

Decision No. C14-0152

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO**

PROCEEDING NO. 12AL-1268G

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IN THE MATTER OF ADVICE LETTER NO. 830 - GAS OF PUBLIC SERVICE COMPANY OF COLORADO, WITH ACCOMPANYING TARIFF SHEETS CONCERNING IMPLEMENTING A GENERAL RATE SCHEDULE ADJUSTMENT (GRSA), TO BECOME EFFECTIVE JANUARY 12, 2013.

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**DECISION DENYING APPLICATIONS FOR  
REHEARING, REARGUMENT, AND RECONSIDERATION**

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Mailed Date: February 10, 2014  
Adopted Date: January 29, 2014

**TABLE OF CONTENTS**

I.	BY THE COMMISSION .....	2
A.	Statement .....	2
B.	PSIA Expansion.....	3
C.	“Upsized” Portion of Pipeline Projects .....	4
D.	Rifle Natural Gas Liquids Revenue.....	5
E.	Year-End Rate Base .....	6
II.	ORDER.....	7
A.	The Commission Orders That: .....	7
B.	ADOPTED IN COMMISSIONERS’ WEEKLY MEETING January 29, 2014.....	8

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**I. BY THE COMMISSION**

**A. Statement**

1. This matter comes before the Commission for consideration of applications for rehearing, reargument, and reconsideration (RRR) filed by Public Service Company of Colorado (Public Service or the Company) and the Colorado Office of Consumer Counsel (OCC).

2. By Decision No. C13-1568, issued on December 23, 2013, the Commission addressed exceptions to Decision No. R13-1307, the recommended decision issued by Administrative Law Judge (ALJ) Mana L. Jennings-Fader. The Commission affirmed Decision No. R13-1307, in part. The Commission also clarified certain aspects of the recommended decision and granted certain exceptions, in part.

3. On January 13, 2014, Public Service timely filed an application for RRR requesting that the Commission reverse its decision to defer to a future application proceeding its consideration of the Company's request to expand the scope of the pipeline programs included in the Pipeline System Integrity Adjustment (PSIA) for cost recovery. Public Service further requests that the Commission approve the acceleration of certain distribution main replacements and in-line inspection assessments for cost recovery through the PSIA. The Company further requests that the Commission adjust the test-year level of revenues from its Rifle Gas Processing Plant for the purpose of establishing base rate revenue requirements.

4. On January 13, 2014, the OCC also timely filed an application for RRR. The OCC requests that the Commission reverse its decisions allowing Public Service to use a year-end calculation of rate base in the test year and to recover through base rates the costs associated with the upsizing investments made in the Edwards to Mountain Meadow (EMM) and West Main pipelines.

5. Now being duly advised, we deny the applications for RRR consistent with the discussion below.

**B. PSIA Expansion**

6. In its application for RRR, Public Service requests reconsideration of the Commission's decision to defer to a future application an expansion of the PSIA to include replacements of transmission pipelines installed before 1950 and the costs associated with an acceleration of distribution main replacements and in-line inspection assessments. These replacements and assessments would be completed in ten years instead of the longer periods previously contemplated by the Company. Public Service asserts that the issue is ripe for a decision in this proceeding, as extensive evidence has been taken and the matter has been fully briefed.

7. We deny this request. As explained in Decision No. C13-1568, the expansion and extension of the PSIA should be informed by a more complete review of the Company's experience with the PSIA, consistent with the procedures established in Proceeding No. 10AL-963G. The Company proposes to invest \$200 million on pre-1950s transmission pipeline replacements and \$360 million on its acceleration proposals. The magnitude of these costs warrants a thorough investigation with input from the current review of 2012 PSIA expenditures.<sup>1</sup>

8. In the event the Commission denies Public Service's request for approval of the expansion of the PSIA, the Company requests the Commission implement an expedited timeline for the required PSIA application.<sup>2</sup> The Company requests shortening the notice and intervention

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<sup>1</sup> Public Service's PSIA expenditures in 2012 are subject to a prudency challenge with a hearing before an ALJ scheduled for March 3 through 7, 2014 in Proceeding No. 10AL-963G.

<sup>2</sup> Decision No. C11-0946, Proceeding No. 10AL-963G issued September 1, 2011.

period to 10 days, setting a hearing date no more than 60 days after the application is deemed complete, and requiring answer testimony to be filed 2 weeks in advance of hearing.

9. We grant the Company's request to shorten the notice and intervention period for the upcoming PSIA application to ten days. The application is likely to be set for hearing and the primary interested parties are well aware of the upcoming filing requirements. Therefore, a shortened notice and intervention period is warranted in this situation. We require Public Service to include a conspicuous statement on the cover page of the application alerting the Commission and potential parties of the shortened notice.

