

COLORADO DEPARTMENT OF REGULATORY AGENCIES

Public Utilities Commission

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PART 4

RULES REGULATING GAS UTILITIES AND PIPELINE OPERATORS

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BASIS, PURPOSE, AND STATUTORY AUTHORITY.

The basis and purpose of these rules is to set forth rules describing the service to be provided by jurisdictional gas utilities and master meter operators to their customers and describing the manner of regulation over jurisdictional gas utilities, master meter operators, and the services they provide. These rules address a wide variety of subject areas including, but not limited to, service interruption, meter testing and accuracy, safety, customer information, customer deposits, rate schedules and tariffs, discontinuance of service, master meter operations, transportation service, flexible regulation, procedures for administering the Low-Income Energy Assistance Act, cost allocation between regulated and unregulated operations, recovery of gas costs, demand side management, and appeals regarding local government land use decisions. The statutory authority for these rules can be found at §§ 29-20-108, 40-1-103.5, 40-2-108, 40-2-115, 40-3-102, 40-3-103, 40-3-104.3, 40-3-111, 40-3-114, 40-3-101, 40-4-106, 40-4-108, 40-4-109, 40-5-103, 40-7-117, and 40-8.7-105(5), C.R.S.

GENERAL PROVISIONS

* * *

[indicates omitted material]

4005. Records.

- (a) Except as a specific rule may require, every utility shall maintain, for a period of not less than three years, and shall make available for inspection at its principal place of business during regular business hours, the following:

* * *

(XV) Records concerning demand side management, pursuant to Rule 4750 through 4760~~475x~~.

(XVI) As applicable, the records and documents required to be created pursuant to rules 4910 ~~to through~~ 4920.

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4006. Reports.

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- (h) A utility shall file demand side management reports pursuant to rule ~~475~~4754.
- (i) A utility shall file reports required by rules 4910 through 4917.
- (j) A utility shall file with the Commission any report required by a rule in this 4000 series of rules.
- (k) A utility shall file with the Commission such special reports as the Commission may require.

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BILLING AND SERVICE

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4406. Itemized Billing Components.

- (a) A utility shall provide itemized gas cost information to all customers commencing with the first complete billing cycle in which the new rates are in effect. The information may be provided in the form of a bill insert or a separate mailing.
- (b) The information provided pursuant to this rule shall include the following:
 - (I) For transportation customers:
 - (A) The per-unit and monthly local distribution company costs billed to the customer.
 - (B) If applicable, the per-unit and monthly gas cost adjustment transportation costs.
 - (II) For all other customers:
 - (A) The per-unit and monthly local distribution company costs billed to the customer.
 - (B) The per-unit and monthly gas commodity costs for that customer.
 - (C) The per-unit and monthly costs of upstream services for that customer.
 - (D) The per-unit and monthly gas demand side management costs for that customer.

* * *

4708. – 4749. [Reserved].

DEMAND SIDE MANAGEMENT

4750. Overview and Purpose.

These rules implement §§ 40-1-102, 40-3.2-101, 40-3.2-103, and 40-3.2-105, C.R.S. for gas utilities required by statute to be rate-regulated. Consistent with statutory requirements, the purpose of these Demand Side Management (DSM) rules is to reduce end-use natural gas consumption in a cost effective manner, in order to save money for consumers and utilities, and protect the environment by encouraging the reduction of emissions and air pollutants. ~~These rules direct natural gas utilities in the design and implementation of by implementing~~ programs that will enable ~~each class of~~ sales customer to participate in ~~one or more~~ DSM measures. The utility shall design DSM programs for its full service customers to give priority to achieve cost-effective energy savings, considering factors such as: achievable energy savings, customer benefits, cost effectiveness ratios, adoption potential, market transformation capability and ability to replicate in the utility service territory; ~~while considering the overall rate impacts of such programs.~~

- (a) Each utility shall ~~files an annual~~ DSM plan and application for cost recovery, within the parameters set forth in these rules. Within the application, the utility shall propose an to establish expenditure target, savings target, funding mechanism, and cost-recovery mechanism; ~~benefit/cost targets, and bonus structure.~~
- (b) Each utility shall also ~~files~~ an annual DSM report and an application for bonus; ~~as an expedited three month proceeding.~~
- (c) ~~Biannually each~~ Each utility shall ~~files~~ a measurement and verification report that~~which~~ evaluates the actual implementation and performance associated with its DSM program.

4751. Definitions.

The following definitions apply to rules 4750 through 4760, unless § 40-1-102a ~~a specific statute or rule~~ provides otherwise. ~~In the event of a conflict between these definitions and a statutory definition, the statutory definition shall apply.~~

- (a) "Amortization" means the systematic spreading gradual cost recovery of expenditures or capital costs incurred for DSM programs, ~~in through regular accounting entries regular payments~~ over a specified period of time. ~~Such payments may include both principal and carrying cost.~~
- ~~(b) "Arrearages" means the amount of an obligation from past transactions.~~
- ~~(c) "Audit" means a facility or home energy audit to assess how much energy the facility or home consumes and to evaluate measures to make the facility or home more energy efficient.~~
- ~~(bd)~~ "Benefit/cost ratio" means the ratio of the net present value of benefits to the net present value of costs, as calculated using the modified TRC test.
- ~~(ce)~~ "Cost effectiveness test" means a benefit/cost ratio of greater than one. ~~Cost effectiveness of DSM programs can be established through the use of Participant Test, Ratepayer Impact Test, Total Resource Cost (TRC) Test, or Modified TRC Test.~~

