

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

PROCEEDING NO. 13M-0915G

IN THE MATTER OF REPORTING REQUIREMENTS FOR PUBLIC SERVICE COMPANY OF COLORADO FOR PIPELINE INTEGRITY EXPENDITURES.

**RECOMMENDED DECISION OF
ADMINISTRATIVE LAW JUDGE
MANA L. JENNINGS-FADER
CLARIFYING AND MODIFYING
PROVISIONS OF THE JOINT COMMENTS;
MODIFYING SUPPLEMENTAL JOINT COMMENT;
ESTABLISHING CONTENT OF PIPELINE SYSTEM
INTEGRITY ADJUSTMENT FILINGS TO BE MADE
BY PUBLIC SERVICE COMPANY; ESTABLISHING
PROCEDURES FOR PRUDENCY REVIEW OF APRIL
FILINGS MADE BY PUBLIC SERVICE COMPANY; AND
REQUIRING PUBLIC SERVICE COMPANY TO FILE,
AS NECESSARY, AMENDED TARIFF SHEETS**

Mailed Date: June 25, 2014

TABLE OF CONTENTS

I. <u>STATEMENT</u>	2
II. <u>DISCUSSION AND CONCLUSION</u>	4
A. The Existing PSIA.....	5
B. Commencement of this Proceeding.....	7
C. Joint Comments.....	8
D. Process Following April 1 Filing.	23
1. Public Notice of April 1 Filing.....	23
2. Procedures Following April 1 Filing.....	24
E. Additional Conditions.	26
III. <u>ORDER</u>	27
A. The Commission Orders That:	27

I. STATEMENT

1. On August 8, 2013, by Decision No. C13-0964 issued in Proceeding No. 10AL-963G, the Commission opened this Proceeding and referred it to an Administrative Law Judge (ALJ).

2. In Decision No. C13-0964, the Commission named the Colorado Office of Consumer Counsel (OCC), Public Service Company of Colorado (Public Service, PSCo, or the Company), and Trial Staff of the Commission (Staff)¹ as parties in this Proceeding.

3. On October 2, 2013, Colorado Natural Gas, Inc. (CNG), filed a Motion for Leave to Intervene in this Proceeding. On October 25, 2013, by Decision No. R13-1348-I, the ALJ granted that motion and permitted CNG to intervene as a party in this Proceeding.

4. CNG, OCC, Public Service, and Staff, collectively, are the Parties. Each is represented by legal counsel.

5. Pursuant to Decision No. R13-1348-I, the ALJ held a prehearing conference in this matter. The Parties were present, were represented, and participated. On November 21, 2013, by Decision No. R13-1455-I, as pertinent here, the ALJ adopted a procedural schedule and scheduled a February 10, 2014 evidentiary hearing in this Proceeding. By subsequent interim decisions, the ALJ modified the procedural schedule but maintained the hearing date.

6. On January 24, 2014, the Parties filed their Joint Comments.² This filing, which includes an Attachment A and an Attachment B, contains the Parties' "joint comments on the

¹ On January 22, 2014, Staff filed its First Amended Notice Pursuant to Rule 1007(a).

² This filing is Hearing Exhibit No. 1 and is attached to this Decision as Appendix 1.

requirements for future Public Service Pipeline System Integrity Adjustment ('PSIA') advice letter filings and annual reports." Joint Comments at 1.

7. The ALJ had questions about the Joint Comments and the attachments. On February 4, 2014, by electronic mail, the ALJ informed the Parties of her questions and requested that each party be prepared to present a witness to respond to the questions.

8. The evidentiary hearing was held as scheduled.³ The Parties were present, were represented, and participated. At the hearing, the ALJ heard the testimony of two witnesses: (a) Ms. Marci A. McKoane, who is employed by Xcel Energy Services, Inc., as Manager, Rate Cases; and (b) Mr. Cory Skluzak, who is employed by the OCC as a Rate/Financial Analyst. Each witness supported the Joint Comments and responded to the questions posed by the ALJ. One hearing exhibit was marked, offered, and admitted. In addition to the testimonial and documentary evidence, the Parties' counsel addressed legal issues identified by the ALJ. The responses presented during the evidentiary hearing satisfied the ALJ's concerns.

9. At the conclusion of the hearing, the ALJ took this matter under advisement.

10. On February 27, 2014, the Parties filed their Supplemental Joint Comment.⁴ This filing addresses the proposed public notice of the Company's filing of its annual April PSIA report. The February 27 filing responds to a request made by the ALJ and supplements the testimony provided at the evidentiary hearing.

11. In accordance with § 40-6-109, C.R.S., the ALJ now transmits to the Commission the record in this proceeding along with a written recommended decision.

³ There is no transcript of this hearing.

⁴ This filing is attached to this Decision as Appendix 2.

II. DISCUSSION AND CONCLUSION

12. The Commission has jurisdiction over the subject matter of this Proceeding and over the Company.

13. The Commission directed the ALJ to establish requirements for the future Public Service PSIA advice letter filings and annual reports. ... The ALJ shall require parties to file comments and/or testimony regarding their positions on the appropriate content of the advice letter filings and annual reports. Parties may also comment on the appropriate review process for each filing.