10. We do not adopt the remainder of the expedited procedural schedule proposed by Public Service. The Company provided only a high-level description of its PSIA-related proposals in the instant proceeding, and we require a more detailed and comprehensive analysis of all components of its PSIA proposals in the July 1, 2014 application. Responses of parties to the Company's proposals should also be more robust than offered here. Finally, a full review of issues of this magnitude is not likely to be completed within the timeline Public Service proposes.<sup>3</sup>

**C. "Upsized" Portion of Pipeline Projects**

11. By Decision No. C13-1568, the Commission overturned the ALJ's ruling that Public Service failed to justify the need for the upsizing of EMM and West Main pipelines. Instead, the Commission ruled that Public Service met its burden with respect to incurring these upsizing costs and allowed them to be included in rate base.

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<sup>3</sup> We note that Public Service can proceed with pipeline replacement and other safety proposals under traditional cost recovery procedures.

12. In its application for RRR, the OCC asserts that Public Service offered only conclusory statements that the pipeline upsizing was necessary to serve future growth and that the Company failed to provide any empirical evidence showing expected growth in the specific areas served by the EMM and West Main pipelines. The OCC argues that the Commission's finding in Decision No. C13-1568 could have the effect of lowering the standards applicable in future proceedings where a utility carries the burden of proof.

13. We deny the OCC's request. As the Commission stated in Decision No. C13-1568, Public Service raised the issue of upsizing these projects in its direct case and no party responded to the Company's position until the filing of the post-hearing Statement of Position. We also disagree with OCC's concerns about lowering the governing standards in future proceedings, as the Commission considers these issues on the basis of facts presented in each proceeding, and the Commission encourages the upsizing of pipeline capacity upon showings such as the one made by Public Service here.

**D. Rifle Natural Gas Liquids Revenue**

14. By Decision No. C13-1568, the Commission denied the Company's request to adjust the historic test year (HTY) level of natural gas liquids revenues from its Rifle gas processing plant downward by \$1,395,470. The Commission found that the operational date of a new plant in Parachute that is expected to cause a reduction in the Company's gas processing revenues was too uncertain to warrant an adjustment to the HTY cost of service.

15. In its application for RRR, Public Service maintains that the Company is proposing a known and measureable adjustment to its HTY revenues and argues that the delayed completion of the Parachute plant will not affect the Company's expected plant operations and revenues. Alternatively, if the Commission denies its proposed HTY revenue adjustment,

Public Service requests that the Commission clarify that its decision rejecting the HTY revenue adjustment is without prejudice. The Company explains that it intends to file for approval of a modification to its Gas Cost Adjustment (GCA) to include a true-up mechanism for liquids revenues from the Rifle plant. The Company states that this unique treatment is justified by the uncertainty of the future operations of the plant.

16. We deny the Company's requests. We fully considered both of Public Service's proposals concerning the Rifle natural gas liquids revenues and rejected them.<sup>4</sup> The operational date of the new gas processing plant in Parachute is too uncertain at this time to warrant the proposed modification to HTY revenues. Further, we are not convinced that re-litigation of this matter with respect to the GCA is justified under these circumstances. Therefore the Company's request to adjust rates to account for expected differences in Rifle natural gas liquids is denied with prejudice.

**E. Year-End Rate Base**

17. In its application for RRR, the OCC requests that the Commission reverse its decision allowing Public Service to use a year-end calculation of the HTY rate base for determining its revenue requirements. The OCC argues that, with respect to rate base, Decision No. C13-1568 was a substantial departure from past Commission decisions in which the year-end calculation method was granted only in instances where the Commission found the utility was experiencing earnings attrition. The OCC notes that the ALJ did not find evidence to support earnings attrition and instead directed the Company to calculate rate base using a 13-month average. In addition, the OCC requests that the Commission articulate whether it is

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<sup>4</sup> Public Service's witness Scott Brockett presented the GCA-related proposal at hearing. Hearing Transcript, May 31, 2013 at page 204, line 4 through page 220, line 2.

establishing a new standard with regard to the calculation of rate base, and, if so, what this new standard is. Finally, if the Commission approves the use of a year-end rate base calculation, the OCC requests that the Commission clarify that such a decision will not have a precedential effect.

18. We deny the OCC's application for RRR on this point. As explained in Decision No. C13-1568, we considered the aggregate impact of the various factors affecting the determination of Public Service's revenue requirements in this proceeding and decided that a year-end calculation of rate base promotes and results in just and reasonable rates.

## **II. ORDER**

### **A. The Commission Orders That:**

1. The Application for Rehearing, Reargument, or Reconsideration (RRR) filed by Public Service Company of Colorado (Public Service) on January 13, 2014 is denied, consistent with the discussion above. However, the notice and intervention period for Public Service's application as required by Decision No. C11-0946 in Proceeding No. 10AL-963G shall be shortened to ten days.
2. The Application for RRR filed by the Colorado Office of Consumer Counsel on January 13, 2014 is denied.
3. This Decision is effective upon its Mailed Date.

**B. ADOPTED IN COMMISSIONERS' WEEKLY MEETING  
January 29, 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

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PAMELA J. PATTON

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Commissioners

COMMISSIONER GLENN A. VAAD  
NOT PARTICIPATING.