- (df) "Demand side management" (DSM) means the implementation of programs or measures which serve to shift or reduce control or influence the consumption of, or demand for, of natural gas usage.
- (eg) "DSM education" means a program, including but not limited to an energy audit, that contributes indirectly to a cost-effective DSM program by promoting customer awareness and participation, any expenditure made in order to increase general awareness of DSM, such as the available/developing energy efficient programs, incentives, equipment available to customers, conducted in a community setting and not individual customer sites. Education programs shall not be subject to independent cost-effectiveness requirements.
- (f) "DSM measure" means an individual component or technology, such as attic insulation or replacement of equipment.
- (gh) "DSM period" means the effective period of at the approved DSM plan, July 1 through June 30.
- (h) "DSM plan" means the DSM programs, goals, and budgets over a specified DSM period, generally considered in one year increments, as may be proposed by the utility.
- (i) "DSM program" means a group of DSM measures generally offered together to customers energy efficiency, conservation, load management, and demand response programs or any combination of these programs that are aimed at influencing and to reducing natural gas usage.
- (j) "Energy efficiency program" see DSM program.
- (k) "Gas Demand-Side Management Cost Adjustment" (G-DSMCA) is a rate adjustment mechanism designed to compensate a utility for its DSM program costs.
- (l) "Gas Demand-Side Management bonus" (G-DSM bonus) is a bonus awarded to a utility in accordance with C.R.S. § 40-3.2-103(2)(d), C.R.S.
- (k) ~~"Measure" means an individual component or technology in a DSM program.~~
- (lm) "Modified Total Resource Cost test" or "modified TRC test" means an economic cost-effectiveness test used to compare the net present value of the benefits of a DSM program or measure to the present value of the costs over the its useful life of a DSM measure or program, to the net present value of costs of a DSM measure or program for the participant and the utility, consistent with § 40-1-102(5), C.R.S. In performing the modified TRC test, the benefits shall include, but are not limited to, as applicable: the utility's avoided production, distribution and energy costs; the participant's avoided operating and maintenance costs; the valuation of avoided emissions; and non-energy benefits as set forth in rule 4753. Costs shall include utility and participant costs. The utility costs shall include the net present value of costs incurred in accordance with the budget set forth in rule 4753, including the economic value of non-energy benefits.
- (n) "Net economic benefits" is the net present value of all benefits in the modified TRC test, as applied to the utility's portfolio of DSM programs, less the net present value of the costs in the modified TRC test associated with that same portfolio.

- (m) “Sales customer” or “full service customer” means a residential or commercial customer that purchases a bundled natural gas supply and delivery service from a utility but does not include customers served under a utility’s gas transportation service rate schedules.

4752. Filing Schedule.

- (a) Within 120 days of the effective date of this rule, August 1st of each year—Each utility shall file its ~~annual~~ DSM plan and application for cost recovery. ~~The annual DSM plan will be effective from July 1st through June 30th to coincide with the gas purchase year for the Commission’s Gas Cost Adjustment rules 4600–4609.~~
- (i) ~~—This 210-day proceeding will conclude on approximately March 1st.~~
- (ii) July 1st—The utility shall implement its ~~annual~~ DSM plan and G-DSMCA, as approved by the Commission, by January 1, 2009, and cost recovery begins as established in the annual DSM plan.
- (b) Beginning March 1, 2010 and each March 1st thereafter, October 1st—Each utility shall submit its annual DSM report, ~~and~~ application for bonus and DSMCA application. ~~Biannually, on the same date, the utility shall file its measurement and verification report.~~
- (i) The DSMCA shall take effect July 1 of each year for a period of 12 months.
- (c) The initial DSM plan filings of natural gas-only utilities shall cover a DSM period of two years. The initial DSM plan filings of natural gas and electric combination utilities shall cover a DSM period of three years. The subsequent DSM plan filings of all utilities shall cover a DSM period of three years unless otherwise specified by the Commission. Atmos Energy Corporation and SourceGas Distribution LLC, or their successors, shall file subsequent plan applications by April 1 in the years when a plan is filed. Colorado Natural Gas, Inc., and Eastern Colorado Utilities, or their successors, shall file subsequent plan applications by July 1 in the years when a plan is filed. December 30th (approximate)—Within three months of the filing of the annual DSM report and application for bonus, the Commission shall issue a decision on the DSM bonus, and will direct the utility to file appropriate compliance tariffs to implement cost recovery of the bonus.

4753. Annual Periodic DSM Plan Filing ~~and Application for Cost Recovery.~~

On ~~an annual~~ the schedule basis, set forth in rule 4752 on or before August 1st, the utility shall file by application a prospective natural gas DSM plan for Commission approval. The plan shall detail: ~~the utility’s estimated annual natural gas energy savings for the plan year, the measures proposed in the plan and programs that will produce DSM benefits. As a part of the annual DSM plan filing, each utility shall also file proposed rates, to be effective beginning on July 1st of the following year. The Commission will use information in the DSM plan filing for its annual report to the Colorado state legislature.~~

- (a) The utility’s proposed expenditures by year for each budget category; the sum of these expenditures represents the utility’s proposed expenditure target required by § 40-3.2-103(2)(a), C.R.S.

- (b) The utility's estimated annual natural gas energy savings for the DSM plan years, expressed in dekatherms per dollar of expenditure, and presented for each DSM program proposed for Commission approval; this represents the utility's proposed savings targets required by § 40-3.2-103(2)(b), C.R.S.
- (c) The anticipated annual units of energy to be saved, which equals the product of the proposed expenditure target and proposed savings target; this is referred to herein as the energy target.
- (~~ad~~) The utility shall include in its ~~annual~~ DSM plan application data and information sufficient to describe filing the design, implementation, oversight and cost effectiveness of ~~the natural gas~~ DSM programs. Such data and information shall include, at a minimum, including information program budgets delineated by year, estimated participation rates on total usage analysis, technical potential and program savings (in therms).
- (~~be~~) In the information and data provided in a proposed DSM plan, the utility shall reflect consideration of the factors The utility shall justify its proposed DSM programs based on the criteria set forth in the Overview and Purpose, rule 4750. At a minimum the utility shall provide the following information detailing how it developed its proposed DSM program:
- (I) A market assessment ~~for determining of~~ gas usage and characteristics across customer ~~classes~~groups.
 - (II) A comprehensive list of potential DSM measures that the utility evaluated for possible inclusion in its proposed DSM plan for saving energy in the targeted markets, including a detailed description of each measure based on generally accepted best practices, such as the American Council for Efficient Economy (ACEEE) summary report on best natural gas energy efficiency programs.
 - (III) A detailed analysis of selected DSM programs measures for a utility's service territory in terms of markets, customer classes, anticipated participation rates (as a number and a percent of the market), estimated energy savings and cost effectiveness and accessibility to products.
 - (IV) A ranking of ~~possible all feasible~~ DSM programs measures based upon the analysis conducted in subparagraph (III), above, and identification of which DSM programs and measures the utility is proposing.
 - (~~V~~) ~~The projected number of customers within the customer class for each program.~~
 - (~~VI~~) ~~Projected energy savings, based on the analysis in paragraphs (I) through (V) of this subsection.~~
 - (~~VII~~) Proposed marketing Program strategies to promote ~~the technologies~~participation based on industry best practices.
 - (~~VIII~~) Proposed Calculation of cost effectiveness of the ~~designed DSM~~ programs using a modified TRC test, including costs to the utility and to participating customers.

