Decision No. C03-0286

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

DOCKET NO. 03L-086G

~~Date Drafted: March 17, 2003~~
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~~Drafted By: B. Kwan~~
~~Mailing Priority: 2~~

IN THE MATTER OF THE APPLICATION OF PUBLIC SERVICE COMPANY OF COLORADO FOR AN ORDER AUTHORIZING IT TO EFFECT CERTAIN REVISIONS IN GAS RATES UPON LESS THAN STATUTORY NOTICE.

COMMISSION ORDER AUTHORIZING
UPWARD REVISIONS OF GAS RATES

Mailed Date: March 20, 2003
Adopted Date: March 20, 2003

I. BY THE COMMISSION:

A. Statements

1. On March 7, 2003, Public Service Company of Colorado (Public Service or Applicant) filed a verified application. Applicant seeks a Commission order authorizing it, without formal hearing and on less-than-statutory notice, to place into effect on March 21, 2003, tariffs resulting in an increase to its existing natural gas rates now on file with the Commission.

2. In addition, pursuant to Rule 4 *Code of Colorado Regulations* (CCR) 723-16-3 of the Commission's rules governing the treatment of confidential information, Public Service has filed under seal an original and six copies of Gas Cost Adjustment (GCA) Exhibit No. 2 containing material that it claims is highly confidential, proprietary and market-sensitive.

3. On March 17, 2003, Applicant filed a Motion for Leave to Amend Application to Include Request for Waiver of GCA Rules. Public Service requests a one-time waiver of any technical requirements of the Commission's GCA Rules, 4 CCR 723-8, which the Commission deems necessary to allow the proposed GCA to go into effect March 21, 2003.

~~3.~~4. The proposed tariffs are attached to the application, and affect Applicant's customers in its Colorado certificated areas on file with the Commission.

~~4.~~5. This application for authority to increase rates is made under § 40-3-104(2), C.R.S., and 4 CCR 723-1-41.5.

B. Findings of Fact

~~1.~~6. Applicant is an operating public utility subject to the jurisdiction of this Commission and is engaged, *inter alia*, in the purchase, transmission, distribution, transportation, and resale of natural gas in various certificated areas within the State of Colorado.

~~2.~~7. 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.

~~3.~~8. These gas supplies are either delivered directly into Applicant's natural gas pipeline system from wellhead, gathering system, or gas processing plant interconnections, 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); Kinder Morgan Interstate Gas Transmission Company (KMI); Williams Gas Pipelines Central, Inc. (Williams); and Young Gas Storage Company, Ltd. (Young).

~~4.~~9. CIG, WIC, 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. This Commission has no jurisdiction over the pipeline delivery rates of CIG, KMI, WIC, 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.

~~5.~~10. The Commission's GCA Rules require that Applicant revise its GCA rates to be effective on October 1 of each year. *See* 4 CCR 723-8-2.1. Rule 4 CCR 723-8-4.2 provides in pertinent part that if the projected gas costs, such as the cost of gas commodity or Upstream Services, change from those used to calculate the currently effective Current Gas Cost, or if the utility's Deferred Gas Cost balance increases or decreases sufficiently, the utility may file an application to revise its currently effective GCA to reflect such changes, provided that the resulting change to the GCA equates to at least one cent ($0.01) per Mcf or Dekatherm (Dth). The recent increases in gas prices and gas price forecasts necessitate the instant interim GCA filing.

~~6.~~11. The purpose of the proposed revision is to reflect the level of: (1) natural gas costs to be charged Applicant by its numerous producers/suppliers during the period April 1, 2003 through March 31, 2004, based on forecasts of sales quantities, producer/supplier contract pricing terms, and market indices; (2) costs for upstream pipeline services anticipated to be charged Applicant by CIG, KMI, WIC, and Young for the same period; and (3) the under-recovered gas cost balance in Applicant's Deferred Gas Cost Account No. 191 as of February 28, 2003.

~~7.~~12. Applicant's currently effective GCA, placed into effect October 1, 2002, as authorized by the Commission in Docket No. 02L-498G (Decision No. C02-1078, mailed September 27, 2002), was based on *Natural Gas Monthly* by Global Insight (formerly DRI WEFA) for a weighted-average forecasted producer/supplier rate of $2.5923 per Dth. The instant GCA includes a revised composite forecasted commodity cost of gas from the various producers/suppliers of $4.0917 per Dth for the period April 1, 2003 through March 31, 2004, as compared to the $2.5923 per Dth weighted-average forecasted price reflected in Applicant's October 1, 2002 GCA application.

~~8.~~13. Applicant's proposed effective date of March 21, 2003 is outside of the test period of April 1, 2003 through March 31, 2004 in this application. The Commission finds that there is a mismatch between rates that will be collected beginning March 21, 2003, and the underlying test period and the test period revenue requirements so calculated for the period April 1, 2003 through March 31, 2004. However, that mismatch does not substantially affect the rates proposed in this application. The Commission notifies Applicant that similar infractions in a future GCA application may result in denial of the application.