Decision No. C13-0964 at ¶ 28.

14. The Commission commenced this Proceeding. As a result, there is no moving party with the burden of proof in this matter. In accordance with the Commission's direction, the ALJ will determine the scope and content of PSCo's future PSIA filings and the procedures to be used to review those filings.

15. As discussed in this Decision, the ALJ will clarify and will modify portions of the Joint Comments and will modify the Supplemental Joint Comment. The ALJ bases the clarifications on the responses to the ALJ's questions that the Parties gave during the hearing. The ALJ bases the modifications on the Parties' responses to the ALJ's questions and on the ALJ's assessment of the information and process appropriate for the Company's PSIA filings.

16. The ALJ will approve, as clarified and modified, both the Joint Comments and the Supplemental Joint Comment. The ALJ will order Public Service to comply with the terms of this Decision and, as clarified and modified, the terms of the Joint Comments and of the Supplemental Joint Comment.

A. The Existing PSIA.

17. By Decisions No. R11-0743 and No. C11-0946,⁵ the Commission approved, with a slight modification, a Settlement Agreement entered into by the Company, OCC, and Staff.⁶ A portion of the approved Settlement Agreement pertains to, and creates, the PSIA.

18. The PSIA allows Public Service to track and to recover the Company's capital investment and Operations and Maintenance (O&M) costs (that is, the Company's revenue requirement) associated with certain natural gas pipeline system integrity initiatives. The PSIA is designed to recover the Company's actual costs

that are incremental, either positive or negative, to those O&M and capital costs associated with the Company's TIMP [Transmission Integrity Management Program], AMRP [Accelerated Main Services Replacement Program], CAB [Cellulose Acetate Butyrate Service Replacement Program], and DIMP [Distribution Integrity Management Program] programs, and the Edwards to Meadow Mountain and West Main Pipeline Projects, as further defined in the PSIA tariff[.]

Decision No. C11-0946 at Attachment 1 at 11.

19. The TIMP, the DIMP, the AMRP, the CAB Services Replacement Program, the Edwards to Meadow Mountain Pipeline, and the West Main Pipeline Project are the six PSIA projects or programs. The AMRP, the CAB Services Replacement Program, the Edwards to Meadow Mountain Pipeline, and the West Main Pipeline Project each consists of one principal project. The DIMP and the TIMP each consists of numerous individual projects.

⁵ Decision No. R11-0743 was issued on July 8, 2011, and Decision No. C11-0946 was issued on September 1, 2011. Both were issued in Proceeding No. 10AL-963G, *In the Matter of Advice Letter No. 791 Filed by Public Service Company of Colorado to Increase the Rates for All Natural Gas Sales and Transportation Services by Implementing a General Rate Schedule Adjustment ("GRSA") in the Company's P.U.C. No. 6 Gas Tariff to Become Effective January 17, 2011.*

⁶ The Settlement Agreement is Attachment 1 to Decision No. C11-0946.

20. Each year on October 1,⁷ Public Service files an Advice Letter and proposed tariffs that state the total dollars to be collected through the PSIA for pipeline system integrity projects, and PSIA rider per rate class to be in effect, during the next calendar year. Public Service bases the October 1 PSIA filing on forecasts of the pipeline system integrity projects (*e.g.*, scope of work, completion date, or completion rate) and on the budgeted (or forecasted) costs of those projects.

21. If the Commission permits the tariffs filed on October 1 to go into effect by operation of law, there is no proceeding in which the Commission and interested parties examine the prudence of the pipeline system integrity projects and their costs on which the PSIA rider for the next calendar year is based. As a result, to determine the prudence of a PSIA project or its costs (or both), and, thus, the Company's PSIA revenue requirement, it is necessary to conduct an after-the-fact prudence review to examine the actual PSIA projects and their actual related costs, including whether the costs were prudently incurred.

22. This after-the-fact prudence review is held after the close of the calendar year in which the Company's forecasted PSIA revenue requirement was collected. The process includes a true-up to address under-recovery and over-recovery of the Company's PSIA-related revenue requirement during the calendar year under review.

23. As explained in the approved Settlement Agreement, Public Service

submit[s] a report each year by April 1 detailing the costs incurred during the previous [calendar] year. This report ... explain[s] how the project costs were managed and any deviations between budgeted and actual costs. To the extent interested parties wish to challenge any of the activities or their respective costs, they can request that the Commission convene a hearing within ninety (90) days of the date the Company files its report.

⁷ In the Joint Comments, the Parties seek to change this filing date to November 15.

Decision No. C11-0946 at Attachment 1 at 12-13. Approximately 17 months elapse between the filing of the Advice Letter that sets the PSIA to be collected and the April 1 filing.

24. A request that the Commission convene a hearing (referred to in this Decision as a challenge or as a hearing request) initiates the prudence review.

25. Originally, unless extended by the Commission, the PSIA was to expire on December 31, 2014. The Commission later extended the PSIA in its existing form through December 31, 2015. By subsequent decision, the Commission may extend the PSIA beyond 2015 and may change the PSIA.

