

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

PROCEEDING NO. 13AL-1355G

IN THE MATTER OF ADVICE LETTER NO. 71, TARIFF NO. 2 FILED BY COLORADO NATURAL GAS INC. TO MODIFY THE COMPANY'S NATURAL GAS DISTRIBUTION RATES IN THE EASTERN COLORADO DIVISION RATE AREA, TO BECOME EFFECTIVE JANUARY 20, 2014.

**DECISION SUSPENDING EFFECTIVE DATE
OF TARIFFS AND NOTICE OF HEARING**

Mailed Date: January 17, 2014

Adopted Date: January 15, 2014

IMPORTANT NOTICE: ANY PERSON DESIRING TO PARTICIPATE ONLY BY MAKING A STATEMENT MAY DO SO BY APPEARING AT THE HEARING. IF YOU DESIRE TO ASK QUESTIONS OF A WITNESS OR OTHERWISE PARTICIPATE AS A PARTY IN THIS RATE MATTER, YOU MUST REQUEST PERMISSION FROM THE COMMISSION TO BE AN INTERVENOR (EVEN IF YOU HAVE ALREADY FILED AN OBJECTION). ANYONE DESIRING TO INTERVENE MUST CAREFULLY FOLLOW THE LAW AND COMMISSION RULES FOR BECOMING AN INTERVENOR. FOR FURTHER INFORMATION ON HOW TO INTERVENE CALL (303) 894-2070 (PUC EXTERNAL AFFAIRS OFFICE).

I. BY THE COMMISSION

A. Statement

1. On December 20, 2013, Colorado Natural Gas, Inc. (CNG or the Company) filed Advice Letter No. 71 (attached as Exhibit 1). CNG states that the purpose of the advice letter filing is to implement a reduction in distribution rates in its Eastern Colorado Division (ECD) rate area. CNG explains that the change in rates is proposed pursuant to Decision Nos. R13-1090 and C13-1304 in Proceeding No. 13AL-0153G, the Company's recent base rate proceeding.

2. CNG requests that the tariff pages accompanying Advice Letter No. 71 become effective on January 20, 2014.

B. Background

3. Decision No. R13-1090, issued on September 3, 2013, approved a Stipulation and Settlement Agreement (Stipulation) addressing most of the contested issues in the rate case.¹ Paragraphs 30 through 38 of that decision addressed the provisions in the Stipulation governing the treatment of the costs of investments CNG intended to make in its ECD by November 1, 2013.

4. In accordance with the approved Stipulation, the investment costs that CNG is allowed to recover for upgrades to the ECD facilities was capped at \$2,961,856.² However, as the final investment costs through November 1, 2013 were unknown at the time the evidentiary record in Proceeding No. 13AL-0153G was closed, CNG agreed to file a report in that proceeding that includes: (1) bid schedules tied to master service agreements; (2) work orders; (3) change orders authorized between CNG and contractors; (4) invoices from contractors and subcontractors and for material purchased; (5) commissioning documents; and (6) general ledger support for overhead, consistent with CNG's Cost Allocation and Assignment Manual. The report was intended to support a new revenue requirement for the ECD rate area if the amount invested in upgrades was less than the \$2,961,856 cap.

¹ By Decision No. C13-1304, issued October 18, 2013, the Commission addressed exceptions to Decision No. R13-1090 and upheld the decision without modifications.

² Rates for CNG's Eastern rate area reflecting investments at the cap of \$2,961,856 million took effect November 1, 2013 pursuant to Decision Nos. C13-1304 and R13-1090.

5. On December 2, 2013, CNG submitted the compliance report as required by Decision No. R13-1090. Because the reported costs were less than the cap, CNG proposed a negative rate rider to lower rates for customers in the ECD rate area.

