

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO**

DOCKET NO. 02A-588G

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IN THE MATTER OF THE APPLICATION OF PUBLIC SERVICE COMPANY OF COLORADO FOR AN ORDER APPROVING ITS REFUND PLAN, AUTHORIZING IT TO CREDIT THE COST OF GAS FOR SUPPLIERS' REFUNDS RECEIVED, THE FURTHER DISTRIBUTION OF SAID SUPPLIER REFUNDS RECEIVED, AND DIRECTING APPLICANT TO COLLECT SUPPLIER REFUNDS RELATED TO KANSAS *AD VALOREM* TAX OVERCOLLECTIONS ATTRIBUTABLE TO SALES SERVICE BY APPLICANT'S PREDECESSOR IN AND AROUND STERLING, COLORADO.

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**COMMISSION ORDER APPROVING  
PROPOSED GAS REFUND PLAN**

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Mailed Date: March 10, 2003

Adopted Date: February 26, 2003

**I. BY THE COMMISSION**

**A. Statement**

1. On November 4, 2002, Public Service Company of Colorado (Public Service or Applicant) filed an Application for a Commission Order approving a proposed gas refund plan. Notice of the Application was given to all interested persons, firms, and corporations on November 6, 2002, by the Commission.

2. On December 18, 2002, by Decision No. C02-1431, the Commission deemed the application incomplete and directed Public Service to file supplemental material to complete this application.

3. On February 28, 2003, Public Service supplemented the application by a letter from Kinder Morgan Interstate Gas Transmission Company LLC (KMIGT) agreeing to release

certain refund monies payable to Iowa Electric Light and Power Company (Iowa Electric) subject to certain conditions.

4. No protests or motions to intervene in opposition have been filed in connection with this Application for a proposed gas refund plan. Accordingly, because the Application is uncontested, it may be determined without hearing, in accordance with § 40-6-109(5), C.R.S., and Rule 24 of the Commission's Rules of Practice and Procedure.

**B. Findings of Fact**

5. Applicant is an operating public utility subject to the jurisdiction of this Commission and is engaged in, *inter alia*, the purchase, transmission, distribution, transportation, and resale of natural gas in various certificated areas within the State of Colorado.

6. Applicant's natural gas supplies for sale to its residential, commercial, industrial, and resale customers, are purchased from numerous producer/suppliers located inside and outside of the State of Colorado. The rates and charges incident to these purchases are established through contracts between Applicant and the various producer/suppliers.

7. These gas supplies are either delivered directly into Applicant's natural gas pipeline system or through several interstate pipeline and/or storage facilities with which Applicant is directly connected. The transportation of these gas supplies is made pursuant to service agreements between Applicant and upstream pipeline service providers based upon Applicant's system requirements for the various pipeline services, such as gathering, storage, and transportation. These upstream pipeline service providers include: Colorado Interstate Gas Company (CIG); Wyoming Interstate Company, Ltd. (WIC); KMITG; Williams Gas Pipelines Central, Inc. (Williams); and Young Gas Storage Company, Ltd. (Young).

8. CIG, WIC, Kinder Morgan, Inc. (KMI), Williams, and Young are natural gas companies under the provisions of the Natural Gas Act, as amended, and the rates and charges incident to the provision of the various pipeline delivery services to Applicant are subject to the jurisdiction of the Federal Energy Regulatory Commission (FERC). This Commission has no jurisdiction over the pipeline delivery rates of CIG, KMI, Western Natural Gas Company, and Young, but it expects Applicant to negotiate the lowest prices for supplies of natural gas that are consistent with the provisions of the Natural Gas Policy Act of 1978, 15 U.S.C. §§ 3301-3432 (Public Law 95-621) and applicable federal regulations (or determinations made under applicable federal regulations).