26. The PSIA, which is governed by tariffs, went into effect on January 1, 2012.

27. Unless modified by this Decision (which includes the Joint Comments and the Supplemental Joint Comment), the process for the PSIA as described above continues in effect.

B. Commencement of this Proceeding.

28. In accordance with the approved Settlement Agreement and the PSIA tariff, on April 1, 2013, Public Service filed its 2012 PSIA Annual Report. That filing covered the Company's calendar year 2012 PSIA-related expenditures and was the Company's first PSIA annual report.

29. As a result of the April 1, 2013 filing, it became clear to the Commission that the approved Settlement Agreement lacked sufficient detail with respect to the content of the PSIA-related filings that Public Service is to make. The Commission initiated the instant Proceeding to establish the requirements for the future PSCo PSIA advice letter filings and annual reports.

C. Joint Comments.

30. The ALJ incorporates by reference the Joint Comments; thus, that document is part of this Decision. The Joint Comments, for the most part, are clear. There are, however, terms or provisions that need to be clarified or modified and that were the subject of discussion during the evidentiary hearing. The ALJ will not restate the terms of the Joint Comments unless it is necessary in order to clarify or to modify a term or provision of that document.

31. The Joint Comments have an Attachment A and an Attachment B. Attachment A contains the proposed PSIA Tariff and Related Performance Revisions. Attachment B consists of Attachment 2 and Attachment 4 to the Company's filing made on June 10, 2013 in Proceeding No. 10AL0963G and is offered to illustrate the type of information that the Company will file in various reports. Unless the context indicates otherwise, reference to Attachment A and to Attachment B in this Decision is to the Joint Comments Attachments.

32. General clarification: Nothing in this Decision (including the documents that are incorporated by reference) is -- or may be taken as -- an indication that the recovery of pipeline system integrity capital expenditures and O&M expenses *through the PSIA* will continue beyond the Commission-established end-date of the PSIA.

33. *Attachment A, page 1, General changes # 2* states: "The April report will be filed as a compliance filing and [will be] part of the November 15 Advice Letter proceeding that included the estimated costs for the same calendar year."

a. First clarification: The November 15 Advice Letter is based on forecasted PSIA projects and their budgeted costs; this filing establishes the PSIA rider for the next calendar year. In order to give the Commission and interested persons an opportunity to address the prudence of both the PSIA projects and the related actual costs, there is a subsequent prudence

review of those projects and of the actual PSIA-related costs incurred by Public Service. The result of that prudence review is a true-up to address under-recovery and over-recovery of the Company's PSIA revenue requirement in the year under review. Thus, for example, if the Company files an advice letter on November 15, 2014, that advice letter goes into effect in January 2015 and is in effect for calendar year 2015. On April 1, 2016 (when the actual costs and other pertinent information are available), Public Service files -- in the proceeding opened by the November 15, 2014 Advice Letter -- the Company's report on the PSIA work done in calendar year 2015 and of the cost of that work. If a request for hearing is filed, the Commission conducts a prudence review.

b. Second clarification: Whether to set tariff sheets for hearing -- and, thus, suspend their proposed effective date -- rests solely in the Commission's discretion. If the Commission decides to set for hearing the tariff sheets that accompany an advice letter, the Commission provides public notice of the advice letter filing and sets an intervention period. Thus, interested persons are given notice of the proceeding and an opportunity to seek to intervene.

In the case of the PSIA, however, the process is designed to have the tariff sheets appended to the November 15 Advice Letter go into effect by operation of law. Absent unusual circumstances, the Commission allows those tariff sheets to go into effect by operation of law and does not set the tariff sheets for hearing. Thus, interested persons have no opportunity to intervene. This creates procedural difficulties when -- approximately 16 months later -- the Company files its April 1 report in the November 15 Advice Letter proceeding. These issues are addressed below in the discussion of the Supplemental Joint Comment.

34. *Attachment A, page 1, Specific changes⁸ at # 1* states: “The Company will provide an update to the June Supplemental Report Appendix A Risk Ranking and Prioritization for the PSIA programs and projects in each November advice letter filing, which will include an explanation or table assessment of the priorities that informed [the Company’s] business plan/forecast.”

a. First clarification: The referenced June Supplemental Report Appendix A is the June 10, 2013 Supplemental Report Regarding Integrity Management Initiatives in Conjunction with the Annual Report of Activities under the Pipeline System Integrity Adjustment Filed April 1, 2013 in Proceeding No. 10AL-963G.

b. Second clarification: The information to be supplied in the November 15 Advice Letter filing will provide information with respect to how the Company plans to prioritize PSIA projects and to manage risks going forward. The November 15 Advice Letter filing will provide the same type of information as the information the Company provided in the referenced June 10, 2013 filing made in Proceeding No. 10AL-963G.

c. Third clarification: If the November 15 Advice Letter goes into effect by operation of law, no presumption of prudence is created with respect to any pipeline system integrity project -- whether an existing project or a new project -- discussed in the advice letter or its attachments. Similarly, no Commission finding is made with respect to any pipeline system integrity project -- whether an existing project or a new project -- discussed in the advice letter or its attachments. Thus, in the later prudence review of a particular year’s PSIA-related activities and costs, parties are able to review and to challenge the Company’s PSIA activities and related costs.