~~(XVII)~~ An analysis of the impact of the proposed DSM program expenditures on utility rates, assuming a 12-month cost recovery period.

~~(X) — A final set of recommended DSM programs.~~

(ef) In its DSM plan, the utility shall address how it proposes to target DSM services to low-income customers. The utility shall also address whether it proposes to provide DSM services directly or indirectly through financial support of conservation programs for low-income households administered by the State, as authorized by § 40-3.2-103(3)(a), C.R.S. The utility may propose one or more low-income DSM programs that yield a modified TRC test value below 1.0. ~~may propose one or more DSM programs targeted to low-income customers.~~

~~(g)~~ In proposing an expenditure target for Commission approval, pursuant to § 40-3.2-103 (2)(a), C.R.S., the utility shall comply with the following:

- (I) The utility's annual expenditure target for DSM programs shall be, at a minimum, two percent of a natural gas utility's base rate revenues, (exclusive of commodity costs), from its sales customers in the 12-month calendar period prior to setting the targets.
- (II) The utility may propose an expenditure target in excess of two percent of base rate revenues.
- (III) The utility may propose an expenditure target lower than two percent of base revenue during an initial phase-in period. The utility must achieve at least the two percent expenditure target within three years of implementing the initial DSM plan.
- (IV) Funds spent for education programs, impact and process evaluations and program planning related to natural gas DSM programs may be recovered without having to show that such expenditures, on an independent basis, are cost-effective; such costs shall be included in the overall benefit/cost ratio analysis.

~~(d)~~ As a part of its annual DSM plan filing each utility shall propose its expenditure target, pursuant to § 40-3.2-103 (2)(a), C.R.S.

- ~~(I) — The natural gas utility's annual minimum expenditure targets for natural gas DSM programs shall be one-half of one percent (0.5%) of a natural gas utility's revenues, from its sales customers in the 12-month calendar period prior to setting the targets.~~
- ~~(II) — Each utility shall establish its expenditure target based on DSM measures that will gain customer participation and energy savings in the most cost effective manner.~~
- ~~(III) — Expenditure targets in excess of one-half percent of revenues may be considered by the Commission if higher targets can be justified in terms of achieving greater cost effective energy savings.~~
- ~~(IV) — Moneys spent for education programs and program planning related to natural gas DSM programs can be recovered without having to show that such expenditures, on an independent basis, are cost-effective, but shall be included in the overall benefit/cost ratio~~

~~analysis. The amount spent for these activities shall be less than 10 percent of the expenditure target.~~

- (eh) The utility shall propose a budget to achieve the expenditure target proposed in paragraph (a), above plan. The budget shall be detailed for the overall DSM plan and for each program for each year of implementation and shall be itemized by proposed costs. ~~The plan and program budgets shall be~~ categorized into:
- (I) Planning and design costs;
 - (II) Administrative and DSM program delivery costs;
 - (III) Advertising and promotional costs, including DSM education;
 - (IV) Customer incentive costs;
 - (V) Equipment and installation costs;
 - ~~(VI) — Installation costs;~~
 - (VI) Measurement and verification costs; and
 - (VII) Miscellaneous costs.
- (fi) The budget ~~plan~~ shall include explain explanations of anticipated increases/decreases in financial resources and human resources from year to year.
- (gj) A utility may spend more than the annual expenditure target established by the Commission up to five percent over the target, without being required to submit a proposed DSM plan amendment. Expenditures in excess of five percent over the expenditure target shall require either a proportional increase in the energy target defined in rule 4753 or submittal of a proposed DSM plan amendment, only if it does not exceed maximum rate increase approved by the Commission as a part of plan approval.
- ~~(h) — Savings target. As a part of its annual DSM plan each utility shall propose its savings target based on the level of expenditures within a utility's annual DSM plan. — Savings targets shall be established that are commensurate with program expenditures and expressed in terms of an amount of gas saved per unit of program expenditures.~~
- (ik) ~~Benefit/Cost targets.~~ As a part of its ~~annual~~ DSM plan each utility shall propose a DSM plan with a benefit/cost targets based on planned expenditures and expected savings. The entire portfolio of DSM programs must satisfy a benefit/cost ratio value of unity (1) or greater, using a modified TRC test.
- (jl) ~~Justification of non-energy benefits and quantification. Each The~~ utility shall fully justify and quantify any proposed non-energy benefits in the utility's DSM plan. Quantification shall be presented as a dollar value per unit.

