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P.O. Box 840
Denver, Colorado 80201-0840

December 17, 2010

Advice No. 791 - Gas

Public Utilities Commission
of the State Of Colorado
1560 Broadway, Suite 250
Denver, Colorado 80202

The accompanying tariff sheets issued by Public Service Company of Colorado are sent to you for filing in accordance with the requirements of the Public Utilities Law:

COLORADO P.U.C. NO. 6 - GAS

and the following sheets are attached:

<u>Colorado P.U.C. Sheet No.</u>	<u>Title of Sheet</u>	<u>Cancels</u> <u>Colorado P.U.C. Sheet No.</u>
Sixteen Revised 3	Table of Contents	Fifteenth Revised 3
Ninety-first Revised 10A	Rule 4406(b) Rate Components	Ninetieth Revised 10A
Seventeenth Revised 10B	Rule 4406(b) Rate Components	Sixteenth Revised 10B
Tenth Revised 10C	Rule 4406(b) Rate Components	Ninth Revised 10C
Eleventh Revised 10D	Rule 4406(b) Rate Components	Tenth Revised 10D
One Hundred Fourth Revised 11	Rate Schedule	One Hundred Third Revised 11
Fifty-fifth Revised 11A	Rate Schedule Summation Sheets	Fifty-fourth Revised 11A
Fifty-sixth Revised 11B	Rate Schedule Summation Sheets	Fifty-fifth Revised 11B
Ninth Revised 11C	Rate Schedule Summation Sheets	Eighth Revised 11C
Sixth Revised 12	Schedule of Charges for Rendering Service	Fifth Revised 12

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Fourth Revised	12A	Schedule of Charges for Rendering Service	Third Revised	12A
Fifth Revised	47	Pipeline System Integrity Adjustment	Fourth Revised	47
Original	47A	Pipeline System Integrity Adjustment	---	
Ninth Revised	48	General Rate Schedule Adjustment	Eighth Revised	48
Eleventh Revised	50	Gas Cost Adjustment	Tenth Revised	50
Sub. Eighth Revised	50A	Gas Cost Adjustment	Seventh Revised	50A
Sub. Sixth Revised	50B	Gas Cost Adjustment	Fifth Revised	50B
Ninth Revised	50C	Gas Cost Adjustment	Eighth Revised	50C
Sub. Ninth Revised	50D	Gas Cost Adjustment	Eighth Revised	50D
Sub. Seventh Revised	50E	Gas Cost Adjustment	Sixth Revised	50E
Third Revised	50F	Gas Cost Adjustment	Second Revised	50F
Second Revised	51	Reserved For Future Filing	First Revised	51
First Revised	51A	Reserved For Future Filing	Sub. Original	51A
Fourth Revised	51B	Reserved For Future Filing	Third Revised	51B

The principal proposed change is to increase rates for all natural gas sales and transportation services by implementing a General Rate Schedule Adjustment ("GRSA") in the Company's Colorado P.U.C. No. 6 Gas tariff, to become effective January 17, 2011. In addition, the Company is revising portions of the Charges for Rendering Service to update these charges to current cost levels. The Company also proposes to terminate cost recovery of the return component on the average gas storage inventory balance through base rates and commence recovery of these costs through the Gas Cost Adjustment ("GCA"). The Company is also proposing to eliminate the Partial Decoupling Rate Adjustment ("PDRA"). Finally, the Company proposes to implement a new

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Pipeline System Integrity Adjustment ("PSIA"), effective January 1, 2012.

As part of a Stipulation and Agreement reached with the Staff of the Colorado Public Utilities Commission ("Staff") in Docket No. 10F-011G, the Company agreed to file a Phase 1 rate case before the end of 2010. That Stipulation and Agreement was approved by the Commission pursuant to Decision No. R10-0599, mailed June 14, 2010. The Company is filing this Advice No. 791 - Gas in accordance with the terms of the approved Stipulation and Agreement.

The Company proposes a return on equity ("ROE") of 10.90 percent and a capital structure consisting of 42.90 percent long-term debt and 57.10 percent equity. The requested increase in ROE from the currently authorized level of 10.25 percent to 10.90 percent increases the test-year revenue requirement by about \$7.5 million. But the higher level of debt in the capital structure and the lower cost of debt offset the increase from the change in ROE, so that the net impact of the changes in capital structure is not a major driver of the proposed increase.