⁸ The specific changes pertain to the November 15 Advice Letter filing.

35. In Attachment A and Attachment B, the *phrase “parent project” and the phrase “parent number”* appear. For purposes of the Joint Comments, the phrases are synonymous and refer to the accounting code used by Public Service to identify the forecasted costs for a PSIA program. Within each parent project, there may be projects that are not identified. For forecasted costs (also referred to as budgeted costs), the parent project is the lowest level of cost detail in PSCo’s accounting system.

36. *Attachment A, page 1, Specific changes at # 2* states: “The Company will provide a 5 year forecast for PSIA projects by parent project for both capital expenditures and O&M. The high level business plan for the forecasted capital and O&M spend should be reflected in the 5 year forecast spend attachment.”

a. Clarification: The phrase “high level business plan” refers to and includes: (1) the Company’s pipeline system integrity objectives (*i.e.*, what it plans to accomplish) during the period covered by the five year forecast; (2) a broad description of the forecasted work; (3) an explanation of how the forecasted work reflects or implements the objectives; (4) an explanation, at a high level, of the value of the proposed work; and (5) the estimated (*i.e.*, budgeted) costs of doing the forecasted work. The content likely will vary depending on the project.⁹

b. Modification: The Parties agree that they intend that the high level business plan must be reflected in the five year forecast spend attachment to the November 15 Advice Letter filing (*i.e.*, that it is a mandatory requirement of the filing). To effectuate the

⁹ As examples, the information for a pipeline replacement project might include the number of miles of pipe to be replaced while the information for a pipeline inspection project might include the number of inspections to be performed.

Parties' intent, **the sentence will be modified to read:** "The high level business plan for the forecasted capital and O&M spend shall be reflected in the 5 year forecast spend attachment."

37. *Attachment A, page 1, Specific changes at # 3* contains the phrase "high level 5 year business plan."

a. First clarification: This phrase has the same meaning as discussed above.

b. Second clarification: The Company will include its discussion of the referenced business plan in the body of the report filed with the November 15 Advice Letter. This narrative is similar to the way in which, in the past, the Company has presented its one year pipeline system integrity forecast. The narrative will link to the information presented in the five year forecast spend attachment to the November 15 Advice Letter.

38. *Attachment A, page 1, Specific changes, at # 4* states: "The Company will provide adequate detail around the forecast assumptions by project for the 1 year forecast that recovery is requested for the November filing; for example,"

a. First clarification: As used in this provision, "adequate detail" means sufficient detail to explain the purpose of the forecasted pipeline system integrity projects and their forecasted costs.

b. Second clarification: This provision applies to the forecast assumptions applicable for the calendar year (*i.e.*, the one year) in which the tariff sheets appended to the November 15 Advice Letter will be in effect.

c. Third clarification: The list of information that follows the phrase "for example" is not mandatory for every project. The Company will provide the listed information to the extent that it is applicable to a given project. The information detail likely will change

year-to-year due to the nature of the pipeline system integrity projects and due to changes within a given project.

d. Fourth clarification: The list of information that follows the phrase “for example” is not exhaustive. The Company may provide additional information/detail about a particular project even if the information/detail is not among the types of information listed.

39. *Attachment A, pages 1-2, Specific changes at # 5* states: “For TIMP, list the Capital and O&M expenditures for each project within TIMP ... for each quarter, as: ... b. Estimated date/year of completion, and relevant in-service dates (Note: TIMP is generally considered to be ongoing; but will include date for projects or assessments within TIMP where a completion date applies). c. Explain if this is a new project or part of an ongoing project.”

a. First clarification: The information listed in # 5 is a mandatory component of the November 15 Advice Letter filing.

b. Second clarification: The parenthetical statement that TIMP is considered to be on-going refers to the fact that a given project under the TIMP umbrella may be done in segments or stages and, thus, may have more than one start date and more than one end date. To the extent the information is available, Public Service will provide the estimated date/year of completion and the relevant in-service date for a project.

c. Third clarification: The parenthetical statement also is an acknowledgement that the Company’s TIMP is not tied to the PSIA’s termination date.

40. *Attachment A, page 2, Specific changes at # 6* states: “For DIMP, list the Capital and O&M expenditures for each project within DIMP ... , for each quarter, as: ... b. Estimated date/year of completion, and relevant in-service dates (Note: DIMP is generally considered to be ongoing; but will include dates for projects within DIMP where a completion date applies).”

a. First clarification: The information listed in # 6 is a mandatory component of the November 15 Advice Letter filing.

b. Second clarification: The parenthetical statement that DIMP is considered to be on-going refers to the fact that a given project under the DIMP umbrella may be done in segments or stages and, thus, may have more than one start date and more than one end date. To the extent the information is available, Public Service will provide the estimated date/year of completion and the relevant in-service date for a project.

c. Third clarification: The parenthetical statement also is an acknowledgement that the Company's DIMP is not tied to the PSIA's termination date.

d. Modification: For completeness, to provide as much information about the DIMP projects as possible, and to make the information to be provided with respect to DIMP projects parallel the information to be provided with respect to TIMP projects, **the information to be filed will be modified to add the following to Attachment A, page 2, Specific changes, as # 6.c**: "Explain if this is a new DIMP project or part of an ongoing DIMP project." No party opposes this modification.

