium or discount) or a fixed price (firm price agreed between supplier and purchaser). Mr. Kopetzky explains that the Daily Index + Premium/Discount priced gas is the first type of daily spot market gas that is offered for sale each day, meaning that procurement on this basis best guarantees access to gas for periods when there are potential supply limitations.

Mr. Kopetzky then addresses the February Event itself. He begins by describing the unprecedented nature of the event in terms of market gas prices. To ensure sufficient supplies for PAGS to continue providing electric service to customers, BHCE relied on its baseload and monthly contracts for approximately 48.7 percent of gas supplies, and daily spot market purchases for the remainder. Specifically, BHCE made daily spot market purchases for the February Event on February 12 for February 13-16. Due to the extreme and persistent cold temperatures, BHCE purchased the highest of its forecasted requirements – Saturday, February 13 – and purchased the same volume of daily spot market gas for the four-day period – 29,000 Dth per day. In doing so, BHCE assured sufficient supply coverage and avoided any potential Operational Flow Order (“OFO”) penalties. Additionally, if BHCE had waited to purchase fixed price gas, it could have been forced to pay even higher prices or risked limitations on its access to gas.

Mr. Kopetzky also compares the pricing information available to BHCE when it made its gas purchases to where daily index prices ultimately landed. Before February 12, 2021, daily natural gas prices were around \$3 per dekatherm (“Dth”) at the three main price indices for

BHCE's daily spot purchases for PAGS. During the day on February 12, 2021 (after BHCE made its purchases), daily gas prices began spiking, resulting in midpoint settlement prices ranging from \$187.69 to \$224.56 per Dth at these three pricing locations, and the prices remained at the heightened levels through February 18, 2021. Since daily spot market gas prices are tied to the daily index, BHCE's actual cost purchased gas was much higher than anyone expected early in the morning of February 12. At the same time, BHCE's advance baseload purchases saved customers approximately \$22.6 million compared to daily spot market prices available during the February Event.

Ultimately, BHCE procured sufficient gas for each day of the February Event. For most days of the February Event, any excess supply was small and was automatically moved to BHCE's Swing Service balancing contract, where it rolls over from month to month to assist BHCE in balancing its gas load and supply. Additionally, on Tuesday, February 16, BHCE sold some of its excess gas supplies, obtaining \$775,000 in proceeds that offset and mitigate customer costs. Overall, the average price BHCE paid for its baseload and daily gas purchases used during the February Event was \$106.32 per Dth, whereas the five day (Feb. 13-17) average daily index price for gas at the Cheyenne Hub was \$168.671 per Dth per day. And throughout the February Event, BHCE assured adequate supplies to support PAGS operation and provide reliable electric service to BHCE customers.

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ATTACHMENTS

Hearing Exhibit 103, Attachment KJK-1	BHCE Detailed Timeline of February Event
Hearing Exhibit 103, Attachment KJK-2HC	Baseload and Daily Spot Market Purchases
Hearing Exhibit 103, Attachment KJK-2	Baseload and Daily Spot Market Purchases
Hearing Exhibit 103, Attachment KJK-3HC	Market Sale
Hearing Exhibit 103, Attachment KJK-3	Market Sale

LIST OF ACRONYMS AND DEFINED TERMS

BHC	Black Hills Corporation
BHCE	Black Hills Colorado Electric, LLC
BHSC	Black Hills Service Company, LLC
CIG	Colorado Interstate Gas
Company	Black Hills Colorado Electric, LLC
Dth	dekatherm
February Event	February 13-17, 2021
FERC	Federal Energy Regulatory Commission
GDPM	Generation Dispatch & Power Marketing
ICE	InterContinental Exchange
MT	mountain time
OFO	Operational Flow Order
PAGS	Pueblo Airport Generating Station

1 **DIRECT TESTIMONY OF KENT J. KOPETZKY**

2
3 **I. INTRODUCTION**

4 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

5 A. My name is Kent J. Kopetzky. My business address is 2287 College Road, Council Bluffs,
6 Iowa 51503.

7 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

8 A. I am employed by Black Hills Service Company, LLC (“BHSC”), a wholly owned
9 subsidiary of Black Hills Corporation (“BHC”). I am Senior Manager, Gas Supply
10 Services.

11 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING?**

12 A. I am testifying on behalf of Black Hills Colorado Electric, LLC (“BHCE” or the
13 “Company”) d/b/a Black Hills Energy.

14
15 **II. STATEMENT OF QUALIFICATIONS**

16 **Q. WHAT ARE THE DUTIES AND RESPONSIBILITIES IN YOUR CURRENT**
17 **POSITION?**

18 A. My current responsibilities include leading the scheduling function, developing gas supply
19 plans, and negotiating all physical gas supply purchases for BHC’s gas utility customers
20 in Iowa, Nebraska, and western Kansas, and BHC’s regulated power plants in Colorado,
21 Wyoming, and South Dakota.

1 **Q. PLEASE OUTLINE YOUR EDUCATIONAL AND PROFESSIONAL**
2 **BACKGROUND.**

3 A. My education, employment history, and professional experience is provided in
4 Appendix A.

5 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?**

6 A. No.

7

8 **III. PURPOSE OF TESTIMONY**

9 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

10 A. The purpose of my Direct Testimony is to support BHCE's request to recover the gas
11 commodity purchase costs associated with the extreme weather and natural gas market
12 event that occurred across the United States in February of 2021, and particularly from
13 February 13-17, 2021 (the "February Event"). As the Senior Manager of Gas Supply
14 Services, I provide information regarding how BHCE plans and makes its natural gas
15 purchases to support the operation of its Pueblo Airport Generating Station ("PAGS"),
16 which has several natural gas-fueled turbines. I also provide detailed information regarding
17 the Company's gas purchases during the extreme market and weather conditions of the
18 February Event and how those purchases allowed our PAGS natural gas generation units
19 to continue to provide safe and reliable electric service to our customers.