- (I) ~~Where possible, the~~The utility shall quantify non-energy benefits based on best available standard industry practices. The utility is expected to make reasonable efforts to incorporate measurable non-energy savings, such as reduced emissions of CO₂, NOX, methane, or gallons of water saved, for example, and apply current market values~~dekatheerms saved to the non-energy benefits.~~
- (II) ~~Otherwise, the utility shall quantify non-energy benefits based on other measurable savings, such as reduced emissions of CO₂, NOX, methane, or gallons of water saved, for example.~~
- (III) ~~To the extent that a utility currently recovers arrearages and late payments in rates, the utility shall not include these costs as non-energy benefits.~~
- (k) ~~Distribution of DSM program expenses.~~
 - (I) ~~At a minimum, the utility shall spend 90 percent of annual DSM plan costs on activities and programs that result in actual reduction in natural gas usage. Customer education and broad-based program costs not directly related to a specific DSM program or offering shall be limited to no more than 10 percent of the total annual DSM plan costs.~~
 - (II) ~~The utility shall include in its benefit/cost analysis all DSM education, research and evaluation costs, including those costs that do not apply to individual programs. Impact and process evaluation, program planning, and customer education efforts that do not directly address energy efficiency and conservation shall not apply to the benefit/cost analysis.~~
 - (III) ~~Utilities' existing customer education tools such as on-line energy assessment tools or other similar internet based tools shall not be included for cost recovery in the natural gas DSM program.~~
- (l)m Measurement and verification plan. The ~~natural gas~~ utility shall describe in complete detail how it proposes to monitor and evaluate the implementation of its proposed programs. The utility shall explain and shall show how it will accumulate and validate the information needed to measure the plan's performance against the standards, pursuant to rule 4755. The utility shall propose measurement and verification reporting sufficient to communicate results to the commission in a detailed, accurate and timely basis.~~a format for monitoring reports and describe how annual results will be reported to the commission on a detailed, accurate and timely basis.~~
- (m) ~~Application for cost recovery. The utility shall file an application for cost recovery pursuant to rules 4757 and 4758.~~

4754. Annual DSM Report and Application for Bonus and Bonus Calculation.

On the schedule set forth in rule 4752~~an annual basis, on or before October 1st~~, each the utility shall provide the Commission a detailed ~~natural gas~~ DSM report and application for bonus.

- (a) In the annual DSM report the utility shall describe its actual DSM programs as implemented. For each ~~measure DSM program,~~ the utility shall document actual program expenditures, energy

savings, participation levels and the techniques used to estimate these impacts, the estimated cost-effectiveness of program expenditures, and any other information necessary to compare the actual results with the utility's approved DSM plan.

- (b) Annual program expenditures shall be ~~distributed~~ separated into cost categories ~~as provided~~ contained in the approved DSM plan.
- (c) For each DSM ~~measure program~~, the utility shall ~~provide~~ compare the program's proposed and actual expenditures, savings, participation rate, and cost-effectiveness; in addition, the utility shall prepare an assessment of the success of the program, and list any suggestions for improvement and greater customer involvement. ~~an analysis of qualitative and quantitative success of programs in terms of customer acceptance and participation, gas saved per unit of program expenditure, assessment of success of the measure, and any ideas for improvement and greater involvement.~~
- (d) ~~Benefit/cost actual results.~~—The utility shall provide actual benefit/cost results for the ~~annual plan~~ overall DSM plan and individual DSM programs ~~that the utility~~ implemented during the plan year. The ~~benefit/cost analysis utility~~ shall ~~report~~ be based on the costs incurred and benefits achieved, as identified in the modified TRC test. Benefit values are to be based upon the results of M & V evaluation, when such has been conducted as set forth in rule 4755. Otherwise, the benefit values of the currently approved DSM plan are to be used ~~quantifiable non-energy benefits achieved overall and in individual programs.~~
- ~~(e)~~ If the annual report covers a year within which an M & V evaluation was completed, the complete M & V results are to be included as part of the annual report.
- ~~(f)~~ The utility may file an application for bonus, pursuant to rule 4760. The application for bonus shall include the utility's calculation of estimated bonus applying the methodology set forth in this rule to the utility's actual performance earned using BOTH 25 percent of annual DSM expenditures and 20 percent of net economic benefits. ~~The net economic benefits shall be calculated as the net present value of the savings implemented, at a discount rate set at the utility's authorized return, summed over the amortized life of the measure.~~
- ~~(g)~~ The Commission shall determine the level of bonus, if any, that the ~~gas~~ utility is eligible to collect on the basis of the information included in the report, pursuant to the bonus criteria and process set forth, below ~~conditions established in the approved DSM plan. Any awarded bonus shall be authorized as a supplement to a utility and not count against their authorized rate of return or be considered in rate proceedings. The awarded bonus shall be applied over a twelve-month period after approval of the bonus.~~
- ~~(i)~~ The primary objective of the bonus is to encourage cost-effective energy savings. The amount of bonus earned, if any, will correlate with the utility's performance relative to the approved savings target (dekatherms saved per dollar expended) and the energy target.
- ~~(ii)~~ As a threshold matter, the utility must expend at least two percent of base revenues, except during a phase-in period as set forth in rule 4753 (g), in order to earn a bonus.

(III) The bonus amount is a percentage of the net economic benefits resulting from the DSM plan over the period under review. The percentage value is the product of the two factors:

(A) The Energy Factor is determined by the percentage of the energy target achieved by the utility. The energy factor is zero plus 0.5% for each one percent above 80 percent of the energy target achieved by the utility.

(B) The Savings Factor is the actual savings achieved divided by the approved savings target. Each of these quantities is expressed in dekatherms saved per dollar expended.

(IV) The following is provided as an example of the bonus calculation, using these illustrative numbers: utility achieves 106% of its energy target; the utility's savings target is 15,000 dekatherms per \$1 million expended, and the utility's actual savings is 18,000 dekatherms per \$1 million.

The energy factor would be $0.5\% \times (106 - 80)$, or 13%

The savings factor would be $18,000/15,000$ or 1.2

The bonus percentage would be $13\% \times 1.2$, or 15.6%. Thus, 15.6% of net economic benefits would be the bonus amount.

(h) For the purposes of calculating these factors, the costs and benefits associated with DSM programs targeted to low-income customers may be excluded.

(i) The maximum bonus is twenty percent of net economic benefits or twenty-five percent of expenditures, whichever is less.

(j) Any awarded bonus shall be authorized as a supplement to a utility and not count against its authorized rate of return or be considered in rate proceedings. The awarded bonus shall be recovered through the G-DSMCA over a twelve-month period after approval of the bonus.