41. *Attachment A, page 2, Quarterly Reporting at # 2* states: "The Company would like to file the quarterly presentations with the additional detail requested and agreed to by parties rather than creating a report in addition to the presentations."

a. First clarification: Public Service provides or makes quarterly presentations to OCC and Staff. Public Service will continue to do the quarterly PSIA presentations. PSCo will file the presentations in the proceeding created by the November 15 Advice Letter rather than creating and filing a separate report that contains the same information.

b. Second clarification: The phrase “additional detail requested and agreed to by parties” refers to the information specified in the Joint Comments at Attachment A, Quarterly Reporting.

c. Third clarification: Public Service will file its quarterly reports in the proceeding opened by the November 15 Advice Letter that contains the tariff sheets applicable to the calendar year to which the quarterly reports pertain. Thus, in the proceeding opened by a November 15 Advice Letter, Public Service will make at least the following filings: the November 15 Advice Letter, four quarterly reports, and an April 1 filing.¹⁰

42. *Attachment A, page 2, Quarterly Reporting at # 3* references Attachments 2 and 4 in the April PSIA Filing. The referenced documents are Attachment B to the Joint Comments.

a. First clarification: With one addition, the information that Public Service will provide in its PSIA quarterly reports is the same information -- both as to capital expenditures and O&M expenses -- as that shown in Attachment B to the Joint Comments. The Company will present information for the quarter just concluded and will show the estimated expenditures and the actual expenditures.

b. Second clarification: Public Service will provide one additional piece of information beyond that contained in Attachment B: a summary of any forecasted changes by project. The Company has not yet determined the format it will use to present the additional information.

43. *Attachment A, page 2, Quarterly Reporting at # 5*: “The Company will provide ... the diameter of the replaced mains and the diameter of the new mains by material type to

¹⁰ The April 1 filing is discussed below.

facilitate the communication of any proposed upsizing on Transmission pipelines only and the reason for the upsizing.”

a. First clarification: The sole purpose for including this information in the quarterly report is to notify the Commission and interested persons about the proposed upsizing of transmission pipeline.

b. Second clarification: The notification creates no presumption with respect to, and will have no effect in, a subsequent prudence review.

44. *Attachment A, pages 2-3, Quarterly Reporting at # 6* states: “For TIMP, list the Capital and O&M expenditures for each project within TIMP ... for each quarter, as: ...
 c. Estimated date/year of completion (TIMP program is generally considered ongoing; but will include dates for projects or assessments within TIMP that [*sic*] a completion date applies).
 d. Explain if this is a new project or part of an ongoing project.”

a. First clarification: The information listed in # 6 is a mandatory component of each quarterly report.

b. Second clarification: The parenthetical statement that TIMP is considered to be on-going refers to the fact that a given project under the TIMP umbrella may be done in segments or stages and, thus, may have more than one start date and more than one end date. To the extent the information is available, Public Service will provide the estimated date/year of completion for a project.

c. Third clarification: The parenthetical statement also is an acknowledgement that the Company’s TIMP is not tied to the PSIA’s termination date.

d. Fourth clarification: If a quarterly report contains a new TIMP project (e.g., a new parent project number), the quarterly report creates no presumption with respect to, and will have no effect in, a subsequent prudence review of that project.

45. *Attachment A, page 3, Quarterly Reporting at # 7* states: “For DIMP, list the Capital and O&M expenditures for each project within DIMP ... for each quarter, as: ...

c. Estimated date/year of completion (DIMP is generally considered ongoing; but will include dates for projects or assessments within DIMP that [*sic*] a completion date applies).”

a. First clarification: The information listed in # 7 is a mandatory component of each quarterly report.

b. Second clarification: The parenthetical statement that DIMP is considered to be on-going refers to the fact that a given project under the DIMP umbrella may be done in segments or stages and, thus, may have more than one start date and more than one end date. To the extent the information is available, Public Service will provide the estimated date/year of completion for a project.

c. Third clarification: The parenthetical statement also is an acknowledgement that the Company’s DIMP is not tied to the PSIA’s termination date.

d. Modification: For completeness and to provide as much information about the DIMP projects as possible and to make the information to be provided with respect to DIMP projects parallel the information to be provided with respect to TIMP projects, **the information to be filed will be modified to add the following to Attachment A, page 3, Quarterly Reporting, as # 7.d**: “Explain if this is a new DIMP project or part of an ongoing DIMP project.” No party opposes this modification.

e. Fourth clarification: If a quarterly report contains a new DIMP project (e.g., a new parent project number), the quarterly report creates no presumption with respect to, and will have no effect in, a subsequent prudence review of that project.