20 **Q. WHAT ARE THE ATTACHMENTS TO YOUR TESTIMONY?**

21 A. I am sponsoring the following attachments:

- Hearing Exhibit 103, Attachment KJK-1 BHCE Detailed Timeline of February Event

- Hearing Exhibit 103, Attachment KJK-2HC; Baseload and Daily Spot Market Purchases
- Hearing Exhibit 103, Attachment KJK-2 Baseload and Daily Spot Market Purchases
- Hearing Exhibit 103, Attachment KJK-3HC Market Sale
- Hearing Exhibit 103, Attachment KJK-3 Market Sale

1 **IV. OVERVIEW OF GAS SUPPLY AND PURCHASES**

2 **Q. FOR WHAT PURPOSES DOES BHCE, AN ELECTRIC UTILITY, PURCHASE**
3 **OR OTHERWISE USE NATURAL GAS?**

4 A. BHCE procures natural gas to operate the natural gas fueled-turbines at PAGS in Pueblo,
5 Colorado. BHCE owns two LMS100 units and an LMS6000 unit at PAGS, and a non-
6 regulated affiliate owns two combined cycle units also at PAGS. These five natural gas
7 generating units at PAGS have a combined nameplate capacity of 420 MW. The BHCE
8 Gas Supply team is responsible for arranging, procuring, and managing the gas supply and
9 pipeline capacity needed for all five of the PAGS units, rather than requiring the owners of
10 these respective units to contract separately and individually. This gas purchasing strategy
11 allows BHCE to mitigate not only the gas costs associated with its own units, but also the
12 gas costs for the third-party owned combined cycle units from which BHCE purchases
13 power.

14 **Q. WHAT GAS SUPPLY SOURCES ARE AVAILABLE TO BHCE TO PROVIDE**
15 **NATURAL GAS TO PAGS?**

16 A. Due to the location of PAGS, only two sources for gas supplies for PAGS are available.
17 First, is gas supplies from the Cheyenne Hub (North to South flow), which BHCE can
18 access from the Colorado Interstate Gas Company, LLC (“CIG”) pipeline. Second, are gas

1 suppliers from the Raton basin in southern Colorado (South to North flow) that is also
2 served by the CIG pipeline.

3 **Q. HOW DOES THE COMPANY PROCURE SUFFICIENT GAS SUPPLIES TO**
4 **SUPPORT THE OPERATION OF PAGS?**

5 A. The Gas Supply team is responsible for procuring sufficient natural gas supplies for PAGS
6 through a combination of long-term baseload contracts, monthly baseload contracts, daily
7 spot market purchases, and intra-day market purchases. During the month of February
8 2021, BHCE had one long-term baseload contract and one monthly baseload contract in
9 place. BHCE met its remaining natural gas commodity needs with daily and intra-day
10 market purchases. BHCE also has an interruptible storage contract, but this arrangement
11 is used for short-term supply balancing, not for firm supply.

12 **Q. WHAT ARE BASELOAD PURCHASES?**

13 A. Baseload purchases are purchases from counterparties for a term of one month or longer.
14 The volume of gas is the same each day of the month. For a baseload contract longer than
15 a month, the volume is the same each day of the month but may vary from month to month.
16 These volumes are priced at Inside FERC First-of-Month Index prices and do not fluctuate
17 during the month. Inside FERC First-of-Month Index prices are set at the average of the
18 current month's fixed price baseload trades.

19 **Q. HOW DOES BHCE DETERMINE THE VOLUME OF NATURAL GAS THAT IT**
20 **WILL ACQUIRE THROUGH A LONG-TERM BASELOAD CONTRACT?**

21 A. Long-term baseload supply volumes for PAGS are determined through a collaboration
22 process between the Gas Supply team and the Generation Dispatch & Power Marketing
23 ("GDPM") team for the upcoming year. PAGS consumes at least 15,000 Dth of natural

1 gas nearly every day of the year, and BHCE seeks to execute a long-term baseload contract
2 for this volume of baseload supply each year. This volume of long-term baseload supply
3 provides the appropriate combination of reliable, stable-priced natural gas supply, while
4 avoiding gas supplies in excess of PAGS' minimum daily requirements.

5 **Q. HOW DOES BHCE DETERMINE THE VOLUME OF NATURAL GAS THAT IT**
6 **WILL ACQUIRE THROUGH MONTHLY BASELOAD CONTRACTS EACH**
7 **MONTH?**

8 A. The dispatch of PAGS changes each month as the seasons and customer demands change.
9 During the summer months, PAGS consumes more gas than in the non-summer months.
10 Monthly baseload supply contracts allow the Company to appropriately supply PAGS with
11 seasonal baseload requirements. Monthly baseload supply volumes for PAGS are
12 determined through a collaboration process between the Gas Supply and the GDPM teams
13 for the upcoming month. As discussed in greater detail by Company witness Mr. Donald
14 E. Stahl, the GDPM team provides a forecast for the next months' expected daily usage
15 and the amount of incremental baseload gas is estimated and provided to the Gas Supply
16 team. The Gas Supply team then executes monthly baseload supply contracts. Monthly
17 baseload supply contracts are executed approximately 7 to 10 days prior to the beginning
18 of each month.

