

## **COLORADO DEPARTMENT OF REGULATORY AGENCIES**

### **Public Utilities Commission**

#### **4 CODE OF COLORADO REGULATIONS (CCR) 723-4**

##### **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.

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

\* \* \*

### **4006. Reports.**

\* \* \*

- (h) A utility shall file demand side management reports pursuant to rule 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.

\* \* \*

## BILLING AND SERVICE

\* \* \*

### 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 programs that will enable sales customers s to participate in DSM. The utility shall design DSM programs for its full service customers 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.

- (a) Each utility shall file a DSM plan and application for cost recovery, within the parameters set forth in these rules. Within the application, the utility shall propose an expenditure target, savings target, funding mechanism, and cost-recovery mechanism.
- (b) Each utility shall also file an annual DSM report and an application for bonus.
- (c) Each utility shall file a measurement and verification report that evaluates the actual implementation and performance associated with its DSM program.

### 4751. Definitions.

The following definitions apply to rules 4750 through 4760, unless § 40-1-102 provides otherwise

- (a) "Amortization" means the systematic spreading of expenditures or capital costs incurred for DSM programs, through regular accounting entries over a specified period of time..
- (b) "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.
- (c) "Cost effective" means a benefit/cost ratio of greater than one.
- (d) "Demand side management" (DSM) means the implementation of programs or measures which serve to shift or reduce the consumption of, or demand for, natural gas.
- (e) "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..
- (f) "DSM measure" means an individual component or technology, such as attic insulation or replacement of equipment.
- (g) "DSM period" means the effective period of an a approved DSM plan.
- (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 any combination group of DSM measures, information and services generally offered ~~together~~ to customers- to reduce natural gas usage.
- (j) "Energy efficiency program" see DSM program.
- (k) "Gas Demand-Side Management Cost Adjustment" (G-DSMCA) is means a rate adjustment mechanism designed to compensate a utility for its DSM program costs.
- (l) "Gas Demand-Side Management bonus" (G-DSM bonus) is means a bonus awarded to a utility in accordance with C.R.S. § 40-3.2-103(2)(d), C.R.S.
- (m) "Market Transformation" means a strategy for influencing the adoption of new techniques or technologies by consumers. The objective is to overcome barriers within a market through coordinating tactics such as education, training, product demonstration and marketing, often conducted in concert with rebates or other financial incentives.
- (nn) "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 over its useful life, 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.
- (oo) "Net economic benefits" is means 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.
- (pp) "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, each utility shall file its DSM plan and application for cost recovery.
  - (l) The utility shall implement its DSM plan and G-DSMCA, as approved by the Commission, by January 1, 2009.
- (b) Beginning March-April 1, 2010 and each AprilMarch 1<sup>st</sup> thereafter, each utility shall submit its annual DSM report, application for bonus and DSMCA application adjustment filing.
  - (l) 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.~~ Subsequent DSM plan applications are to be filed by May 1 of the final year of the current DSM plan.

#### 4753. Periodic DSM Plan Filing.

On the schedule set forth in rule 4752, the utility shall file by application a prospective natural gas DSM plan for Commission approval. The plan shall detail:

- (a) The utility's proposed expenditures by year for each DSM program, by budget category; the sum of these expenditures represents the utility's proposed expenditure target as 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.
- (d) The utility shall include in its DSM plan application data and information sufficient to describe the design, implementation, oversight and cost effectiveness of the DSM programs. Such data and information shall include, at a minimum, program budgets delineated by year, estimated participation rates and program savings (in therms).
- (e) In the information and data provided in a proposed DSM plan, the utility shall reflect consideration of the factors 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-Descriptions of identifiable market segments, assessment in regards with respect to~~ gas usage and unique characteristics across customer classes.
  - (II) A comprehensive list of ~~potential~~ DSM measures that the utility ~~evaluated-is proposing~~ for ~~possible~~ inclusion in its ~~proposed~~ DSM plan
  - (III) A detailed analysis of ~~proposedselected~~ DSM programs 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.
  - (IV) A ranking of ~~proposedpossible~~ DSM programs, from greatest value and potential to least, based upon the ~~analysis-conducted data required~~ in subparagraph (III), above, ~~and identification of which DSM programs and measures the utility is proposing.~~
  - (V) Proposed marketing strategies to promote participation based on industry best practices.