46. *Attachment A, page 3, April Reporting at # 1* states: “The Company will file its annual April PSIA report in the same November 15 Advice Letter Proceeding that it is reporting upon.” The April report is based on the actual PSIA projects in the preceding year and the expenditures and costs of those projects incurred in the preceding year. A request for hearing on this filing commences the prudency review of the PSIA projects and their costs for that calendar year. While the prudency review process is discussed elsewhere in this Decision, the content of the April report is discussed here.

47. *Attachment A, page 3, April Reporting at # 2* states: “The Company will provide the historic (past five years) capital and O&M expenditures by parent project as a one-time report in the April 2014 report ..., and going forward will provide only the most current year in the annual April reports.”

a. Clarification: The Company will provide actual PSIA expenditure data for the years 2009 through 2013.

48. *Attachment A, page 3, April Reporting at # 3* states: “The Company will provide capital expenditures and O&M explanations from actual to forecasted costs by parent project number of variance between forecast and actual. See Attachments 2 & 4 in the April PSIA Filing for the level of detail. This will include a summary of forecast changes by project that will incorporate the request for explanations, analyses to management, and plans to remedy cost-overruns. Continue to provide variance analysis by the six project/programs for capital expenditures and O&M. [For the April 2014 filing, will not be able to provide from prior Oct

filing -- This will include a summary of forecast changes by project that will incorporate the request for explanations, analyses to management, and plans to remedy cost-overruns.]”

a. First clarification: The phrases “request for explanations,” “analyses to management,” and “plans to remedy cost-overruns” all relate and refer to internal Company discussions and documentation pertaining to deviations between a PSIA project’s forecasted costs and its actual costs. “Request for explanations” means an internal request for an explanation of what caused or is causing a deviation between a PSIA project’s projected costs and its actual costs within the year under review. “Analyses to management” means any report and additional information provided to the Company’s management in response to a request for explanation. “Plans to remedy cost-overruns” means any plans the Company has to make changes going forward; this includes, for example, changes in the prioritization of a given project that results in the project receiving either a greater level of funding or a reduced level of funding.

b. Second clarification: The referenced “six project/programs” are those approved by the Commission in Decision No. C11-0946. One of those projects/programs is the Edwards to Meadow Mountain pipeline replacement project, and that project is completed. Thus, it is likely that the April report will not contain information about that completed project.

c. Third clarification: The information listed in # 3 is a mandatory component of each April report.

d. Fourth clarification: The process adopted in the Joint Comments is new. As a result, the exclusion for the April 2014 filing is necessary because the Company had no processes in place to track the required information during calendar year 2013, which is the time period covered by the April 2014 filing.

e. Fifth clarification: “See Attachments 2 & 4 in the April PSIA Filing for the level of detail” means that the information that Public Service will provide in its April filing is the same information -- both as to capital expenditures and O&M expenses -- as that shown in Attachment B to the Joint Comments.

f. Sixth clarification: At any time during the calendar year, Company personnel may notice that a PSIA project’s actual costs are deviating from its budgeted costs. In that event, the Company may request an explanation, receive a report or other information, and institute a plan to address the identified cost over-runs. The Company will make this information available in its quarterly report.

49. *Attachment A, page 4, April Reporting at # 5* states: “The Company will provide the parties with leak records annually in the same form and format as reported in the annual DOT [Department of Transportation] report.”

a. First clarification: The referenced leak reports are the reports of gas pipeline leaks that Public Service filed with the U.S. Department of Transportation.

b. Second clarification: The Company will file the leak reports as part of the April report. If for some reason a leak report is not available to be filed with the April report, the Company will file the leak report as part of the next quarterly report.

50. *Attachment A, page 4, April Reporting at # 6* states: “For TIMP, provide an estimated date of completion of the program, its in-service date, and list the Capital and O&M expenditures for each project within TIMP ... for the most current year, as: ... c. Estimated date/year of completion (TIMP program is ongoing; will include dates for projects or assessments within TIMP that a completion date applies). [For the April 2014 filing, will not be able to provide estimated date/year of completion from prior Oct filing.]”

a. First clarification: The referenced information is a mandatory component of the April filing.

b. Second clarification: The parenthetical statement that TIMP is considered to be on-going refers to the fact that a given project under the TIMP umbrella may be done in segments or stages and, thus, may have more than one start date and more than one end date. To the extent the information is available, Public Service will provide the estimated date/year of completion for a project.

c. Third clarification: The parenthetical statement also is an acknowledgement that the Company's TIMP is not tied to the PSIA's termination date.

d. Fourth clarification: The process adopted in the Joint Comments is new. As a result, the exclusion for the April 2014 filing is necessary because the Company had no processes in place to track the required information during calendar year 2013, which is the time period covered by the April 2014 filing.