19 **Q. WHY DOESN'T BHCE RELY SOLELY ON BASELOAD CONTRACTS FOR ITS**
20 **GAS SUPPLY FOR PAGS?**

21 A. Procuring gas supplies solely through baseload contracts would not provide BHCE with
22 the flexibility to match its gas supply purchases to PAGS' changing daily needs. Under a
23 baseload contract, BHCE is required to purchase the same volume of gas each day of the

1 month. To procure sufficient gas for each day of the month, BHCE would have to set the
2 baseload contract volumes to cover the maximum daily forecasted load requirement for
3 that month. This means that BHCE would have excess gas supplies each day that PAGS'
4 actual load requirements is below the maximum forecasted daily load for the month. To
5 provide the flexibility and to better match gas purchases to load, BHCE relies on daily spot
6 market purchases to supplement its baseload supplies.

7 **Q. WHAT ARE DAILY SPOT MARKET GAS PURCHASES?**

8 A. Daily spot market purchases are gas purchases generally contracted the day before gas
9 delivery. For instance, daily spot market gas purchases are made on Monday, Tuesday,
10 Wednesday, and Thursday for delivery on the next gas day. Purchases made on Fridays are
11 typically for delivery on Saturdays, Sundays, and Mondays. There are also intraday daily
12 spot market purchases which are purchases for delivery the same day.

13 **Q. HOW ARE DAILY SPOT MARKET PURCHASES PRICED?**

14 A. Daily spot market purchases are priced either at a "Daily Index + Premium/Discount" price
15 or a fixed price. A Daily Index + Premium/Discount price is the daily index price plus an
16 agreed upon premium or discount of that daily index price. Typically, Daily Index +
17 Premium/Discount priced gas is the first type of daily spot market gas that is offered for
18 sale each day.

19 A fixed price is a set price that is agreed to between the supplier and purchaser
20 when the transaction is made. All fixed priced transactions that are reported to Platts are
21 used to calculate the weighted average midpoint index price for each delivery hub. Fixed
22 priced transactions could be above or below the midpoint index price that settles at the end
23 of the day.

1 **Q. HOW DOES BHCE GATHER DATA ABOUT DAILY MARKET PRICES?**

2 A. BHCE uses the InterContinental Exchange (“ICE”) trading platform to gather real-time
3 access to gas trading activity and pricing information.

4 **Q. HOW DOES BHCE MAKE ITS DAILY SPOT MARKET GAS PURCHASES?**

5 A. BHCE uses a communication tool on ICE to communicate and complete transactions with
6 counter parties. This tool is widely used in the natural gas trading industry. BHCE uses
7 the North American Energy Standards Board’s contracts and transaction confirmation for
8 all gas purchases.

9 **Q. HOW DOES BHCE DETERMINE THE VOLUME OF DAILY SPOT MARKET**
10 **GAS PURCHASES THAT IS NEEDED EACH DAY TO SUPPORT THE**
11 **OPERATION OF PAGES?**

12 A. As discussed by Company witness Mr. Stahl, BHCE’s GDPM team is responsible for the
13 Company’s weather and load forecasting, generation resource dispatch, and management
14 of the Company’s power purchases and sales. PAGES is the Company’s primary
15 dispatchable generation resource and as a result, the Company’s dispatch decisions for
16 PAGES dictate how much natural gas BHCE needs to purchase on any given day. GDPM
17 provides Gas Supply with a forecast of its daily natural gas supply needs for PAGES one to
18 two days in advance of the day of gas flow. Working from this forecast, the Gas Supply
19 team makes daily gas supply purchases to support the delivery of electric service to BHCE
20 customers.

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V. GAS PURCHASES DURING THE FEBRUARY EVENT

Q. PLEASE PROVIDE A BRIEF SUMMARY OF THE NATURAL GAS MARKET CONDITIONS DURING THE FEBRUARY EVENT.

A. As described in more detail by Company witness Mr. Michael Harrington, Presidents’ Day weekend of 2021 presented an unprecedented cold snap across much of the United States. Beginning on February 12, 2021, extremely cold temperatures engulfed much of BHCE’s service territory. The City of Pueblo recorded a temperature of -20 degrees Fahrenheit on February 15, 2021.

These widespread extreme cold temperatures led to increased demand for natural gas for home heating and electric generation across much of the central U.S. At the same time that demand was increasing, the cold led to well freeze-offs and natural gas processing plant outages that caused supply disruptions, leading to reduced supply to meet this increased demand.

This imbalance between demand and supply caused natural gas daily gas prices to rise to unprecedented levels. Prior to February 12, 2021, daily natural gas prices were around \$3 per dekatherm (“Dth”) at Cheyenne Hub, Panhandle TX-OK, and ANR OK, the three main price indices for our daily spot purchases for PAGS. During the day on February 12, 2021, daily gas prices began spiking, for gas to be delivered on February 13, resulting in midpoint settlement prices ranging from \$187.69 to \$224.56 per Dth at these three pricing locations, and the prices remained at the heightened levels through February 18, 2021.

1 The magnitude of this spike in natural gas prices was unprecedented. During the
 2 2014 Polar Vortex event, daily natural gas prices only rose to \$35 per Dth on February 6,
 3 2014 at the Cheyenne Hub. The unusual nature of the February Event price spike is
 4 demonstrated by the below table. This table provides the historical, maximum daily
 5 midpoint prices at the Cheyenne Hub, the Panhandle TX-OK, and the ANR OK pricing
 6 indices over the last 10 years (2011-2020) compared to the daily midpoint natural gas
 7 prices during the February Event.

