

Decision No. C14-0545

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

PROCEEDING NO. 14A-0294G

IN THE MATTER OF THE APPLICATION OF PUBLIC SERVICE COMPANY OF COLORADO FOR APPROVAL OF ITS 2013 DEMAND-SIDE MANAGEMENT BIENNIAL PLAN GAS DSM BONUS.

**DECISION GRANTING APPLICATION AND
APPROVING DEMAND SIDE MANAGEMENT BONUS**

Mailed Date: May 23, 2014
Adopted Date: May 21, 2014

I. BY THE COMMISSION

A. Statement, Findings, and Conclusions

1. This matter comes before the Colorado Public Utilities Commission (Commission) for consideration of an application for approval of Public Service Company of Colorado's (Public Service or Company) gas demand side management (DSM) bonus.

2. In 2007, the Commission opened Proceeding No. 07R-371G to initiate a rulemaking to investigate and establish rules for the implementation of natural gas DSM programs in accordance with Colorado House Bill 07-1037. On March 7, 2008 the Commission issued its final rules regarding natural gas DSM programs in Decision No. C08-0248. These rules include the procedure by which a utility may file an application for a bonus as well as the calculation to determine the amount of the bonus.

3. On August 1, 2011, in Proceeding No. 11A-631EG, Public Service filed an Application requesting a decision for the approval of its 2012-2013 Biennial DSM Plan and

authorizing Public Service to place into effect revised gas and electric Demand Side Management Cost Adjustment (DSMCA) rates effective January 1, 2012.

4. On December 9, 2011, in Proceeding No. 11A-631G, the Commission issued Decision No. R11-1326 approving the Company's Verified Application for Approval of its Electric and Natural Gas DSM Plan for calendar years 2012 and 2013, as modified by the Settlement Agreement.

5. Per Rule 4752(b) of the Commission's Rules Regulating Gas Utilities and Pipeline Operators, 4 *Code of Colorado Regulations* (CCR) 723-4, Public Service was required to file on April 1, 2014, its annual 2013 DSM report, application for bonus, and DSMCA filing.

6. Public Service is requesting, as required by Rules 4752(b) and 4760(a), approval of a G-DSM Bonus to reflect the level of incentive that the Company is eligible to collect based on the net economic benefits achieved related to the Gas DSM measures implemented during 2013 as described in the 2013 Demand Side Management Annual Status Report (Status Report). The Status Report contains the information and calculations required to support its request for a G-DSM Bonus based upon the Company's achievements during the 2013 gas DSM program year.

7. Public Service's 2013 gas DSM portfolio achieved a savings of 431,496 Dth compared to a Commission approved goal of 570,575 Dth (132 percent of goal) at a cost of \$13,643,136 compared to a proposed budget of \$13,284,361 (103 percent of the proposed budget), and achieved net economic benefits of \$24,847,230.

8. In order not to penalize the Company for overachievement in the Low-Income programs that may be more costly than the portfolio average, the costs and achievements of these programs are permitted to be removed from the Savings Factor calculation

if they prove to be more costly than the average. After removing the cost and savings from the Low-Income budget, the Dth Savings are 458,484 Dth at a cost of \$9,205,807. If the Low-Income Program has negative net economic benefits associated with the program, those benefits can be neutralized in the final bonus calculation. As such, the total net economic benefits used for the determination of the Bonus is \$24,907,326 after negative benefits of \$60,096 associated with the Low-Income Program have been added back in.

9. Pursuant to Rules 4754(g)(I) through (IV), the percent of net benefits awarded is determined by multiplying the Energy Factor ($0.5 \% \times (132 \% \text{ of goal} - 80 \%) = 26$) by the Savings Factor ($[(\$13,284,361/432,205 \text{ Dth})/(\$9,205,807/458,484 \text{ Dth})] = 1.530782807$) to net a percentage of net economic benefits of 39.8 percent. The maximum bonus is 20 percent of net economic benefits or 25 percent of expenditures, whichever is less. The bonus is capped by the cap of 25 percent of expenditures and nets a DSM bonus of \$3,410,784.

10. The Company included the proposed G-DSM Bonus of \$3,410,784 (as well as the approved Prior Demand-Side Management Cost Adjustment, the DSM deferred amount from the preceding year (including applicable DSM interest), and the Acknowledgement of Lost Revenue Values) in the calculation of its G-DSMCA rates in its Advice Letter 860 to revise the DSMCA in the Company's P.U.C. No. 6 – Gas tariff. Public Service requests that the changed tariffs in Advice Letter 860 become effective on July 1, 2014.

11. Approval of this application will allow the inclusion of the gas DSM bonus of \$3,410,784 in Advice Letter 860 to remain.

12. No petitions to intervene were filed regarding the application. The Commission has the authority determine any application without the necessity of a formal oral hearing under its modified procedure in accordance with § 40-6-109(5), C.R.S., and Rule of Practice and Procedure 4 CCR 723-1-1403.

13. The Application contains all required information. It was deemed complete by operation of Rule 4 CCR 723-1-1303(b)(III) on May 21, 2014.

14. Based on all of the above, we find good cause to grant the Application.

II. ORDER

A. The Commission Orders That:

1. The application filed by Public Service Company of Colorado on April 1, 2014 for approval of the gas demand-side management bonus is granted.

2. The gas demand-side management bonus amount of \$3,410,784 may be used in Advice Letter 860.

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 on its Mailed Date.

**B. ADOPTED IN COMMISSIONERS' WEEKLY MEETING
May 21, 2014.**

(S E A L)



ATTEST: A TRUE COPY



Doug Dean,
Director

THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

JOSHUA B. EPEL

GLENN A. VAAD

Commissioners

COMMISSIONER PAMELA J. PATTON
ABSENT.