6. On December 16, 2013, Staff of the Colorado Public Utilities Commission (Staff) filed a response to CNG's compliance report, objecting to the level of CNG's proposed rate reduction and recommending that rates be reduced further so as not to include certain allocated costs. Due to Staff's objection, CNG was not allowed to put into effect its proposed rate reduction via a compliance tariff filing under the terms of Decision No. R13-1090. CNG was instead required to file an advice letter on not less than 30 days' notice with tariff sheets to implement its proposed rate reduction.

7. CNG states in Advice Letter No. 71 that the maximum allowed investment costs of the ECD upgrades of \$2,961,856 led to a distribution rate for the Eastern rate area of \$0.3360 per therm. The Company's proposed rate reduction would lower these rates by \$0.0281 per therm consistent with the lower level of investment expenditures totaling \$2,285,479, or \$676,377 less than the cap.

C. Staff Protest and CNG Reply

8. On January 6, 2014, Staff filed a protest letter to Advice Letter No. 71 disputing the level of rate reduction associated with the cost of the ECD upgrades. Staff requests the Commission order CNG to decrease the level of rate base by \$1,310,465 instead of the \$676,377 proposed by CNG.

9. On January 9, 2014, CNG filed a reply to Staff's protest letter. CNG argues the rates filed with Advice Letter No. 71 are calculated appropriately and requests approval of its proposed rate reduction for the benefit of ECD customers. Attached to the Company's reply are

copies of emails and spreadsheets that appear to show the calculation of rates based on CNG's reported reduction in rate base of \$676,377.

D. Findings and Conclusions

10. We find that the appropriate level of rate reduction for the ECD rate area is in dispute and that it is necessary for the Commission to resolve the matter. We therefore set the proposed tariff pages submitted with Advice Letter No. 71 for hearing before an Administrative Law Judge (ALJ) for the issuance of a recommended decision and suspend their effective date. As the proposed rate change involves a decrease in revenues to the benefit of customers in the ECD rate area, we instruct the ALJ to attempt to resolve the matter promptly.

11. Under § 40-6-111(1), C.R.S., the Commission may, in its discretion, set the tariff page(s) for hearing which will suspend their effective date for 120 days from the proposed effective date. Section 40-6-111(1), C.R.S., also provides that the Commission may, in its discretion and by separate decision, suspend the effective date of the tariff page(s) for an additional 90 days. Thus, the Commission has the power and authority to suspend the effective date of the tariff page(s) for a maximum of 210 days or, in this proceeding, through August 18, 2014. If the Commission does not establish new rates before the expiration of the first suspension period of 120 days, or May 20, 2014, the tariff page(s) filed by CNG may become effective. If the Commission further suspends, by separate decision, the effective date of the tariff page(s) for an additional 90 days, and if no new rates are established by the Commission before August 18, 2014, the tariff page(s) filed by CNG may become effective.

12. A pleading to intervene may be filed by any person, firm, or corporation desiring to be a party and fully participate in this proceeding, as ordered below. The filing of any other document protesting the tariff pages shall not allow participation as an intervenor in this matter.

II. ORDER

A. The Commission Orders That:

1. The proposed effective date, January 20, 2014, of the tariff pages filed by Colorado Natural Gas, Inc. (CNG) with Advice Letter No. 71, is suspended for 120 days through May 20, 2014, or until further order of the Commission.

2. The tariff pages filed by CNG with Advice Letter No. 71 will be set for hearing before an Administrative Law Judge (ALJ). The ALJ shall rule upon interventions, set a hearing date and procedural schedule, and establish other procedures by separate decision(s).

3. Motions to intervene and notices of intervention by right must be filed with the Commission within ten days after the mailing date of this Decision, and they must be served on CNG's attorney of record. Those filing protests of the proposed tariff pages must move to intervene if they wish to participate as parties in this proceeding.

4. This Decision is effective upon its Mailed Date.

**B. ADOPTED IN COMMISSIONERS' WEEKLY MEETING
January 15, 2014.**

(S E A L)



ATTEST: A TRUE COPY

Doug Dean,
Director

THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

JOSHUA B. EPEL

PAMELA J. PATTON

GLENN A. VAAD

Commissioners