Table KJK-1- Historical Daily Midpoint Gas Prices per Dth

Date	Cheyenne Hub Daily Midpoint (Max)		Panhandle TX-OK Daily Midpoint (Max)		ANR OK Daily Midpoint (Max)	
	2011-2020	2021	2011-2020	2021	2011-2020	2021
9-Feb	\$7.02	\$ 3.42	\$ 8.18	\$3.53	\$7.33	\$ 3.55
10-Feb	\$ 7.02	\$ 3.48	\$ 8.18	\$3.68	\$ 7.33	\$ 3.67
11-Feb	\$ 9.93	\$ 5.64	\$ 9.97	\$ 6.31	\$ 10.01	\$ 6.06
12-Feb	\$6.67	\$ 14.84	\$ 7.27	\$ 14.55	\$ 7.15	\$ 16.39
13-Feb	\$ 5.50	\$ 187.69	\$ 5.54	\$ 224.56	\$5.60	\$ 213.90
14-Feb	\$ 5.24	\$ 187.69	\$ 5.25	\$ 224.56	\$ 5.25	\$ 213.90
15-Feb	\$ 5.35	\$ 187.69	\$ 5.34	\$ 224.56	\$ 5.38	\$ 213.90
16-Feb	\$ 5.35	\$ 187.69	\$ 5.34	\$ 224.56	\$ 5.38	\$ 213.90
17-Feb	\$ 5.35	\$ 92.60	\$ 5.34	\$ 129.39	\$ 5.38	\$ 100.26

10 As a result of this unforeseen spike in natural gas prices during the February Event,
 11 BHCE experienced a significant increase in cost of the daily natural gas purchased from
 12 our gas suppliers. A detailed timeline of the relevant events from February 9-17, 2021 is
 13 provided as Attachment KJK-1.

14 **Q. WAS BHCE ABLE TO MAINTAIN RELIABLE ELECTRIC SERVICE FOR ITS**
 15 **CUSTOMERS DURING THE FEBRUARY EVENT?**

16 A. Yes. In spite of the volatility of the natural gas market conditions and the increase in
 17 electric demand, Black Hills’ customers did not lose electric service because of the
 18 February Event. BHCE was able to provide reliable electric service due to: (1) prudent gas

1 procurement for PAGS; (2) the availability of dispatchable resources; and (3) energy
 2 trading. I discuss the first of these three factors in greater detail later in my testimony. In
 3 his Direct Testimony, Company witness Mr. Stahl discusses the availability of dispatchable
 4 generating resources and energy trading.

5 **Q. WHAT TYPES OF NATURAL GAS SUPPLIES WERE USED BY BHCE TO**
 6 **SERVE PAGS DURING THE FEBRUARY EVENT?**

7 A. During the February Event, 48.7 percent of BHCE’s gas supplies were baseload purchases
 8 at the Inside FERC First-of-Month Index pricing. The remaining 51.3 percent were daily
 9 spot market purchases. A summary of natural gas purchases made by BHCE during the
 10 February Event is provided in Attachment KJK-2. A summary of the total volume of gas
 11 by source purchased during the February Event is provided in the table below.

12 **Table KJK-2: Gas Supply During the February Event**

Volume	2/13/2021	2/14/2021	2/15/2021	2/16/2021	2/17/2021	Total
Baseload- Long-term	15,000	15,000	15,000	15,000	15,000	75,000
Baseload- Monthly	7,000	7,000	7,000	7,000	7,000	35,000
Spot Market	29,000	29,000	29,000	29,000	-	116,000
Market Sale				(5,000)		
Total	51,000	51,000	51,000	51,000	22,000	226,000

15 **Q. DESCRIBE THE BASELOAD CONTRACTS THAT BHCE HAD IN PLACE**
 16 **PRIOR TO THE FEBRUARY EVENT.**

17 A. BHCE had one long-term baseload contract for 15,000 Dth per day and one monthly
 18 baseload contract for an additional 7,000 Dth per day, for a total of 22,000 Dth per day in
 19 baseload supply.

20 The long-term baseload contract was entered into in the summer of 2020 following
 21 a competitive bidding process. The monthly baseload contract for February 2021 was

1 entered into prior to the beginning of February, also following a competitive bidding
2 process. Additional details about these two baseload contracts is provided in Attachment
3 KJK-2.

4 **Q. DOES BHCE HAVE AN ESTIMATE OF THE COST SAVINGS THAT WERE**
5 **ACHIEVED BY RELYING ON ITS BASELOAD SUPPLIES DURING THE**
6 **FEBRUARY EVENT?**

7 A. Yes. During the February Event, the Company's reliance on these two baseload contracts
8 provided considerable protection against the extreme market conditions. These two
9 baseload contracts were priced at Inside FERC First-of-the Month Index pricing and thus
10 were not subject to the mid-month price spike during the February Event. Therefore, the
11 baseload contracts saved customers approximately \$22.6 million during the February
12 Event.

13 **Q. DID BHCE USE ANY STORAGE GAS SERVICES DURING THE FEBRUARY**
14 **EVENT?**

15 A. At the time of the February Event, BHCE did not have any gas in storage. However, even
16 if BHCE had gas in storage, BHCE would not have been able to access this stored gas
17 during the February Event because BHCE has an interruptible storage contract. During
18 this time period, pipelines were not allowing interruptible storage withdrawals.

