

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

PROCEEDING NO. 14AL-1113G

IN THE MATTER OF ADVICE LETTER NO. 871 - GAS FILED BY PUBLIC SERVICE COMPANY OF COLORADO TO INCREASE THE PIPELINE SYSTEM INTEGRITY ADJUSTMENT (PSIA) APPLICABLE TO ALL GAS SALES AND GAS TRANSPORTATION RATE SCHEDULES TO BECOME EFFECTIVE JANUARY 1, 2015.

**DECISION ALLOWING TARIFF SHEET TO BECOME
EFFECTIVE BY OPERATION OF LAW AND
ADDRESSING JULY 1, 2014 FILING DEADLINE**

Mailed Date: December 24, 2014

Adopted Date: December 22, 2014

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I. BY THE COMMISSION

A. Statement

1. This Decision addresses the protest to Advice Letter No. 871-Gas filed by Staff of the Colorado Public Utilities Commission (Staff) and the response to the protest submitted by

Public Service Company of Colorado (Public Service or Company). As discussed below, we allow the tariff sheet filed under Advice Letter No. 871-Gas to become effective on January 1, 2015, by operation of law.

B. Discussion

2. On November 17, 2014, Public Service filed Advice Letter No. 871-Gas with Sheet No. 47C of the Company's Colorado PUC No. 6 Gas Tariff. Public Service intends the tariff sheet to go into effect on January 1, 2015. The advice letter filing is intended to increase Public Service's gas revenues by \$5,177,132 through collections of the Company's Pipeline Safety Integrity Adjustment (PSIA) for the 2015 calendar year.

3. Public Service explains that the tariff filing is made pursuant to the terms and conditions described in the PSIA tariff as initially approved in Proceeding No. 10AL-963G and modified in Proceeding No. 12AL-1268G.

4. Public Service states that the 2015 PSIA costs are associated with six programs or projects, including: the Transmission Integrity Management Program (TIMP); the Distribution Integrity Management Program (DIMP); the Accelerated Main Renewal Program; the Cellulose Acetate Butyrate Services Replacement Program; the West Main Replacement project; and the Edwards to Meadow Mountain Pipeline project. Public Service included several exhibits in the advice letter filing presenting and supporting the 2015 PSIA revenue requirement.

5. On page 4 of Advice Letter No. 871-Gas, Public Service states:

In accordance with Section 4 (pp. 12-13) of the Settlement Agreement approved by the Commission in Decision No. C11-0946 in Docket No. 10AL-963G, and the modifications in Decision No. R14-0694 in Proceeding No. 13M-0915G, any issues interested persons may have concerning the underlying prudence or reasonableness of any particular cost included in the 2015 Pipeline System Integrity Costs are to be raised

in the context of the Company's annual PSIA report, to be filed on or before April 1, 2015.

1. Staff Protest

6. On December 4, 2014, Staff filed a protest to Advice Letter No. 871-Gas requesting that the Commission either reject or permanently suspend the tariff sheet for the 2015 PSIA. Staff argues that Public Service seeks to expand the PSIA by including certain new investments and associated costs and that this alleged expansion of the PSIA is contrary to procedures ordered in Proceeding Nos. 10AL-963G and 12AL-1268G. Staff contends the Commission was clear that an application was to be filed on or before July 1, 2014, for the purpose of considering any new projects to be included in the PSIA.

7. Staff argues that several of the proposed projects included in the 2015 PSIA do not appear to relate to activities that warrant extraordinary cost recovery under the rate adjustment mechanism. Characterizing the activities as normal maintenance, Staff argues they are more appropriately considered in the Company's forthcoming base rate proceeding.

8. Staff recommends that, because Advice Letter No. 871-Gas and the attached tariff are not compliant with Commission decisions, the Commission should either reject or permanently suspend Sheet No. 47C and direct the Company to file a new or amended advice letter and tariff including only those 2015 programs that have been previously approved for PSIA cost recovery.

2. Public Service Response

9. Public Service filed a response to Staff's protest on December 12, 2014. The Company states that it is not seeking to expand the PSIA by its 2015 rate filing and that the projects challenged by Staff are all legitimately within approved PSIA programs or

cost recovery categories. Public Service argues that Staff misinterprets the relevant Commission decisions approving the PSIA and that it has not violated any Commission orders. If the Commission finds merit in Staff's protest, however, Public Service suggests that the Commission hold the protest in abeyance, allow the proposed 2015 PSIA rider tariff to become effective by operation of law, and consider a later prudence review hearing under the procedures adopted in Proceeding No. 13M-0915G.

10. Public Service argues that the Commission intended the PSIA, in its original and existing form, to provide the Company with reasoned discretion to implement individual projects, particularly within the TIMP and DIMP programs, to satisfy federal mandates. Public Service continues that Commission decisions do not limit cost recovery through the PSIA as long as projects or initiatives fall within the approved six categories of programs or projects. Public Service states that, contrary to Staff's position, the specific projects and programs within those categories are not specified in the settlement in Proceeding No. 10AL-963G, in the Commission decisions approving the PSIA, or in the PSIA tariff itself.