- (VI) Calculation of cost effectiveness of the proposed DSM programs using a modified TRC test. Each proposed DSM program is to have a projected value greater than or equal to 1.0 using a modified TRC test, except as provided for in paragraph (f), below.
  - (VII) An analysis of the impact of the proposed DSM program expenditures on utility rates, assuming a 12-month cost recovery period.
- (f) 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 of Colorado, 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.
- (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, or one-half of one percent of total revenues from its sales customers in the 12-month calendar period prior to setting the targets, whichever is greater.
  - (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~~ the amount required in sub-paragraph (I), above, during an initial phase-in period. The utility must achieve at least the ~~minimum two percent~~ expenditure target within three years of implementing the initial DSM plan.
  - (IV) Funds spent for education programs, market transformation programs and 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.
- (h) The utility shall propose a budget to achieve the expenditure target proposed in paragraph (a), above. The budget shall be detailed for the overall DSM plan and for each program for each year and 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) Measurement and verification costs; and
- (VII) Miscellaneous costs.
- (i) The budget shall explain anticipated increases/decreases in financial resources and human resources from year to year.
- (j) A utility may spend more than the annual expenditure target established by the Commission up to twenty-five percent over the target, without being required to submit a proposed DSM plan amendment. Expenditures in excess of twenty-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.
- (k) As a part of its DSM plan each utility shall propose a DSM plan with a benefit/cost value of unity (1) or greater, using a modified TRC test.
- (l) For the purposes of calculating a modified TRC, the non-energy benefits of avoided emissions and societal impacts shall be valued incorporated as follows. The utility shall quantify any proposed non-energy benefits in the utility's DSM plan. Quantification shall be presented as a dollar value per unit.
  - (I) 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 CO<sub>2</sub>, NOX, methane, or gallons of water saved, for example, and apply current market values to the non-energy benefits. An amount equal to five percent (5%) of total costs shall be added to the benefits within the modified TRC test calculation. The initial TRC ratio, which excludes consideration of avoided emissions and other societal benefits, shall be multiplied by 1.05 to reflect the value of the avoided emissions and other societal benefits. The result shall be the modified TRC. A utility may propose a different factor for avoided emissions and societal impacts, but must submit documentation substantiating the proposed value.
- (m) Measurement and verification plan. The utility shall describe in complete detail how it proposes to monitor and evaluate the implementation of its proposed programs. The utility shall explain 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.

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

On the schedule set forth in rule 4752, the utility shall provide the Commission a detailed DSM report and application for bonus.

- (a) In the annual DSM report the utility shall describe its actual DSM programs as implemented. For each DSM program, the utility shall document actual program expenditures, energy savings, participation levels and cost-effectiveness.



- (b) Annual program expenditures shall be separated into cost categories contained in the approved DSM plan.
- (c) For each DSM program, the utility shall 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.
- (d) The utility shall provide actual benefit/cost results for the overall DSM plan and individual DSM programs implemented during the plan year. The benefit/cost analysis shall 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.
- (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.
- (g) The Commission shall determine the level of bonus, if any, that the 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.
  - (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~~the minimum amount set forth in rule 4753 (g)(I), except during a phase-in period as set forth in rule 4753 (g)(III), 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% percent 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% percent of net economic benefits would be the bonus amount.