19 **Q. DID BHCE MAKE DAILY SPOT MARKET GAS PURCHASES DURING THE**
20 **FEBRUARY EVENT?**

21 A. Yes. BHCE procures a varying amount of daily spot market gas nearly every day to
22 supplement its baseload and storage supplies. Given the Presidents' Day holiday weekend,
23 BHCE made daily spot market gas purchases on Friday, February 12 for delivery on

1 Saturday, February 13 through Tuesday, February 16. BHCE did not make any daily gas
2 purchases on Tuesday, February 16 for delivery on Wednesday, February 17.

3 **Q. PLEASE PROVIDE AN OVERVIEW OF THE WEATHER FORECAST LEADING**
4 **UP TO THE FEBRUARY EVENT AND ITS IMPACT ON MARKET PRICES.**

5 A. As discussed by Company witness Mr. Stahl, prior to the February Event, the weather
6 forecast projected colder than normal temperatures for much of the central portion of the
7 United States, including Colorado, for the Presidents' Day weekend. On February 9, 2021,
8 upstream pipeline operators started issuing cold weather alerts for the Presidents' Day
9 weekend. This is a typical practice in advance of cold weather events as operators want to
10 ensure that their shippers have sufficient gas to meet the increased demand due to cold
11 weather. Based on the forecasted cold temperatures, BHCE anticipated that there may be
12 an increase in gas prices during the Presidents' Day weekend, as there is during any cold
13 weather event, but there was nothing to indicate that gas prices would reach the historic
14 levels that they did.

15 **Q. DID DAILY GAS PRICES BEGIN TO INCREASE PRIOR TO THE FEBRUARY**
16 **EVENT?**

17 A. Yes. As shown in Table KJK-1 above, daily gas prices started to increase on Thursday,
18 February 11, 2021, but an increase in daily prices is not atypical at the beginning of cold
19 weather events due to the expected increase in demand for natural gas for heating and
20 electric generation.

1 **Q. WHY DID BHCE NEED TO MAKE DAILY GAS SPOT MARKET PURCHASES**
2 **ON FEBRUARY 12 FOR DELIVERY ON FEBRUARY 13-16?**

3 A. These daily spot market gas purchases were needed to supplement BHCE’s existing
4 baseload supplies to provide sufficient gas to allow PAGS to continue to operate during
5 the February Event. Company witness Mr. Stahl describes how GDPM made its dispatch
6 decisions for PAGS during the February Event based on weather forecasts, load forecasts,
7 and day ahead energy market prices.

8 **Q. WHEN DID GDPM PROVIDE GAS SUPPLY WITH ITS FORECASTED LOAD**
9 **REQUIREMENT FOR PAGS FOR THE FEBRUARY EVENT?**

10 A. On Thursday, February 11, at around 8:40 a.m. Mountain Time (“MT”),¹ GDPM provided
11 its forecasted natural gas supply needs for PAGS for Saturday, February 13 and Sunday,
12 February 14. On Friday, February 12, at 8:44 a.m., GDPM provided its forecasted natural
13 gas supply needs for PAGS for Monday, February 15 and Tuesday, February 16. On
14 Tuesday, February 16, at 9:44 a.m., GDPM provided its forecasted natural gas supply needs
15 for PAGS for Wednesday, February 17. The table below shows PAGS’ forecasted supply
16 needs as compared to its prearranged baseload supplies during the February Event.

17 **Table KJK-4: Gas Supplies and Forecasted Load Requirements**

	Sat., Feb. 13	Sun., Feb. 14	Mon., Feb. 15	Tues., Feb. 16	Wed., Feb. 17
Baseload Supplies	22,000 Dth	22,000 Dth	22,000 Dth	22,000 Dth	22,000 Dth
Forecasted Load	51,000 Dth	47,000 Dth	52,000 Dth	42,000 Dth	22,000 Dth

18

¹ All times are listed in Mountain Time unless otherwise noted.

1 Based on these forecasted load requirements, Gas Supply determined that
2 additional daily spot market purchases would be needed to supplement its baseload
3 supplies.

4 **Q. GIVEN THE NEED FOR DAILY GAS PURCHASES FOR THE UPCOMING**
5 **HOLIDAY WEEKEND, WHEN DID GAS SUPPLY START TO NEGOTIATE FOR**
6 **THESE PURCHASES?**

7 A. Given the limited number of gas suppliers for PAGS, the forecasted cold weather, and the
8 expected increase in PAGS' load requirements, Gas Supply knew that procuring sufficient
9 gas supplies for the Presidents' Day weekend could be challenging. To get an early start
10 on securing these gas supplies, BHCE started to talk with a gas supplier at 9:25 a.m. on
11 February 11 about their ability to deliver gas to PAGS for February 13-16. Gas Supply
12 talked with this supplier on and off all day on February 11, as this supplier was working
13 with CIG to determine whether or not they could make such a delivery. At approximately
14 8 p.m. on February 11, this gas supplier told BHCE that it was unable to make this gas sale
15 and delivery as their pipeline contract would not allow it.

16 **Q. AT WHAT TIME ON FRIDAY, FEBRUARY 12, DID BHCE MAKE ITS DAILY**
17 **SPOT MARKET GAS PURCHASES FOR FEBRUARY 13-16?**

18 A. BHCE made three daily gas purchases on Friday, February 12 for gas to be delivered on
19 February 13-16: two purchases at 6:28 a.m. and one purchase at 6:53 a.m. BHCE made
20 its daily spot market gas purchases early in the morning on February 12 to ensure that
21 BHCE was able to secure sufficient natural gas to meet PAGS' forecasted gas supply needs.
22 If BHCE had waited until later in the day on February 12 to make these purchases, BHCE
23 would have risked that it would not have been able to purchase a sufficient supply of daily

1 spot market gas for February 13-16. The details of these three daily spot market purchases
2 are provided in Attachment KJK-2.