9. By its Application, Public Service proposes: (1) to credit the Deferred Gas Cost account (Account No. 191) by \$241,541.10, reflecting refunds received from various suppliers plus accrued interest through December 31, 2002;<sup>1</sup> (2) to “carve-out” a contribution of \$79,654.81 to the Colorado Energy Assistance Foundation (CEAF), equal to 25 percent of the additional Kansas *ad valorem* tax refunds received by Applicant since its last distribution of Kansas *ad valorem* tax refunds pursuant to Decision No. C01-1002 in Docket No. 01A-360G, and to remit payment of such amount directly to CEAF; and (3) to directly remit to the former sales for resale customers of Western Gas Supply Company (WestGas), the former intrastate pipeline subsidiary of Public Service, then allocable share of Kansas *ad valorem* refund proceeds equal to \$2,609.89.

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<sup>1</sup> Public Service has calculated interest through December 31, 2002 and represented that it will recalculate the accrued interest to coincide with the actual date of the credit and disbursement upon receipt of the Commission’s decision approving this Refund Plan. (See next paragraph or paragraph no. 10.)

10. Public Service has calculated interest only through December 31, 2002 to coincide with the anticipated date, following Commission approval of this application, that the proposed credit to the Deferred Gas Cost account and disbursement of funds will be made. Based on the Commission's decision approving this Refund Plan, Public Service will recalculate the accrued interest to coincide with the actual date of the credit and disbursement. The interest that Applicant will apply to each refund shall be the interest rate the Commission authorizes for customer deposits and will be recalculated from December 31, 2002 to the mid-point of the refund distribution period.

11. Public Service proposes to reduce the Deferred Gas Cost account (Account No. 191) balance by crediting an amount attributable to certain refunds received by Public Service since its last refund application in Docket No. 01A-360G, from various interstate pipeline suppliers, as discussed in more detail below, along with accumulated interest thereon.

12. Since its 2001 disbursement of supplier refunds in accordance with the refund plan approved in Docket No. 01A-360G, Public Service has received additional refunds related to Kansas *ad valorem* tax overcollections and other matters. Through checks dated June 3, 2002, Public Service received a refund of \$272,505.33 from KMIGT associated with overcharges attributable to Kansas *ad valorem* taxes pursuant to the settlement approved by the FERC in Docket No. RP98-53-024. Of this \$272,505.33, \$258,099.67 is attributable to purchases made on behalf of Public Service's retail customers, and the remaining \$14,405.66 is attributable to purchases made on behalf of WestGas customers. The WestGas share of the refunds is further broken down as \$12,812.68 for sales for Public Service and \$1,592.98 for sales to resale customers. Interest accrued since the receipt of the \$270,912.35 (\$258,099.67 + \$12,812.68) of

refunds attributable to sales customers through December 31, 2002, calculated at the current Commission-authorized annual Customer Deposit rate of 4.32 percent, is \$6,765.53. Interest on the remaining \$1,592.98 WestGas sales for resale portion of the KMIGT Kansas *ad valorem* refund amount through December 31, 2002 is \$39.77.

13. On September 20, 2002, Public Service received a further refund of \$38,628.70 from CIG associated with overcharges attributable to Kansas *ad valorem* taxes. Of this \$38,628.70, \$29,966.07 is attributable to purchases made on behalf of Public Service's retail customers and the remaining \$8,662.63 is attributable to purchases made on behalf of WestGas customers. The WestGas share of the refunds is further broken down as \$7,704.72 for sales for Public Service and \$957.91 for sales to resale customers. Interest accrued since the receipt of the \$37,670.79 (\$29,966.07 + \$7,704.72) of refunds attributable to sales customers through December 31, 2002, calculated at the current Commission-authorized annual Customer Deposit rate of 4.32 percent, is \$3,270.54 (\$3,115.87 + \$154.67). Interest on the remaining \$957.91 WestGas sales for resale portion of the KMIGT Kansas *ad valorem* refund amount through December 31, 2002 is \$19.23.

