Decision No. C03-1095

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

DOCKET NO. 03L-400G

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: September 26, 2003
Adopted Date: September 24, 2003

I. BY THE COMMISSION

A. Statements

1. On September 16, 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 October 1, 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. The proposed tariffs are attached to the application, and affect Applicant's customers in its Colorado certificated areas on file with the Commission.

4. 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

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 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); Southern Star Central Gas Pipeline, Inc., formerly Williams Gas Pipelines Central, Inc. (Southern Star); and Young Gas Storage Company, Ltd. (Young).

8. CIG, WIC, KMI, Southern Star, and Young are natural gas companies under the provisions of the Natural Gas Act, as amended, and the rates and charges incidental 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, WIC, KMI, Southern Star, 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. 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. The instant filing is intended to comply with this requirement.

10. 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 October 1, 2003 through September 30, 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, Southern Star, 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 August 31, 2003.

11. Applicant's currently effective GCA, placed into effect March 21, 2003, as authorized by the Commission in Docket No. 03L-086G (Decision No. C03-0286, mailed March 20, 2003), was based on *Natural Gas Monthly* by Global Insight (formerly DRI WEFA) for a weighted-average forecasted producer/supplier rate of $4.0917 per Dth. The instant GCA includes a revised composite forecasted commodity cost of gas from the various producers/suppliers of $4.6577 per Dth for the period October 1, 2003 through September 30, 2004, as compared to the

$2.5923 per Dth weighted-average forecasted price reflected in Applicant’s October 1, 2002 GCA application.

12. 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 August 31, 2003 instead of June 30, 2003. 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, 2003 Deferred Gas Costs account balance which reflects a net under-collection of $39,993,448.

13. 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.)

14. 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.

15. 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.

16. The net effect of the revision in the GCA on an annual basis would be to increase revenues by $88,786,511 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 under-collection in Applicant's Deferred Gas Cost Account No. 191.

17. The proposed tariffs, attached as Appendix A, will increase annual revenues by $88,786,511, which is an increase of 8.51 percent.

18. For the test period covered by this filing, the 12 months ended June 30, 2003, the Applicant's authorized rate of return on rate base was 9.33 percent, and its authorized rate of return on equity was 11.25 percent. Without the GCA rate revision to pass on increased gas costs, Applicant's rate of return on rate base would be 4.76 percent and its return on equity would be 2.22 percent. Returns for the test period covered by this GCA rate revision to pass on increased costs will result in a rate of return on rate base of 10.57 percent and rate of return on equity of 13.42 percent. (Please note that these returns are not reflective of the Gas Department rate decrease ordered by the Commission in Decision No. C03-0670 dated June 26, 2003 in the amount of $17.8 million that became effective July 1, 2003). Applicant is not allowed to earn a

return on the recovery of its GCA costs and has shown good cause for recovery of its GCA costs on an expedited basis in light of the significant impact of these costs on its financial integrity.

19. 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.

20. The proposed increase in rates will substantially recover only Applicant’s increased cost of gas.

21. Good cause exists to allow the proposed increases on less-than-statutory notice.

II. <u>ORDER</u>

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, 2003 to August 31, 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 October 1, 2003.

4. This Order is effective on its Mailed Date.

B. ADOPTED IN COMMISSIONERS' WEEKLY MEETING September 24, 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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Commissioners

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