11. Public Service also argues that, under the PSIA procedures adopted in Proceeding No. 13M-0915G, Staff's protest is premature and appears to interfere with the process to which Staff agreed in that proceeding. According to Public Service, Staff is seeking a hearing by its protest, but such hearing would be part of the prudency review procedure designed to occur sometime after the Company's April 1, 2016, annual PSIA report filing.

12. Finally, Public Service argues that the directive to file a PSIA application on or before July 1, 2014, was rendered moot as a matter of law by the Commission's decision to extend the PSIA in its existing form through December 31, 2015. Public Service contends that it is illogical and makes no sense for the Company to be required to file an application 18 months

prior to December 31, 2015, because a Commission decision could be obtained much closer to the 2015 expiration date.

C. Findings and Conclusions

13. The Commission opened Proceeding No. 13M-0915G for the purpose of establishing filing requirements for Public Service's PSIA advice letter filings and annual reports. The proceeding was also intended to receive comment on the appropriate review process for each type of filing. We find that Advice Letter No. 871-Gas conforms to the filing requirements established in that proceeding and, consistent with Decision No. R14-0694, Proceeding No. 13M-0915G issued June 25, 2014, we agree that advice letter filings of this type are intended to go into effect without hearing, absent extraordinary circumstances.

14. In addition, Decision No. R14-0694 explains that Public Service and Staff have agreed that, in the event a PSIA advice letter is allowed to go into effect by operation of law, the Company will be required to file an annual PSIA report in the same proceeding in which it filed the advice letter. The report will be due on April 1 following the calendar year in which the PSIA rate is in effect and will report on the work done and the cost of that work.

15. Public Service and Staff have agreed in Proceeding No. 13M-0915G to a process following the April 1 filing such that, if a request for hearing is made, the Commission will conduct a prudence review of the costs. Decision No. R14-0694 confirms that Public Service and Staff had reached agreement that no presumption of prudence regarding the recovered cost is created and no Commission finding is made with respect to any project discussed in the April filing when a PSIA advice letter goes into effect by operation of law. The decision states: "[I]n the later prudence review of a particular year's PSIA-related activities in costs, parties are

able to review and to challenge the Company's PSIA activities and related costs."¹ The decision further confirms that Public Service and Staff agree that in a PSIA prudency review, Public Service has the burden of proof.

16. We will allow Sheet No. 47C filed under Advice Letter No. 871-Gas to take effect on January 1, 2015, by operation of law. We conclude that Staff's concerns about specific projects and the associated costs represent examples of challenges that could be made in a prudency review under the terms established for the PSIA in Proceeding No. 13M-0915G.

17. Staff's protest will not be held in abeyance as requested by Public Service. After Public Service files its 2015 PSIA annual report on April 1, 2016, Staff may challenge the projects and the associated costs it alleges were not eligible for PSIA cost recovery in 2015 according to the procedures established in Proceeding No. 13M-0915G.

18. Contrary to Public Service's conclusions, we did not vacate our July 1, 2014, deadline for filing an application to expand the scope of the PSIA or to extend the term of PSIA beyond December 31, 2015. Decision No. C13-1568, Proceeding No. 12AL-1268G issued December 23, 2013, explains that our approval of a one-year extension of PSIA through December 31, 2015, was premised on the need to accommodate our consideration of the July 1, 2014, application filing as required by Decision No. C11-0946 in Proceeding No. 10AL-963G issued September 1, 2011. The application filing requirement and associated deadline were again set forth explicitly in Decision No. C14-0152, Proceeding No. 12AL-1268G issued February 10, 2014. No alteration or elimination of either the filing requirement or the due date has been requested or granted.

¹ Decision No. R14-0694 at ¶ 34 c.

II. ORDER**A. The Commission Orders That:**

1. The tariff sheet filed by Public Service Company of Colorado (Public Service) with Advice Letter No. 871-Gas on November 17, 2014, is allowed to become effective by operation of law on January 1, 2015, consistent with the discussion above.

2. Public Service shall file an annual report on the projects and associated costs recovered through its Pipeline Safety Integrity Adjustment during the 2015 calendar year on or before April 1, 2016, consistent with the process established by Decision No. R14-0694 in Proceeding No. 13M-0951G. Staff of the Colorado Public Utilities Commission and any other interested person may file a request for hearing to challenge the report, consistent with the discussion above.

3. The 20-day period provided for in § 40-6-114, C.R.S., within which to file applications for rehearing, reargument, or reconsideration begins on the first day following the effective date of this Decision.

4. This Decision is effective upon its Mailed Date.

**B. ADOPTED IN COMMISSIONERS' WEEKLY MEETING
December 22, 2014.**

(S E A L)



ATTEST: A TRUE COPY

A handwritten signature in cursive script that reads "Doug Dean".

Doug Dean,
Director

THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

JOSHUA B. EPEL

PAMELA J. PATTON

GLENN A. VAAD

Commissioners