4755. Measurement and Verification.

(a) Each utility shall implement a measurement and verification (M & V) program to evaluate the actual performance of its DSM program. The utility shall present its M & V plan as a part of its ~~annual DSM plan application filing~~, pursuant to rule 4753, and shall include the ~~complete resulting M & V evaluation results report~~ with its annual DSM report ~~in those years when the M&V is conducted and application for bonus, pursuant to rule 4754.~~

(b) As a part of its M & V program, the utility shall, ~~at a minimum, hire-employ a qualified-an~~ independent third party to ~~design an M&V plan to~~ evaluate the effectiveness of the actual DSM measures and programs implemented by the utility. ~~This-The M&V plan designed by the third-party shall address: sampling bias; a data gathering process sufficient to yield statistically significant results; and generally accepted methods of data analysis-evaluation shall assess the number of measures implemented as well as the actual energy saved, using sampling techniques~~

~~or other means to measure the actual benefits in an economically feasible manner.~~ The M & V evaluation shall be implemented at least ~~biannually~~once per the DSM plan period, and be completed prior to the utility's submitting a subsequent DSM plan application so that the results of the M & V evaluation are reflected in the subsequent DSM plan application.

(c) The M & V evaluation shall, at a minimum, include the following:

- (I) ~~An assessment of whether the DSM programs have been implemented as set forth in its Commission approved DSM plan~~An assessment of the quantity of individual measures implemented, and a comparison to the corresponding utility projections in its annual DSM filing, pursuant to rule 4753;
- (II) ~~An assessment measurement~~of the actual energy savings for each measure~~DSM program, in dekatherms per dollar expended and in total dollars,~~ and a comparison to the corresponding utility projections in ~~its annual the approved- DSM filing plan, pursuant to rule 4753;~~
- (III) ~~To the extent feasible, an~~An assessment of the period of time that each DSM measure actually remains in service, and a comparison to the corresponding utility projections in ~~theits annual approved DSM planfiling, pursuant to rule 4753;~~
- (IV) Verification (or modification) of the values assigned to each of the non-energy benefits set forth in the utility's approved DSM plan;
- (~~IV~~) A summary of the actual ~~cost to~~benefit/cost ratio for each DSM program within the approved DSM plan; ~~measure or group of measures; and~~
- (VI) An assessment of the extent to which market transformation efforts are achieving the desired results; and
- (VII) Recommendations ~~for as to~~ how the utility can improve the market penetration and cost effectiveness of individual DSM programs.

~~(d) Along with the M & V evaluation, the utility shall include a calculation of a revised Gas DSM Cost Adjustment (G-DSMCA) rider if actual benefit/cost test results impact the allowable recovery of DSM costs, or result in any changes to the utility's currently approved bonus.~~

4756. General Provisions Concerning Cost Allocation and Recovery.

(~~ba~~) Amortization periods.

- (I) For the base rate method, the utility shall establish the amortization period to match the average of the expected lifetimes s of the DSM measures within each DSM program, ~~but shall be no less than five years.~~ The utility shall specify and explain the rationale for the amortization period proposed for each DSM measure program as a part of its ~~annual~~ DSM filing plan application, filed pursuant to rule 4753.

- (II) For the expense method, the utility shall recover the annual expenditures projected for that year over a one-year period.
- (eb) GPP adjustment. The utility shall make a corresponding reduction in its gas supply needs in its Gas Purchase Plan required in rule 4605, to account for the reduced energy needs projected in its annual DSM filing, pursuant to rule 4753.
- (ec) Fuel switching. Fuel switching from natural gas to other fossil fuel derived energy sources shall not be included in the gas utility's DSM program. Programs to save natural gas through switching to renewable energy sources such as solar heating and ground source heat pumps are allowed.
- (d) A utility that provides both regulated gas and electric service shall give full consideration to the administrative benefits and reduced costs associated with combining gas and electric DSM activities and shall assign costs and benefits appropriately to each plan
- (e) Distribution of DSM program expenses.
 - (I) The utility shall include in its portfolio-level benefit/cost analysis all indirect costs relating to DSM, including but not limited to DSM customer education, program design, and evaluation costs.
 - (II) A utility's existing gas efficiency and conservation customer education tools, such as on-line energy assessment tools or other similar internet based tools, may be included in a utility's gas DSM plan and costs recovered pursuant to the Gas DSMCA rule.

4757. Funding and Cost Recovery Mechanism.

~~Rules 4757 through 4760 are used to revise gas rates on an expedited basis.~~ The purpose of the G-DSMCA is to enable utilities, ~~on an expedited basis,~~ to reflect changes in their base rates for gas sales in order to recover ~~services the increases or decreases in~~ costs associated with the funding of DSM programs. All such costs, ~~plus any G-DSM bonus approved by the Commission,~~ shall be recovered through the G-DSMCA a cost adjustment mechanism that is set on an annual basis, and collected from July 1 through June 30 or more frequently if deemed appropriate. The G-DSMCA allows for prospective recovery of prudently incurred costs of DSM programs within the DSM program expenditure target approved by the Commission in order to provide for funding of the utility's DSM programs, as well as recovery of deferred G-DSMCA costs, without having to file a rate case.

- (a) A utility may spend a disproportionate share of total expenditures on one or more classes of customers, provided, however, that cost recovery for programs directed at residential customers are to be collected from residential customers only and that cost recovery for programs directed at nonresidential customers are to be collected from nonresidential customers only except as provided for in paragraph (f), below.
- (b) The utility may recover its DSM program expenditures either through expensing or by adding DSM program expenditures to base rates as a part of, or outside of, a rate case, with an amortization period as determined by the Commission. The amortization period shall be as set forth in rule 4756 ~~not be less than five years and shall be consistent with the expected life of the DSM program.~~