3 **Q. PLEASE PROVIDE ADDITIONAL DETAILS ABOUT THE TWO DAILY SPOT**
4 **MARKET GAS PURCHASES THAT WERE MADE AT 6:28 A.M. ON FEBRUARY**
5 **12.**

6 A. At 5:57 a.m. on February 12, Gas Supply received several offers from a gas supplier for
7 daily spot market gas at a “Daily Index + Premium/Discount” price. At 6:25 a.m., BHCE
8 requested a refreshed offer from this gas supplier. At 6:28 a.m., BHCE received two
9 refreshed offers from the gas supplier that had lower premiums than the initial offers and
10 BHCE accepted these two offers. These two transactions were with the same gas supplier
11 that BHCE had been in contact with on February 11. The details of this transaction are
12 provided in Attachment KJK-2.

13 **Q. PLEASE PROVIDE ADDITIONAL DETAILS ABOUT THE DAILY SPOT**
14 **MARKET GAS PURCHASE THAT WAS MADE BY BHCE AT 6:53 A.M. ON**
15 **FEBRUARY 12.**

16 A. At 6:43 a.m. on February 12, BHCE received an offer from another gas supplier for daily
17 gas at a “Daily Index + Premium/Discount” price and then received another offer from a
18 different supplier at 6:49 a.m. that had more favorable pricing terms than the 6:43 a.m.
19 offer. At 6:53 a.m., BHCE accepted this second offer. The details of this transaction are
20 provided in Attachment KJK-2.

1 **Q. PLEASE PROVIDE ADDITIONAL DETAILS ABOUT THE VOLUME OF DAILY**
2 **GAS PURCHASED ON THE MORNING OF FRIDAY, FEBRUARY 12.**

3 A. Since daily gas was being traded on February 12 for February 13-16, BHCE relied on the
4 forecasted gas supply needs for PAGES provided by GDPM on February 11 for February
5 13-14 to set the volume of its daily spot market gas purchases. Due to the extreme and
6 persistent cold temperatures, BHCE purchased the highest of the forecasted requirements
7 – Saturday, February 13 – and purchased the same volume of daily spot market gas for the
8 four-day period – 29,000 Dth per day – to provide sufficient supply coverage to keep PAGES
9 running.

10 **Q. WHY DID BHCE PURCHASE THE SAME VOLUME OF GAS FOR FEBRUARY**
11 **13-16?**

12 A. BHCE wanted to ensure that it had sufficient gas supplies to support the continued
13 operation of PAGES during each day of this four-day period. It was also important to
14 purchase adequate gas supply to avoid a potential Operational Flow Order (“OFO”) penalty
15 for consuming more gas than BHCE purchases from its suppliers. These OFO penalties
16 are assessed on top of the purchased price of gas.

17 **Q. DID BHCE INCUR ANY OFO PENALTIES DURING THE FEBRUARY EVENT?**

18 A. No.

1 **Q. WHEN THESE DAILY SPOT MARKET GAS PURCHASES WERE EXECUTED**
 2 **ON FRIDAY, FEBRUARY 12, 2021, DID BHCE ANTICIPATE THAT THE DAILY**
 3 **GAS INDEXES WOULD SETTLE WHERE THEY DID?**

4 A. No, no one did. While prices were slowly increasing prior to the February Event, no one
 5 predicted that prices would reach historic levels. The table below shows the sudden,
 6 surprising nature of this price spike.

7 **Table KJK-5: February Daily Natural Gas Prices By Index**

Feb. 2021	Cheyenne Hub	ANR-OK	Panhandle TX-OK
1	2.565	2.570	2.550
2	2.655	2.650	2.665
3	2.830	2.845	2.825
4	2.805	2.800	2.760
5	2.875	2.860	2.905
6	3.490	3.555	3.515
7	3.490	3.555	3.515
8	3.490	3.555	3.515
9	3.415	3.545	3.525
10	3.475	3.665	3.675
11	5.635	6.055	6.310
12	14.840	16.390	14.545
13	187.690	213.895	224.560
14	187.690	213.895	224.560
15	187.690	213.895	224.560
16	187.690	213.895	224.560
17	92.595	100.260	129.385
18	20.440	24.770	23.390
19	5.810	6.220	6.265
20	3.730	4.135	4.010
21	3.730	4.135	4.010
22	3.730	4.135	4.010
23	2.650	2.675	2.590
24	2.700	2.680	2.645
25	2.630	2.605	2.540

Feb. 2021	Cheyenne Hub	ANR-OK	Panhandle TX-OK
26	2.485	2.455	2.340
27	2.485	2.455	2.340
28	2.485	2.455	2.340

1
2 **Q. WHY DID BHCE PURCHASE “DAILY INDEX + PREMIUM/DISCOUNT”**
3 **PRICED DAILY GAS RATHER THAN FIXED PRICE GAS?**

4 A. There are several reasons. First, as I mentioned earlier, “Daily Index + Premium/Discount”
5 priced gas is the first type of daily gas that trades each day. There are a limited number of
6 suppliers in the Raton Basin where BHCE sources part of its supply for PAGS, so it is
7 important for BHCE to complete its trades early in the day to ensure that it can purchase
8 its needed daily supplies.