51. *Attachment A, page 4, April Reporting at # 7* states: "For DIMP, provide an estimated date of completion of the program, its in-service date, and list the Capital and O&M expenditures for each project within DIMP ... for the most current year, as: ... c. Estimated date/year of completion (DIMP program is generally considered ongoing; but will include dates for projects within DIMP that a completion date applies). [For the April 2014 filing, will not be able to provide estimated date/year of completion from prior Oct filing.]"

a. First clarification: The referenced information is a mandatory component of the April filing.

b. Second clarification: The parenthetical statement that DIMP is considered to be on-going refers to the fact that a given project under the DIMP umbrella may be done in

segments or stages and, thus, may have more than one start date and more than one end date. To the extent the information is available, Public Service will provide the estimated date/year of completion for a project.

c. Third clarification: The parenthetical statement also is an acknowledgement that the Company's DIMP is not tied to the PSIA's termination date.

d. Fourth clarification: The process adopted in the Joint Comments is new. As a result, the exclusion for the April 2014 filing is necessary because the Company had no processes in place to track the required information during calendar year 2013, which is the time period covered by the April 2014 filing.

52. *Attachment A, page 5, Miscellaneous Issues at # 5* states: "The Company will provide a list of contracts and change orders including vendor names that parties can review and audit at the Company's office or by request."

a. First clarification: Due to the volume of information, this information is not a mandatory component of the information that the Company must include with the April 1 filing.

b. Second clarification: The Company will make the identified information available to an interested person upon that person's request. The request may be made by a discovery request, by an audit request, by an electronic mail request, or by some other means. To the extent they apply, Rules 4 *Code of Colorado Regulations* (CCR) 723-1-1100 and 723-1-1101¹¹ may govern the Company's release of information requested under this provision.

¹¹ These Rules are found in the Rules of Practice and Procedure, Part 1 of 4 *Code of Colorado Regulations* 723.

D. Process Following April 1 Filing.

53. The PSIA process is designed to have the tariff sheets appended to the November 15 Advice Letter go into effect by operation of law. Absent unusual circumstances, the Commission allows those tariff sheets to go into effect by operation of law and does not set the tariff sheets for hearing. Thus, interested persons have no opportunity to intervene.

54. This procedure creates two procedural difficulties when -- approximately 16 months later -- the Company files its April 1 report in the November 15 Advice Letter proceeding. First, because there is no public notice of the April 1 filing, interested persons may be unaware of the April 1 filing and of their opportunity to intervene. Second, persons interested in participating in the prudence review of the actual PSIA projects and costs do not have a procedure to use to intervene after the April 1 filing is made.

55. Each of these issues is addressed below.

1. Public Notice of April 1 Filing.

56. The Supplemental Joint Comment addresses the issue of public notice of the April 1 filing. The ALJ incorporates by reference the Supplemental Joint Comment; thus, that document is part of this Decision. The Supplemental Joint Comment generally is clear. The ALJ will not restate the terms of the Supplemental Joint Comment unless it is necessary in order to clarify or to modify a term or provision of that document.

57. The April 1 filing does not request approval of a change in rates (*i.e.*, the PSIA rider) or service; it is simply an informational filing made by Public Service. Thus, there is no statutory or rule requirement that Public Service give notice of the filing. As discussed above, notice of the April 1 filing is necessary for an interested person to have an opportunity to review the filing and, if the person wishes to do so, to file a request for hearing. Recognizing this, the

Supplemental Joint Comment at 3 lists three methods that Public Service will use to provide public notice of the April 1 PSIA filing.

58. To provide notice targeted to persons who have a demonstrated interest in natural gas matters before the Commission and out of an abundance of caution, the ALJ will **modify the Supplemental Joint Comment to add an additional method of public notice: through the E-Filings System, the Commission will provide notice of the April 1 PSIA filing to all persons registered to receive notices about natural gas matters.** The notice shall state that Public Service has made its April 1 PSIA filing, shall identify the proceeding in which the April 1 filing was made, and shall state that a request for hearing on the April 1 filing must be filed within 30 days of the date of the Commission notice.

59. To assure that this additional notice is given, the ALJ will order Public Service to make a filing that accompanies the April 1 filing and that requests: (a) that the Commission give notice, through the E-Filings System, of the April 1 filing to all persons registered to receive notices about natural gas matters; and (b) that the notice state that interested persons may file a request for hearing within 30 days of the date of the Commission notice.

60. With this additional notice, the ALJ finds that interested persons will receive sufficient notice of the April 1 filing and of the opportunity to file a request for hearing with respect to that filing. This addresses the first procedural issue identified above.

2. Procedures Following April 1 Filing.

61. As discussed above, to initiate the prudence review, an interested person must challenge the Company's April 1 report that, broadly speaking, details the PSIA projects and the PSIA costs during the previous calendar year. The interested person does so by filing a request for hearing.

62. At present, there are neither procedures that specify the time within which an interested person must challenge the April 1 filing; nor procedures that establish the content of the request for hearing; nor procedures that govern what occurs after a challenge is filed. In apparent recognition of this fact, the Commission stated that “Parties may ... comment on the appropriate review process for each filing.” Decision No. C13-0964 at ¶ 28.