- (c) There shall be no financial penalty assessed on a utility for failing to reach its approved DSM program expenditure target, nor shall there be a bonus simply for meeting DSM program expenditure target. All prudently incurred expenditures for the utility's portfolio of DSM programs ~~should be~~ recoverable, provided, however, that the overall DSM portfolio yields a modified TRC test value of 1.0 or greater. The portion of costs yielding a modified TRC test value below 1.0 are excluded from recovery~~any incremental expenditure on DSM programs that reduces the benefit to cost ratio below the threshold approved in the utility's DSM plan shall be excluded.~~
- (d) Amounts not spent under the DSM program expenditure target shall not roll-over to the next DSM period.
- (e) A utility has the discretion and the responsibility of managing the portfolio of DSM programs to meet the benefit to cost ratio and the gas energy and savings targets. In implementing DSM programs, a utility shall use reasonable efforts to maximize gas energy savings consistent with the ~~annual gas efficiency budget~~approved DSM plan.
- ~~(f) The program expenditures per unit of gas saved shall be consistent with current or forecasted commodity gas cost.~~
- ~~(g) The length of time used to estimate or calculate the amount of gas saved per unit of program expenditures shall be based on the same amortization period for recovery of the program expenditures.~~
- ~~(h)~~ A utility may continue DSM programs that were in existence on or before the effective date of § 40-3.2-102~~40-1-102~~, C.R.S. concerning measures to promote energy efficiency, and shall not be required to obtain approval from the Commission for recovery of costs associated with such programs. Any new expenditures for such programs must be included in the annual DSM plan filing and G-DSMCA application. Existing low-income DSM programs that recover costs from all customer classes shall continue such recovery.
- ~~(i)~~ A utility shall file an application to adjust its G-DSMCA factor. The G-DSMCA application shall be filed pursuant to the schedule provided in rule 4752.
- ~~(j)~~ A G-DSMCA application shall include information and exhibits as required in rule 4110 and 4758.~~If the M & V evaluation required by rule 4755 yields benefit/costs test results that impact the allowable recovery of costs or currently approved bonus, then the utility shall include such adjustments in the G-DSMCA application. in the following order and specifically identified, the following information, either in the application or in appropriately identified attached exhibits:~~
 - ~~(I) The information required by paragraphs 4758(a) and 4757(m).~~
 - ~~(II) The information required by exhibits 2, 3, and 5 listed in rule 4758 shall be provided in written form and shall be provided electronically, in executable format with all cell formulas intact, using spreadsheet software that is compatible with software used by the Staff.~~
- ~~(k)~~ If the projected DSM program costs have changed from those used to calculate the currently effective G-DSMCA cost or if a utility's deferred G-DSMCA cost balance increases or decreases

sufficiently, the utility may file an application to revise its currently effective G-DSMCA factor to reflect such changes, provided that the resulting change to the G-DSMCA factor equates to a base rate change of at least one cent (\$0.01) per Mcf or Dth. A utility has the burden of proof to justify any interim G-DSMCA filings and the Commission has the discretion to consolidate the interim G-DSMCA filing with the next regularly scheduled annual G-DSMCA filing.

- (h) Applicability of the G-DSMCA factor. The G-DSMCA factor shall be separately calculated and applied to the utility sales gas base rate schedules of residential and non-residential customers.
- (mk) Return on ~~amortized~~ DSM program expenditures s to be amortized. For utilities that choose to amortize the DSM program expenditure, the balance of a utility's investments in cost-effective DSM programs shall earn a return equal to the utility's current after-tax weighted average cost of capital ~~authorized rate of return on rate base~~. ~~If a utility will over-earn as a result of such return, said return shall be reduced to a level so that over-earning will not result from it. The reduction of return on amortized DSM program expenditure shall not be less than zero.~~
- (hl) Interest on under- or over-recovery. The amount of net interest accrued on the average monthly balance in sub-accounts of Account No. 186 (whether positive or negative), is determined by multiplying the monthly balance by an interest rate equal to the Commission-authorized after-tax weighted average cost of capital ~~customer deposit rate for gas utilities~~. If net interest is positive, it will be excluded from the calculation of the deferred G-DSMCA cost.
- (em) Calculation of the G-DSMCA factor. The G-DSMCA factor shall be calculated separately for residential and non-residential customers to at least the accuracy of two significant places ~~pursuant to the following formula:~~

$$\text{G-DSMCA factor} = (\text{current G-DSMCA cost} + \text{deferred G-DSMCA cost}) / (\text{forecasted sales customer} \times \text{monthly service charge} + \text{forecasted sales gas quantity} \times \text{base rate}).$$

4758. Contents of Gas DSM Cost Adjustment Applications.

(a) General Provisions

- (I) An application for a gas DSM cost adjustment (G-DSMCA) shall contain justifying exhibits sufficient in detail to permit the Commission to determine the accuracy of the calculation.
- (II) The information provided to the Commission in support of a G-DSMCA shall be comparable in detail and scope to the information supplied in support for the GCA, as detailed in rule 4600.
- (III) As part of its application for approval of its G-DSMCA, the applicant shall file a complete set of work papers and all other documents relied on in preparing its application.
- (IV) If the information provided in support of the G-DSMCA is insufficient for the Staff of the Commission to verify the calculations supporting the application, the application will be subject to dismissal without prejudice by the Commission.

- (V) The provisions of this rule do not supersede other Commission rules that contain additional applicable filing requirements.
- (b) Specific Provisions. An application shall contain detailed schedules and supporting documents that establish, at a minimum, the following:

 - (I) The detailed calculation of the G-DSMCA for each customer class based on the following general formula:

 - (A) Current G-DSMCA factor = (current G-DSMCA cost + deferred G-DSMCA cost) / (forecasted sales customer x monthly service charge + forecasted sales gas quantity x base rate).
 - (B) The G-DSMCA factor will also include the current G-DSM bonus plus any adjustment necessary to previously approved G-DSM bonuses.
 - (II) A detailed schedule showing the computation of interest, as applicable, to deferred amounts.
 - (III) The absolute and percentage impact of the proposed rate on the base rates and on the total monthly bills of typical customers in each customer class.
 - (IV) A schedule detailing the allocation of costs to each customer class.
 - (V) Proposed customer notice detailing rate impact and effective date.
 - (VI) Proposed tariff implementing the proposed G-DSMCA.
 - (VII) If any gas DSM costs are proposed to be recovered by rate base treatment, with a return on the unamortized balance, a statement of current net operating earnings, a detailed calculation of the related revenue requirement and an exhibit detailing any differences in the proposed rate base treatment compared to the regulatory practices employed by the Commission in its last general rate case for the applicant.
- (a) A gas DSM cost adjustment (G-DSMCA) application shall meet the following requirements:

 - (i) Every application shall contain exhibits 1 through 7. Exhibits 8 through 11 shall be filed with a G-DSMCA application with an amortization period of longer than one year. The exhibits shall meet the requirements set out in this rule.
 - (ii) The exhibits shall be organized in a manner that specifically references, and responds to, the requirements contained in each subparagraph of this rule.
 - (iii) Cross-referenced and footnoted work-papers fully explaining the amounts shown in each exhibit shall be submitted.
 - (iv) When preparing exhibits 9 through 11, the rate base, net operating earnings, capital structure, and cost of capital shall be calculated in conformance with the regulatory

~~principles authorized by the Commission in the utility's most recent general rate case, including all required pro forma adjustments.~~

~~(V) — An explanation of all pro forma adjustments shall be provided.~~

~~(b) — G-DSMCA Exhibit No. 1 — G-DSMCA summary. This exhibit shall illustrate all of the following:~~

~~(I) — The impact the utility's currently effective G-DSMCA factor has on each sales gas residential customer class and non-residential customer class on a total dollar and per Mcf or Dth basis in mil (\$0.001).~~

~~(II) — The amount of gas saved as a result of the utility's currently effective G-DSMCA factor and the dollar per Mcf or Dth for gas saved by gas residential customer class and non-residential customer class.~~

~~(III) — The impact the utility's proposed G-DSMCA factor has on each sales gas residential customer class and non-residential customer class on a total dollar and per Mcf or Dth basis to the accuracy of one mil (\$0.001).~~

~~(IV) — The amount of gas saved as a result of the utility's proposed G-DSMCA and the dollar per Mcf or Dth for gas saved by gas residential customer class and non-residential customer class.~~

~~(V) — The percent change in total bill from the proposed G-DSMCA factor for a customer of average usage for each sales gas customer class. This percent change in total bill calculation shall include an itemization of the monthly service and facility charge, base rates and GCA commodity components, and all other tariff charges on the customer bill.~~

~~(VI) — The total amount energy saved, and cost, calculated at current gas prices.~~

~~(c) — G-DSMCA Exhibit No. 2 — Current G-DSMCA cost calculation. This exhibit shall contain the calculation of the current DSM cost and shall provide month-by-month information for each month of the G-DSMCA effective period with respect to the forecasted cost for each DSM programs, and forecasted sales gas quantity.~~

~~(I) — The utility shall calculate current G-DSMCA factor separately for residential and non-residential customers at least to the accuracy of two significant places according to the following formula:~~

~~Current G-DSMCA factor = (current G-DSMCA cost + deferred G-DSMCA cost) /
(forecasted sales customer x monthly service charge + forecasted sales gas quantity x
base rate).~~

~~(II) — The utility shall present all cost information by programs separately for residential and non-residential customers in a format comparable with, and corresponding to, the information in the utility's submittal for each month of the G-DSMCA effective period in its report.~~

- (d) ~~G-DSMCA Exhibit No. 3-Deferred G-DSMCA cost calculation. This exhibit shall contain the details of the utility's actual DSM costs and the calculation of deferred gas DSM cost. In addition, this exhibit shall provide month-by-month information detailing the activity in a deferred gas DSM cost account, Account No. 186, interest on under- or over-recovery, and all other included gas DSM costs. The utility shall calculate deferred gas DSM cost as the aggregate total of the under- or over-recovered gas DSM costs reflected in its Account No. 186, or other approved gas DSM costs, recorded at the close of business for each month of the period at issue (such as the previous gas DSM program year), plus interest on under- or over-recovery (if net amount is negative). Each cost a utility desires to have included in the deferred gas DSM cost calculation shall be itemized and clearly identified and itemized for applicability to the period at issue. In its annual G-DSMCA applications the utility shall reflect actual deferred DSM costs for the most recent period ending June 30.~~
- (e) ~~G-DSMCA Exhibit No. 4-Current tariff. This exhibit shall contain the tariff page(s) which illustrate the G-DSMCA factor of the utility's currently effective rates for sales gas residential and non-residential customers.~~
- (f) ~~G-DSMCA Exhibit No. 5-Current gas DSM cost allocations. This exhibit shall fully explain and justify the method(s) used to do each of the following:~~

 - (I) ~~Allocate the costs associated with the gas DSM programs to each specific sales gas customer class.~~
 - (II) ~~Derive the amount of the G-DSMCA factor applied to each specific sales gas customer class.~~
- (g) ~~G-DSMCA Exhibit No. 6-Customer notice. This exhibit shall provide the form of notice to customers and the public concerning the utility's proposed G-DSMCA change. In its customer notice for each sales gas customer class, the utility shall include the following:~~

 - (I) ~~Current and proposed G-DSMCA factor and changes in rates and the associated percentage change.~~
 - (II) ~~Comparison of last year's average annual bill under prior rates and the projected average annual bill under the proposed G-DSMCA factor in terms of rates and percentage change in the total bill amount using an average usage amount for each sales customer class. The projected average annual bill shall reflect the impact from the estimated amount of gas saved.~~
- (h) ~~G-DSMCA Exhibit No. 7-Components of delivered gas cost. This exhibit shall detail the itemized rate components of delivered gas cost to the customer (rate), pursuant to rule 4759.~~
- (i) ~~G-DSMCA Exhibit No. 8-Proposed tariff. This exhibit shall contain the tariff sheets proposed by the utility to reflect the proposed G-DSMCA change.~~
- (j) ~~G-DSMCA Exhibit No. 9-Rate base. If a utility chooses the option to recover the cost of the DSM programs through base rates by including an earning on the balance of the amortized amounts of DSM program costs, this exhibit shall calculate the used and useful rate base assets employed~~

~~by the utility for Commission-regulated gas operations for the most recently completed 12-month period ending June 30. The depreciation period for said DSM rate base shall be consistent with the period used in the calculation of projected benefit used in the modified TRC test.~~