14. Public Service filed a Motion for Leave to Amend Application to include a request for a one-time waiver of the synchronization requirement under the GCA Rules to the extent deemed necessary to permit the proposed GCA revisions to go into effect on March 21, 2003. We determine that this motion is not necessary.

15. Pursuant to Public Service's GCA tariff and Rule 4 CCR 723-8-4.7.3 of the Commission's GCA Rules, Public Service proposes to include in the calculation of the Deferred Gas Cost component of the GCA rates the full amount of the deferred account balance at February 28, 2002, as compared to August 31, 2002 for the October 1, 2002 filing. Rule 4 CCR 723-8-4.7.3 of the Commission's GCA Rules provides that, "Annual GCA applications, filed pursuant to the schedule provided in Rules 2.1 through 2.2, shall reflect actual deferred costs for the most recent period ending June 30, or otherwise approved by the Commission." Applicant requests that the Commission approve the use of the more recent ~~August 31, 2002~~ February 28, 2003 Deferred Gas Costs account balance which reflects a net under-collection of $30,908,996.

~~10.~~16. In paragraph d of Section 6, Part C, of the Commission's Decision No. C95-796 (page 13), the Commission imposed the following requirements after stating its concern that transportation discounts could possibly have an adverse impact on the cost of gas collected through the GCA:

> Therefore, the Company will be ordered to report in each of its GCA applications the calculation of the revenue effect of transportation discounts on sales in the GCA. This report shall include any discounts which are provided to any affiliated company. (Footnote omitted.)

~~11.~~17. Consequently, Applicant was required to report in its GCA Application the following: (i) the revenue effect of any transportation discounts on sales in the GCA; and (ii) any transportation discounts provided to any affiliated company.

~~12.~~18. Applicant states that the GCA is currently not impacted by transportation commodity discounts, as all discounted transportation commodity rates are in excess of the current gas cost portion of the transportation charge (balancing costs). Accordingly, Applicant represents that the GCA applicable to sales customers will not be affected by transportation discounts.

~~13.~~19. The net effect of the revision in the GCA on an annual basis would be to increase revenues by $369,058,054 above that yielded by the currently effective GCA, based on the projected purchases, sales, and upstream transportation volumes for the GCA effective period. This increase is the net result of a forecasted gas cost that is higher than that reflected in Applicant's currently-effective gas sales rates and an ~~substantial~~ under~~over~~-collection in Applicant's Deferred Gas Cost Account No. 191.

~~14.~~20. The proposed tariffs, attached as Appendix A, will increase annual revenues by $369,058,054, which is an increase of 54.17 percent.

~~15.~~21. For the Gas Department, Applicant's last authorized rate of return on rate base was 9.33 percent, and its last authorized rate of return on equity was 11.25 percent. If this increase is approved, Applicant's rate of return on rate base will be 13.25 percent and rate of return on equity will be 18.05 percent. Without the increase, Applicant's rate of return on rate base would be (11.45) percent and its rate of return on equity would be (26.58) percent.

~~16.~~22. The filing of this application was brought to the attention of Applicant's affected customers by publication in *The Denver Post*, a newspaper of general circulation in the areas affected.

~~17.~~23. The proposed increase in rates will substantially recover only Applicant's increased cost of gas.

~~18.~~24. Good cause exists to allow the proposed increases on less-than-statutory notice.

II. ORDER

A. The Commission Orders That:

1. The application filed by Public Service Company of Colorado for authority to change tariffs on less-than-statutory notice is granted.

2. Public Service Company of Colorado is granted a limited one-time variance to 4 *Code of Colorado Regulations* 723-8-4.7.3 of the Commission's Gas Cost Adjustment Rules to update the balance of Account No. 191 from June 30, 2002 to February 28, 2003.

3. Public Service Company of Colorado is authorized to file, on not less than one day's notice, the tariffs attached as Appendix A and made a part of this Order. These tariffs shall be effective for actual gas sales on or after their effective date on March 21, 2003. The Commission has put Public Service Company of Colorado on notice that an infraction of a rate-making principle such as a mismatch of rates with the test period and the test period revenue requirements in a future Gas Cost Adjustment application may result in denial of the application.

4. Public Service Company of Colorado's Motion for Leave to Amend Application to Include Request for Waiver of GCA Rules is denied as necessary.

5. This Order is effective on its Mailed Date.

B. ADOPTED IN COMMISSIONERS' WEEKLY MEETING March 20, 2003.

(S E A L)

THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

GREGORY E. SOPKIN

JIM DYER

Commissioners

COMMISSIONER POLLY PAGE NOT PARTICIPATING.

ATTEST: A TRUE COPY

Bruce N. Smith
Director