14. On February 22, 2001, Public Service received a check for \$154.00 from Williams related to FERC Docket No. IN01-2-000. In that docket, on December 26, 2000, FERC approved a Stipulation and Agreement that required Williams to refund to customers amounts resulting from a rate base reduction due to the removal of storage gas from Williams' Webb Storage Field. Interest accrued at the Customer Deposit Rate since the receipt of this \$154.00 is \$14.17. Because of the small amount, this supplier refund was inadvertently not included in the

refund plan proposed in 2001. Public Service requests that these funds be credited to Deferred Gas Cost account (Account No. 191).

15. On April 4, 2002, Public Service received an Imbalance Revenue Reconciliation check for \$2,342.00 from KMIGT related to FERC Docket No. RP02-122-000. In that docket, on March 29, 2002, FERC ordered KMIGT to refund to firm transportation and no-notice customers any amounts due to imbalance penalties and imbalance revenues, net of costs, associated with the period October 1, 2000 through September 30, 2001. Interest accrued at the Customer Deposit Rate since the receipt of this \$2,342.00 is \$66.53. Public Service requests that these funds be credited to Deferred Gas Cost account (Account No. 191).

16. Except as otherwise specifically described below, the refund plan includes all of the Applicant's service areas and all of Applicant's sales customers. Other than WestGas, Public Service is not affiliated with any other company involved in the refund plan.

17. Public Service has not received from KMIGT the Kansas *ad valorem* tax over-collections attributable to sales service provided by Iowa Electric to customers in and around Sterling, Colorado and requests that the Commission's order approving the refund plan proposed in this Application, also direct Public Service to collect from KMIGT said supplier refunds relating to Kansas *ad valorem* tax. Iowa Electric was the customer of record on KMIGT's system at the time of the Kansas *ad valorem* tax surcharge.

18. On March 31, 1986, Public Service purchased the natural gas distribution rights, properties, and facilities of Iowa Electric in and around the City of Sterling, Colorado. The

Purchase Agreement generally provides that Iowa Electric is to be responsible for handling any over or undercollections prior to closing.

19. Iowa Electric is now known as IES Utilities, Inc., a wholly-owned subsidiary of Alliant Energy Corporation, headquartered in Madison, Wisconsin. Iowa Electric no longer operates as a public utility in Colorado and is not in a position to disburse the overcollections of Kansas *ad valorem* tax attributable to the Sterling service territory to Colorado customers. Accordingly, Public Service proposes that the Commission direct that Public Service collect the Kansas *ad valorem* tax refunds being held in suspense by KMIGT for the Sterling service territory.

20. The Commission deemed this application incomplete in Decision No. C02-1431 since there was a high degree of uncertainty associated with the timing and amount of said refund money. Public Service was unable to obtain authorization from Iowa Electric to collect the refund money from KMIGT and to make the refund on behalf of Iowa Electric to Colorado customers. However, Public Service was able to obtain a letter from KMIGT which Public Service filed on February 18, 2003 to supplement this application. The letter from KMIGT represents that KMIGT may release these suspended funds to Public Service subject to the necessary release and indemnification from Public Service, and upon Commission order directing Public Service to disburse said refunds.

21. The Commission deemed the application complete by minute entry on February 26, 2003. The Commission agrees that since KMIGT is willing to release the refund money for Iowa Electric to Public Service for disbursement, Public Service should proceed to collect said refund monies for inclusion in this refund.

22. Applicant states that as the amounts set forth above were received, Account 130-Cash was debited and Account 242-Gas Refund Liability was credited. In order to reflect monthly interest subsequent to receiving these amounts, Account 431-Interest Expense will be debited and Account 242-Gas Refund Liability will be credited. When the amounts are finally refunded, Account 242-Gas Refund Liability will be debited, and Account 191-Deferred Gas Cost will be credited. For refunds to the former WestGas sales for sale customers, the same accounting entries will be made with the exception of the last entry, where Account 142 – Customer Accounts Receivable will be credited instead of Account 191.