63. To provide certainty going forward, the ALJ will establish the following procedures to be used following an April 1 PSIA filing:

a. A challenge to a PSIA project or its costs (or both) must be filed in the appropriate November 15 Advice Letter proceeding and must be filed not later than 30 days from the date of the Commission notice of PSCo’s April 1 filing.

b. To the extent that the person requesting a hearing is able to do so, the challenge: (1) must identify each specific project or portion of a project that is challenged; (2) if a project’s costs are challenged, must identify the portion of the costs that is challenged; and (3) must state the basis or bases for the challenge. The request for hearing is a document prepared to commence a prudency review and does not prevent the person that filed the request for hearing from raising additional issues during the prudency review proceeding. In addition, a request for hearing that does not contain the required content is nonetheless valid.

c. If a challenge is filed, the April 1 filing must be set for hearing unless the challenge specifically states that no hearing is requested.

d. When a challenge is filed, a decision similar to the decision issued to set an advice letter for hearing will be issued. In that decision and at a minimum, an intervention

period will be established¹² and persons will be informed whether the proceeding will be heard by the Commission *en banc* or will be referred to a Hearing Commissioner or an ALJ for hearing.

e. Public notice of the decision will be given by providing notice of the decision, through the F-Filings System, to all persons registered to receive notices of natural gas matters.

f. Public Service and any person that files a challenge are parties in the prudency review commenced by the challenge.

g. If a challenge is filed, the proceeding becomes a litigated matter; is governed by the Rules of Practice and Procedure, 4 CCR 723 Part 1; and is governed by decisions issued in the proceeding.

h. In a PSIA prudency review, Public Service has the burden of proof (*i.e.*, both the burden of going forward and the burden of persuasion).

64. Absent further order, these procedures will be followed for all April 1 PSIA filings.

65. The ALJ finds that these procedures address the second procedural issue identified above.

E. Additional Conditions.

66. Public Service must comply with the terms of this Decision and with the terms of the Joint Comments and the Supplemental Joint Comment, as clarified and modified.

¹² Absent unusual circumstances, the intervention period should be 30 days.

67. Public Service must file, on not less than three business days' notice, amended tariff sheets as necessary to implement this Decision.

68. In accordance with § 40-6-109, C.R.S., the Administrative Law Judge recommends that the Commission enter the following order.

III. ORDER

A. The Commission Orders That:

1. The Joint Comments filed on January 24, 2014 and attached to this Decision as Appendix 1 are incorporated by reference into this Decision as if set out in full.

2. Consistent with the discussion above, the Joint Comments filed on January 24, 2014 are clarified and modified.

3. Consistent with the discussion above and subject to the conditions below, the Joint Comments filed on January 24, 2014, as clarified and modified by this Decision, are adopted as Pipeline System Integrity Adjustment filing requirements of Public Service Company of Colorado.

4. The Supplemental Joint Comment filed on February 27, 2014 and attached to this Decision as Appendix 2 is incorporated by reference into this Decision as if set out in full.

5. Consistent with the discussion above, the Supplemental Joint Comment filed on February 27, 2014 is modified.

6. Consistent with the discussion above, Public Service Company of Colorado shall make a filing that complies with ¶ 59 and that accompanies its April 1 Pipeline System Integrity Adjustment filing.

7. Consistent with the discussion above, the Commission shall give notice, through the E-Filings System, of the April 1 Pipeline System Integrity Adjustment filing to all persons registered to receive notices about natural gas matters. The content of the notice shall be as set out in ¶ 58 above.

8. Consistent with the discussion above and subject to the conditions below, the Supplemental Joint Comment filed on February 27, 2014, as modified by this Decision, is adopted as a Pipeline System Integrity Adjustment filing requirement of Public Service Company of Colorado.

9. The procedures to be used following an April 1 Pipeline System Integrity Adjustment filing made by Public Service Company of Colorado, which procedures are discussed above, are adopted. The adopted procedures shall remain in effect for the duration of the Pipeline System Integrity Adjustment unless changed by subsequent order.

10. Public Service Company of Colorado must comply with the terms of this Decision and with the terms of the Joint Comments and the Supplemental Joint Comment, as clarified and modified.

11. Public Service Company of Colorado shall file, on not less than three business days' notice, amended tariff sheets as necessary to implement this Decision.

12. This Recommended Decision shall be effective on the day it becomes the Decision of the Commission, if that is the case, and is entered as of the date above.

13. As provided by § 40-6-106, C.R.S., copies of this Recommended Decision shall be served upon the parties, who may file exceptions to it.

a) If no exceptions are filed within 20 days after service or within any extended period of time authorized, or unless the recommended decision is stayed by the Commission

upon its own motion, the recommended decision shall become the decision of the Commission and subject to the provisions of § 40-6-114, C.R.S.

b) If a party seeks to amend, modify, annul, or reverse a basic finding of fact in its exceptions, that party must request and pay for a transcript to be filed, or the parties may stipulate to portions of the transcript according to the procedure stated in § 40-6-113, C.R.S. If no transcript or stipulation is filed, the Commission is bound by the facts set out by the administrative law judge; and the parties cannot challenge these facts. This will limit what the Commission can review if exceptions are filed.

14. If exceptions to this Recommended Decision are filed, they shall not exceed 30 pages in length, unless the Commission for good cause shown permits this limit to be exceeded.

(S E A L)



THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

MANA L. JENNINGS-FADER

Administrative Law Judge

ATTEST: A TRUE COPY

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

Doug Dean,
Director