9 Second, the price for “Daily Index + Premium/Discount” is an effective purchasing
10 practice for risk mitigation. With “Daily Index + Premium/Discount” prices, BHCE avoids
11 the risk of purchasing fixed price gas at a price that is higher than the prevailing market
12 price.

13 Third, the fixed price often climbs throughout the day when extreme cold is
14 forecasted as there is less supply to meet that demand as the day wears on. If BHCE had
15 waited to purchase fixed price gas, it could have been forced to pay a high fixed price as
16 these prices climbed throughout the day on Friday, February 12.

17 **Q. WHAT ACTIONS DID BHCE TAKE OVER THE PRESIDENTS’ DAY WEEKEND**
18 **TO MONITOR GAS PRICES AND SUPPLY?**

19 A. Over the Presidents’ Day weekend, Gas Supply was constantly checking the price of
20 natural gas and monitoring CIG’s website to ensure that the purchased gas supply was

1 reliable and being delivered to PAGS. The Gas Supply team worked throughout the
2 weekend on these matters, ensuring the reliability of BHCE's gas supply for PAGS.

3 **Q. DID BHCE MAKE ANY ADDITIONAL DAILY SPOT MARKET GAS**
4 **PURCHASES AFTER FRIDAY, FEBRUARY 12?**

5 A. Other than the purchases made on February 12, no additional daily purchases were made
6 by BHCE during the February Event. However, during the weekend, BHCE solicited
7 offers from gas suppliers for an additional 1,000 Dth of gas for delivery on Monday,
8 February 15, as GDPM's projected requirement for PAGS showed a shortfall of gas
9 supplies for that day. BHCE did not end up executing on this additional purchase because
10 the offers received from suppliers ranged from \$250 to \$300 per Dth. Rather than
11 purchasing additional gas at these high prices, BHCE decided to wait to see if the forecasted
12 additional gas would in fact be needed. Ultimately, BHCE determined that these additional
13 gas supplies were not needed.

14 BHCE also solicited offers from gas suppliers for a potential intraday daily
15 purchase on Wednesday, February 17 due to the potential for energy purchase cuts. As
16 described by Mr. Stahl, rather than purchasing additional gas at the continued high prices,
17 GDPM managed the potential gas shortage by importing purchased power and reducing
18 generation at PAGS.

19 **Q. DID BHCE CONTINUE TO MONITOR NATURAL GAS PRICES AND ITS GAS**
20 **SUPPLY OVER THE FOLLOWING WEEK?**

21 A. Yes. BHCE continued to closely monitor gas prices and its supply into the following week.
22 For instance, on Monday, February 15, BHCE received a call from one of its suppliers
23 warning that there could be gas supply cuts due to supply shortfalls. Based on this

1 information, BHCE more closely monitored the pipeline throughout the day and followed
 2 up with the supplier late in the afternoon to verify that BHCE’s supply was still stable.

3 **Q. DID THE COMPANY ACQUIRE NATURAL GAS THAT EXCEEDED PAGS’**
 4 **ACTUAL LOAD DURING THE FEBRUARY EVENT?**

5 A. With the exception of Wednesday, February 17, BHCE had some excess gas supply for
 6 each day of the February Event. While Gas Supply aims to procure only enough gas to
 7 meet PAGS’ forecasted load requirements, there is no way to forecast these load
 8 requirements with 100 percent accuracy. BHCE seeks to procure sufficient daily gas
 9 supplies to not only meet PAGS’ needs but to also avoid Under Delivery OFO penalties.

10 As shown in the table below, for most days of the February Event, this excess
 11 supply was small and was automatically moved to BHCE’s Swing Service contract by the
 12 pipeline, which is a balancing contract under CIG’s tariff. Under this Swing Service
 13 contract, any excess gas rolls over from month to month to assist BHCE in balancing its
 14 gas load and supply. On Tuesday, February 16, BHCE sold some of its excess gas supplies.

15 **Table KJK-6: Actual Load Compared to Total Gas Supply (Dth)**

	Sat., Feb. 13	Sun., Feb. 14	Mon., Feb. 15	Tues., Feb. 16	Wed., Feb. 17
Baseload Supplies	22,000	22,000	22,000	22,000	22,000
Daily Gas Purchases	29,000	29,000	29,000	29,000	0
Forecasted Load	51,000	47,000	52,000	42,000	22,000
Actual Load	47,480	49,641	39,599	44,256	26,604

1 **Q. WHY DID BHCE APPLY THESE EXCESS GAS AMOUNTS TO ITS SWING**
2 **SERVICE CONTRACT ON FEBRUARY 13-15 RATHER THAN TRYING TO**
3 **SELL IT?**

4 A. On Saturday, February 13, and Sunday, February 14, BHCE applied its excess gas to its
5 Swing Service contract rather than trying to sell it. Prior to the end of the day on either
6 February 13 or 14, it would have been difficult to predict that BHCE would end up with
7 excess gas supply.

8 GDPM had forecasted that Monday, February 15, would have the highest load
9 requirements. Based on this forecast, it was too risky to try to sell excess gas on Monday,
10 February 15. As described by Company witness Mr. Stahl, as February 15 progressed,
11 temperatures began to rise and wind generation increased resulting in lower than forecasted
12 load requirements for PAGS.

13 By Tuesday, February 16, when temperatures continued to rise and wind generation
14 increased, BHCE determined that it would have excess gas that could be sold based on the
15 hourly usage at PAGS and the updated forecasts provided by GDPM.