The Company proposes a positive 7.77 percent GRSA applicable to all base rates and for the GRSA to remain in effect until new Phase 2 rates are approved by the Commission. The effect of this filing on the Company's annual base rate gas revenues is an increase of \$27,483,653, based on a forecasted test year consisting of the twelve months ending December 31, 2011. The effect of this filing upon the Company's customers is an increase in the effective GRSA rate from a negative 0.4481 percent to 7.77 percent. The 7.77 percent GRSA does not include any recovery of the gas inventory costs that the Company proposed to be collected through the GCA or the PSIA as discussed further in this Advice Letter. The average residential customer monthly bill will increase \$1.34, from \$53.51 to \$54.85, or 2.50 percent. The average small commercial customer monthly bill will increase \$4.78, from \$213.53 to \$218.31, or 2.24 percent.

The Company proposes to revise its Schedule of Charges for Rendering Service to increase certain rates for rendering service to reflect the most current test-year labor and other costs associated with these services. In addition to the existing charges, the Company proposes to introduce a twelve (12) hour charge to institute or reinstitute gas service.

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The Company is also proposing to shift the recovery of the return on its natural gas inventory in underground storage facilities from base rates to the GCA. The Company proposes to commence recovering through the GCA the costs traditionally embedded in base rates that are related to gas stored underground, or gas storage inventory, and simultaneously remove these costs from base rates. This new cost component is called the Gas Storage Inventory Cost ("GSIC"). The Company is proposing to true up the GSIC as part of the deferred gas cost calculation in the GCA, which will ensure that the Company neither over-collects nor under-collects these costs. The effect on base rates in this filing is to decrease the revenue requirement by \$10.1 million, which is the result of eliminating the gas storage inventory balance from rate base. The estimated GSIC for the October 2010 through September 2011 period is \$9.97 million. This shift in cost recovery would be an estimated increase in the current GCA rate for Residential customers from \$0.52777 to \$0.53507 per therm, for Small Commercial customers from \$0.52995 to \$0.53725 per therm, and for Large Commercial customers from \$5.09610 to \$5.1691 per dekatherm.

The Company is also proposing to eliminate the Partial Decoupling Rate Adjustment ("PDRA"). The currently effective PDRA is 0.00 percent; therefore, its elimination will have no impact on the Company's revenues or customers' monthly bills. The Company is not proposing a revenue decoupling mechanism in this filing to replace the current mechanism.

Finally, the Company proposes to institute a new adjustment clause to capture the costs of certain pipeline system integrity initiatives. The Company will be undertaking extensive initiatives to improve the safety and reliability of the Company's gas pipeline system. These initiatives will entail significant and increasing levels of capital and operation and maintenance ("O&M") costs over the next few years. The Company proposes to recover the capital and O&M costs of these initiatives through a new adjustment clause, the Pipeline System Integrity Adjustment ("PSIA"), beginning on January 1, 2012. This adjustment clause would focus on and be limited to the cost increases that would otherwise prompt the need for frequent base rate adjustments. It would allow the Company to recover costs only to the extent it actually funded the initiatives. The PSIA will recover incremental costs associated with the Company's Transmission Integrity Management Program ("TIMP"), the Distribution Integrity Management Program ("DIMP"), the Cellulose Acetate Butyrate Replacement Program ("CAB Program"), and the Accelerated Main Services Replacement Program ("AMRP"). In addition, the Company would track the costs of two initiatives directly resulting from failed assessments conducted as

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part of the TIMP. These two projects are the Edwards to Meadow Mountain Pipeline and the West Main Replacement. The Company is requesting approval of the method to calculate the PSIA only, and is not requesting approval for any specific amounts to be recovered through the PSIA. However, based on estimated PSIA costs for the twelve months ending December 31, 2012, the estimated revenue to be collected under the PSIA is \$12,757,143 million. The Company estimates the PSIA will result in a monthly bill increase of approximately \$0.46, or 0.83 percent, for residential customers and \$1.98, or 0.90 percent, for small commercial customers.

In conjunction with the revisions to the tariffs submitted with this advice letter, included are revised Sheet Nos. 10A, 10B, 10C, and 10D, reflecting itemized Rate Components, and revised Sheet Nos. 11, 11A, 11B and 11C reflecting the Rate Schedule Summation Sheets. Sheet Nos. 10A, 10B, 10C, 10D, 11, 11A, 11B and 11C are informational tariff sheets which set forth itemized gas cost information for billing purposes in compliance with the requirements of Rule 4406(b) of the Commission's Rules Regulating Gas Utilities and Pipeline Operators, 4 C.C.R. 723-4-4406(b).

It is desired that the changed tariffs accompanying this advice letter become effective on January 17, 2011.

The Company will provide individual notice by inclusion of an insert in the bill mailed to each natural gas sales and transportation customer pursuant to Rule 1206 of the Commission's Rules of Practice and Procedure, 4 C.C.R. 723-1, and C.R.S. § 40-3-104(1)(c)(I)(C). A copy of the notice is attached.

Please send copies of all notices, pleadings, correspondence, and other documents regarding this filing to:

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