- (k) ~~G-DSMCA Exhibit No. 10—Net operating earnings. If a utility chooses the option to recover the cost of the DSM programs through base rates by including an earning on the balance of the amortized amounts of DSM program costs, this exhibit shall calculate the utility's net operating earnings for jurisdictional gas operations during the most recently completed 12-month period ending June 30. The utility may exclude any bonus awarded under the DSM programs from net operating earnings.~~
- (l) ~~G-DSMCA Exhibit No. 11—Capital structure and cost of capital. If a utility chooses the option to recover the cost of the DSM programs through base rates by including an earning on the balance of the amortized amounts of DSM program costs, this exhibit shall calculate the following information for the most recently completed 12-month period ending June 30:~~
- ~~(I) The utility's capital structure for jurisdictional gas operations;~~
- ~~(II) The utility's cost of long-term debt and preferred equity;~~
- ~~(III) The utility's cost of common equity; and~~
- ~~(IV) The utility's weighted average cost of capital.~~

4759. Bill Itemization.

Consistent with rule 4406, a utility shall provide itemized gas cost information with gas DSM costs to all customers commencing with the first complete billing cycle in which the new rates are in effect.

4760. Gas DSM Bonus (G-DSM Bonus) Applications.

The Commission shall review each G-DSM bonus application~~report~~ submitted and shall determine the level of bonus, if any, for which that the gas utility is eligible to collect at the request of the utility and on the basis of the information included in the report. The Commission's determination shall be made within 120 days~~three months~~ after receiving the G-DSM bonus application~~report~~. Any such bonus shall be authorized as a supplement to the DSMCA cost adjustment mechanism and shall be applied over a twelve-month period after approval of the G-DSM bonus and DSMCA. The collection on any G-DSM bonus awarded will be apportioned between residential and nonresidential customers based on the proportion of residential and nonresidential net economic benefits used to calculate the G-DSM bonus. A bonus awarded for programs directed at residential customers is to be collected from residential customers only and a bonus awarded for programs directed at nonresidential customers is to be collected from nonresidential customers only. A utility that implements a new DSM program in phases shall be eligible to receive a bonus under the bonus structure adopted pursuant to paragraph (d) of this subsection during its phase-in period.

- (a) G-DSM bonus filing requirements. The utility shall file its G-DSM bonus application as part of the annual report submitted to the Commission on the timetable set forth in rule 4752~~on or before October 1 of each year~~. The utility may request a G-DSM bonus not to exceed the lower of 25

percent of the expenditures or 20 percent of the net economic benefits of the DSM programs, applying the bonus calculation procedure set forth in rule 4754. The G-DSM bonus, as modified and ~~authorized~~ approved by the Commission, shall not count against a gas utility's authorized rate of return or be considered as net operating earnings in rate proceedings.

- (b) Contents of G-DSM bonus filing. In the G-DSM bonus filing, the utility shall submit to the Commission the following, at a minimum:
- (I) Documented expenditures on DSM programs for the current G-DSMCA period.
 - (II) Gas savings for the calendar year for which the bonus is to be awarded estimated following and the techniques approved in the DSM plan. The utility shall explain whether the actual gas savings are validated through the measurement and verification process as approved in the utility's DSM plan and the techniques used to estimate these gas savings for the current G-DSMCA period.
 - (III) Estimated cost-effectiveness of program expenditures for the current G-DSMCA period in terms of the amount of gas saved per unit of program expenditures.
 - (IV) Actual gas savings and the techniques used to calculate these gas savings for the prior G-DSMCA period. The utility shall explain whether the actual gas savings are validated through the measurement and verification process, pursuant to rule 4755.
 - (V) Actual cost-effectiveness of program expenditures for the prior G-DSMCA period in terms of the amount of gas saved per unit of program expenditures. The utility shall explain whether the actual cost effectiveness of program expenditures is validated through the measurement and verification process, pursuant to rule 4755.
 - (VI) Proposed tariffs containing rates to collect the bonus over 12 months.
- (c) Commission procedures for processing filings. Upon receipt of a G-DSM bonus application, the Commission shall assign a docket number and shall review the submittal for completeness as well as for substance, if a request for bonus is made by a utility. The Commission shall entertain interventions by interested parties, require the oral testimony and the filing of exhibits, and permit expedited discovery, and hold a hearing, as necessary. The Commission shall render a decision approving or disapproving the request for bonus within three months after receiving the G-DSM bonus filing.
- ~~(d) Determination of G-DSM bonus. A utility may receive a bonus for its performance on meeting or exceeding its goal to promote energy efficiency. Except during a phase-in period, a utility shall not be eligible for a bonus unless it spends the lower of at least 90 percent of its DSM program expenditure target or one-half of one percent of a utility's base rate revenues from its sales service customers in the year prior to setting such targets. A utility can request and the Commission may award an amount of bonus for meeting or exceeding the utility's DSM Savings Target under the tier structure as follows:~~

Percent of Program Savings Target	Bonus as Percent of DSM Program Expenditure	Bonus as Percent of DSM Net Economic Benefit
< 100	Not Eligible	Not Eligible
100—120	5	5
121—140	10	10
141—160	15	15
161—200	20	20
> 200	25	N/A

~~(e)~~ A bonus shall not exceed the lower of 25 percent of DSM program expenditure or 20 percent of net economic benefit.

~~(f)~~ Accounting for G-DSM bonus. Accounting for G-DSM bonus shall follow what has been prescribed for G-DSMCA costs, specifically in regard to interest on over- and under- recovery. A separate sub-account in Account No. 186 shall be created for any deferred G-DSM bonus amount.

~~(g)~~ Prudence review and adjustment of G-DSM bonus. If the Commission finds that the actual performance varies from performance values used to calculate the G-DSM bonus in rule 4754, ~~then as measured by percent of DSM program savings target pursuant to measurement and verification in rule 4755 differs to the estimated performance,~~ an adjustment shall be made to the amount of G-DSM bonus award. Any true-up in G-DSM bonus will be implemented on a prospective basis.

* * *

[indicates omitted material]