16 **Q. PLEASE PROVIDE ADDITIONAL DETAILS ABOUT THE GAS SALE ON**
17 **FEBRUARY 16.**

18 A. At around 1 p.m. on February 16, BHCE began discussing a potential sale of gas with
19 potential buyers and these negotiations continued until 3 p.m. At 3 p.m., BHCE sold 5,000
20 Dth of gas. This transaction resulted in a sale valued at \$775,000. This sale is a direct
21 offset to the gas costs for the February Event and helps to mitigate the rate impact of this
22 event. Additional details about this sale are provided in Attachment KJK-3.

1 **Q. HOW DOES THE AVERAGE PRICE PAID BY BHCE FOR ALL ITS GAS**
2 **SUPPLIES COMPARE TO THE MARKET PRICE FOR GAS DURING THE**
3 **FEBRUARY EVENT?**

4 A. The average price that BHCE paid for its baseload and daily gas purchases that was used
5 during the February Event was \$106.32 per Dth whereas the average daily index price for
6 gas on the Cheyenne Hub was \$168.671 per Dth per day.

7 **Q. PLEASE SUMMARIZE WHY BHCE'S GAS PURCHASES DURING THE**
8 **FEBRUARY EVENT WERE REASONABLE AND PRUDENT.**

9 A. BHCE's primary obligation is to provide safe reliable electric service to its customers.
10 During the extreme cold temperatures of February Event, BHCE was able to provide safe
11 and reliable electric service because it had procured sufficient baseload and daily spot
12 market gas supplies to allow PAGS to continue to operate. As daily gas prices spiked, the
13 Company's strategic and proactive purchases of baseload contracts in advance of this event
14 provided considerable price protection to BHCE customers and saved customers \$22.6
15 million. During the February Event, BHCE also continued to actively manage its natural
16 gas supplies and was able to sell excess gas to mitigate the impact of the price spike on
17 BHCE's customers, resulting in an offset of \$775,000. As a result of BHCE's strategic
18 advance planning and gas purchasing, as well as its active management of its gas supplies
19 during the February Event, the average gas price paid by BHCE during the February Event
20 was below the average daily index price for gas on the Cheyenne Hub.

1

VI. CONCLUSION

2

Q. DOES THIS CONCLUDE YOUR PRE-FILED DIRECT TESTIMONY?

3

A. Yes.

Appendix A

Statement of Qualifications

Kent Kopetzky

I obtained a Bachelor of Journalism degree in Broadcasting from the University of Nebraska-Lincoln in 1993. I began my career in the natural gas industry in 1998 when I joined UtiliCorp United/Aquila as a Regulatory Analyst in Omaha, Nebraska. My primary responsibility was the preparation of gas supply cost adjustment compliance filings. I relocated to the Kansas City area in 2001 after accepting a job as the Gas Supply Representative for Aquila's regulated natural-gas-fired power plants in Colorado, Kansas and Missouri. My primary responsibilities included communication of our power plants' daily, monthly and long term natural gas supply needs to our Gas Supply unit. I also helped develop and execute a gas hedging plan for the gas-fired generation units. I moved back to Omaha in 2003 after accepting a job as Senior Gas Volume Analyst in Aquila's regulated gas supply group. My initial responsibilities initially included gas scheduling and capacity management for both our gas utility and regulated power plants, and my duties eventually expanded into gas purchasing. In 2006, I was promoted to Manager, Gas Supply Services where my primary responsibilities included oversight of pipeline nominations, daily and monthly gas purchasing, and the development and support of natural gas requirements for both the company's gas utilities and gas fired power plants.

I became a Black Hills employee after Black Hills purchased Aquila's gas utility assets and the Colorado Electric utility in 2008. I was promoted to Senior Manager, Gas Supply in 2012. My current responsibilities include leading the scheduling function, developing gas supply plans, and negotiating all physical gas supply purchases for Black Hills gas utility customers in Iowa,

Nebraska, and western Kansas, and the Company's regulated power plants in Colorado, Wyoming and South Dakota.

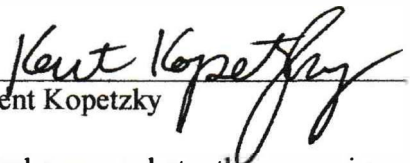
BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO
PROCEEDING NO. 21 - __E

**IN THE MATTER OF THE VERIFIED APPLICATION OF BLACK HILLS COLORADO
ELECTRIC, LLC FOR APPROVAL TO RECOVER GAS COSTS ASSOCIATED WITH
THE FEBRUARY EXTREME COLD WEATHER EVENT**


State of South Dakota)
) SS. Affidavit Adopting
County of Pennington) Direct Testimony and Attachments

Kent Kopetzky being duly sworn, states that he is the Kent Kopetzky whose Direct Testimony and Attachments in the above-captioned proceeding accompany this Affidavit.

Kent Kopetzky further states that such Direct Testimony is a true and accurate statement of his answers to the questions contained therein, and that he does adopt those answers as his sworn Testimony in this proceeding. Kent Kopetzky further states that such Attachments that accompany his Direct Testimony are true and accurate.


Kent Kopetzky

On May 14, 2021, appeared Kent Kopetzky, not in my physical presence but rather appearing remotely by means of communication technology from 2287 College Rd., Council Bluffs, Iowa 51502, known to me to be the person who executed the foregoing instrument, and acknowledged that he executed the same as his free act, and deed.


Notary Public



My Commission Expires June 22, 2023

Commission Expires: _____