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

(I) The costs and benefits associated with a low-income DSM program may be excluded from the calculation of the net economic benefits for the entire DSM portfolio if the modified TRC value for the low-income program is below 1.0

(II) The expenditures and therms saved associated with a low-income DSM program may be excluded from the calculation of the Savings Factor if the therms saved per dollar expended for the low-income program is below the planned savings target for the overall DSM portfolio.

- (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 DSM plan application, pursuant to rule 4753, and shall include the complete M & V evaluation results with its annual DSM report in those years when the M&V is conducted.
- (b) As a part of its M & V program, the utility shall, at a minimum, ~~employ a qualified independent third party to~~ design an M&V plan to evaluate the effectiveness of the actual DSM measures and programs implemented by the utility. 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.— The M&V plan shall also include an evaluation of free ridership, spillover and the net-to-gross ratio. The M & V evaluation shall be implemented at least once per the DSM plan period. Subsequent DSM plan applications shall reflect the results of all completed M&V evaluations, 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;

- (II) A measurement of the actual energy savings for each DSM program, in dekatherms per dollar expended and in total dollars, and a comparison to the corresponding utility projections in ~~the~~ approved DSM plan;
- (III) To the extent feasible, an assessment of the period of time that each DSM measure actually remains in service, and a comparison to the corresponding utility projections in the approved DSM plan;
- ~~(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 benefit/cost ratio for each DSM program within the approved DSM plan;
- (V) An assessment of the extent to which education and market transformation efforts are achieving the desired results; and
- (VI) Recommendations for how the utility can improve the market penetration and cost effectiveness of individual DSM programs.

**4756. General Provisions Concerning Cost Allocation and Recovery.**

- (a) Amortization periods.
  - (I) For the base rate method, the utility shall propose~~establish~~ the amortization period ~~to match the average of the expected lifetimes of the DSM measures within each DSM program.~~ The utility shall specify and explain the rationale for the amortization period proposed for each DSM program as a part of its DSM 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.
- ~~(b) 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.~~
- ~~(c)~~ 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.

The purpose of the G-DSMCA is to enable utilities to recover prudently incurred gas DSM program expenses without reflecting requiring a change in their base rates for gas sales ~~in order to recover 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 that is set on an annual basis, and collected from July 1 through June 30. 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.~~
- (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 its DSM program expenditure target. All prudently incurred expenditures for the utility's portfolio of DSM programs are recoverable, provided, however, that the overall DSM portfolio yields a modified TRC test value of 1.0 or greater. The ~~the~~ portion of costs yielding a modified TRC test value below 1.0 loses its presumption of prudence and is subject to special review. scrutiny are excluded from recovery.
- (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 energy and savings targets. In implementing DSM programs, a utility shall use reasonable efforts to maximize energy savings consistent with the approved DSM plan.
- (f) A utility may continue DSM programs that were in existence on or before May 22, 2007, the effective date of § 40-3.2-~~402103~~, 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 expenditure 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.

- (g) A utility shall file ~~an application~~ a request to adjust its G-DSMCA factor either through an application or an advice letter and tariffs, pursuant to application the relevant provisions of title 40, articles 1 through 7 of Colorado Public Utilities Law the Colorado Public Utilities Law [A1] and this Commission's rules. The G-DSMCA adjustment ~~application~~ shall be filed pursuant to the schedule provided in rule 4752.
- (h) A G-DSMCA application shall include information and exhibits as required in rule ~~4410 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.
- (i) 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.
- (j) 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.
- (k) Return on DSM program expenditures 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.
- (l) 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. ~~If net interest is positive, it will be excluded from the calculation of the deferred G-DSMCA cost.~~
- (m) 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.

#### **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.~~

- (II) 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.

**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 submitted and shall determine the level of bonus, if any, for which the utility is eligible. The Commission's determination shall be made within 120 days after receiving the G-DSM bonus application. 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 utility that implements a new DSM program in phases shall be eligible to receive a bonus 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. 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 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.
  - (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) 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.
- (e) 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 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.

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[indicates omitted material]