23. Public Service recognizes that its proposal regarding eligibility for refunds will result in no unclaimed refund amount, 90 percent of which would otherwise be paid to CEAF pursuant to § 40-8-101(2), C.R.S. So that CEAF will not be adversely impacted by this proposal, Applicant requests that it be authorized to reduce the amount of the available refund monies by 25 percent, and that such amount be paid to CEAF as a reasonable proxy of 90 percent of what might otherwise have been expected to have gone unclaimed under a more traditional refund approach. Said percentage is consistent with prior Public Service refund proposals on the Kansas *ad valorem* tax. In Docket Nos. 98L-409G and 01A-360G, Public Service proposed and the Commission approved a 25 percent carve out and payment to CEAF of the total Kansas *ad valorem* tax refunds received by Public Service in 1998. Applicant proposed 25 percent because the time period applicable for the Kansas *ad valorem* tax is September 1983 through June 1988. The same percentage is proposed here since the majority of refund monies in the instant application is a result of the Kansas *ad valorem* tax refund.



24. Public Service proposes to issue payment of the allocated portion of Kansas *ad valorem* tax refunds to the former WestGas sales for resale customers, including accrued interest and the aforementioned adjustments, either by wire transfer or by check, whichever is desired by said customers.

25. In accordance with Rule 58 of the Commission's Rules of Practice and Procedure, 4 *Code of Colorado Regulations* 723-1, Applicant will submit an affidavit establishing the refund has been made in accordance with the Commission's decision.

26. The Commission concludes, based upon the foregoing findings of fact, that Public Service's application for a proposed gas refund plan is in the public interest and should be granted.

27. In lieu of rejecting this application and closing the docket, the Commission will allow the Applicant additional time to file a supplement to complete the application.

## **II. ORDER**

### **A. The Commission Orders That:**

1. The proposed refund plan, as supplemented, is approved.
2. Public Service Company of Colorado is hereby directed to collect from Kinder Morgan Interstate Gas Transmission LLC the amount of Kansas *ad valorem* tax refunds due Iowa Electric Light and Power Company and to include said amount in the refunds to its Colorado customers. Interest shall accrue on this refund amount from the date of receipt to the mid-point of the refund distribution period.

3. Public Service Company of Colorado is authorized to effect refunds, to its customers in accordance with the above Findings of Fact above, with interests accrued to December 31, 2002 and to be recalculated to the mid-point of the refund distribution period. Specifically, Public Service Company of Colorado is authorized to: (1) to credit the Deferred Gas Cost account (Account No. 191) by \$241,541.10 with accrued interests from December 31, 2002; (2) to “carve-out” a contribution of \$79,654.81 to the Colorado Energy Assistance Foundation, and to remit payment of such amount directly to the Colorado Energy Assistance Foundation; and (3) to directly remit to the former sales for resale customers of Western Gas Supply Company, their allocable share of Kansas *ad valorem* refund proceeds equal to \$2,609.89.

4. Public Service Company of Colorado shall submit an affidavit establishing that the total amount of refund monies has been recalculated with additional interest and with the inclusion of monies from Kinder Morgan Interstate Gas Transmission LLC, and that that refund has been made in accordance with the Commission’s decision.

5. The Commission’s acceptance of the proposed refund plan (including the use of 25 percent as a reasonable proxy of 90 percent of what might otherwise have been expected to have gone unclaimed be paid to the Colorado Energy Assistance Foundation pursuant to § 40-8-101(2), C.R.S.) of refund monies received to date from various Federal Energy Regulatory Commission dockets does not constitute approval of, or precedent regarding, any principle or issue in any gas cost adjustment, refund, or rate case dockets.

6. This Order is effective upon its Mailed Date.

**B. ADOPTED IN COMMISSIONERS' WEEKLY MEETING  
February 26, 2003.**

(S E A L)



ATTEST: A TRUE COPY

**Bruce N. Smith**  
Director

THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF COLORADO

**GREGORY E. SOPKIN**

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**POLLY PAGE**

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**JIM DYER**

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Commissioners