

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

DOCKET NO. 02A-267G

IN THE MATTER OF THE APPLICATION OF PUBLIC SERVICE COMPANY OF COLORADO FOR AUTHORIZATION TO IMPLEMENT MONTHLY GAS COST ADJUSTMENT TARIFFS, TO EFFECT A CHANGE IN THE COMPANY'S ACCOUNTING FOR GAS STORAGE INVENTORY AND PETITION FOR A WAIVER OF CERTAIN GAS COST ADJUSTMENT RULES.

**COMMISSION QUESTIONS ON PROPOSED
STIPULATION FOR PARTIES TO ANSWER AT HEARING**

Mailed Date: August 6, 2004

Adopted Date: August 3, 2004

I. BY THE COMMISSION

A. Statement

1. On July 2, 2004, Public Service Company of Colorado (Public Service), Staff of the Commission, and the Office of Consumer Counsel filed a Joint Motion for Approval of Comprehensive Settlement.¹ In Decision No. C04-0917, the Commission set the matter for hearing on August 20, 2004.

2. Due to the complicated nature of the settlement, as well as the lack of testimony on the proposal, the hearing will be more productive if we issue a list of Commission questions

¹ Energy Outreach Colorado also entered into the comprehensive settlement.

to parties in advance of the proceeding. Therefore, we provide the following list of questions for Public Service² to answer at hearing:

a) Overview-- provide a detailed description of how the monthly gas cost adjustment (GCA) is intended to operate, and how calculations are made.

b) Price forecasting (provide graphical representations of this information where practical)-- 1) How well has the NYMEX futures price tracked actual index price; 2) how well has the proposed method of forecasted basis differentials tracked actual basis differentials; and 3) what levels of under/over-recovery would have resulted during price abnormalities experienced over the last ten years if the proposed method of NYMEX forecasts and basis differentials had been used to set GCA rates?

c) Sensitivity Runs-- 1) Provide sensitivity runs to demonstrate the level of rate changes that customers might experience under the proposed monthly GCA; and 2) provide an analysis to determine what the customer rates would have been under the stipulated monthly GCA method through the gas price abnormalities experienced over the past ten years, compared with actual index prices and actual GCA rates that were in effect at that time. (We understand that many details could make this analysis burdensome; the parties may make simplifying assumptions as necessary.)

d) Timing of deferred recovery-- For the following example assume that customers use the same amount of gas every month, Public Service starts with an under-recovered deferred amount of \$120M, no additional deferred amounts are created over a year, and exclude interest. 1) Would the first month recover 1/12 of 120M, or \$10M, and the second month recover 1/12 of

² Other parties to the proceeding are free to address any or all of these questions as they see fit.

\$110M, or \$9.2M? 2) Explain how the deferred amount will be recovered in 12 months under the stipulated monthly GCA method, or in what time frame the deferred would be recovered and why it is acceptable to stretch the deferred recovery beyond 12 months. 3) Please explain how interest would apply in this example. 4) If the stipulated method would not recover these deferred costs in 12 months, explain how the Commission could modify the proposal so that the deferred would be recovered in 12 months.

e) Interest on deferred-- How often do the parties expect that interest on under-recovery will exceed the \$ 1M tolerance band?

f) Cycle billing-- 1) Explain how a GCA rate increase made at the beginning of the month will apply to a customer whose meter is read near the beginning of the month, and for a customer whose meter is read at the middle of the month? 2) Explain how rates will apply in these situations, discussing the impact of a customer reducing consumption at the beginning of the month in response to a rate increase.

g) Price Volatility Mitigation (PVM)-- 1) Provide a description of how Public Service intends to alter its current PVM plan for an annual GCA to better mitigate the increased rate volatility created by the monthly GCA. 2) Provide a comparison of the intended PVM costs under the monthly GCA compared with current PVM costs. 3) Explain what steps have been taken to implement the PVM plan for a monthly GCA for the upcoming heating season, compared with steps that will likely be taken for the following season.

h) Price signaling-- 1) How will customers receive timely price signal information? 2) How much do the parties expect consumption to change if rates change significantly?

II. ORDER

A. The Commission Orders That:

1. Public Service Company of Colorado shall be prepared to provide the information and address the questions specified in the above discussion at the hearing set for August 20, 2004.

2. This Order is effective on its Mailed Date.

**B. ADOPTED IN COMMISSIONERS' WEEKLY MEETING
August 3, 2004.**

THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

Commissioners