

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

PROCEEDING NO. 14L-0933G

IN THE MATTER OF THE APPLICATION OF PUBLIC SERVICE COMPANY OF COLORADO FOR AN ORDER AUTHORIZING IT TO REVISE ITS GAS COST ADJUSTMENT UPON LESS THAN STATUTORY NOTICE.

**COMMISSION DECISION AUTHORIZING
DOWNWARD REVISIONS OF GAS RATES**

Mailed Date: September 24, 2014

Adopted Date: September 24, 2014

I. BY THE COMMISSION

A. Statements, Findings, and Conclusions

1. On September 15, 2014, Public Service Company of Colorado (Public Service or Applicant) filed a verified application requesting a Commission decision authorizing it, without a formal hearing and on less-than-statutory notice, to place into effect on October 1, 2014, tariffs resulting in a decrease to its existing natural gas rates now on file with the Commission. The application contains all materials required by the Commission's rules, and is complete.

2. In addition, pursuant to Rule 1100(c) of the Rules of Practice and Procedure, 4 *Code of Colorado Regulations* (CCR) 723-1, Public Service has filed under seal an original and seven copies of Gas Cost Adjustment (GCA) Exhibit No. 2 containing material that it claims is highly confidential, proprietary, and market-sensitive, as well as a public version of the exhibit with the confidential material redacted.

3. This application constitutes Public Service's Annual GCA filing, under the Quarterly GCA mechanism provided for in the Stipulation and Agreement (S&A) reached by the Staff of the Public Utilities Commission, the Office of Consumer Counsel, and Public Service

(collectively, the Parties) pursuant to Proceeding No. C09-0596 in Proceeding No. 08A-095G issued June 9, 2009. This Application constitutes Public Service's regular annual GCA filing under both the Commission's Gas Rules and the Quarterly GCA mechanism.

4. The proposed tariffs are attached to the application, and affect Applicant's customers in its Colorado certificated areas on file with the Commission.

5. This application for authority to decrease rates is made pursuant to § 40-3-104(2), C.R.S., and Rule 4 CCR 723-1-4109(b)(II).

B. Findings of Fact

6. Public Service is an operating public utility subject to the jurisdiction of this Commission and is engaged in, *inter alia*, in the purchase, transmission, distribution, transportation, and resale of natural gas in various certificated areas within the State of Colorado.

7. Applicant's natural gas supplies for sale to its residential, commercial, industrial, and resale customers, are purchased from numerous producer/suppliers located inside and outside of the State of Colorado. The rates and charges incident to these purchases are established through contracts between Applicant and the various producer/suppliers.

8. These gas supplies are either delivered directly into Applicant's natural gas pipeline system from wellhead, gathering system, gas processing plant interconnections, or through several interstate pipeline and/or storage facilities with which Applicant is directly connected. The transportation of these gas supplies is made pursuant to service agreements between Applicant and upstream pipeline service providers based upon Applicant's system requirements for the various pipeline services, such as gathering, storage, and transportation. These upstream pipeline service providers include: Colorado Interstate Gas Company (CIG); Wyoming Interstate Company, Ltd. (WIC); Kinder Morgan Interstate Gas Transmission Company

(KMI); Southern Star Central Gas Pipeline, Inc. (Southern Star); Red Cedar Gathering Company (Red Cedar); and Young Gas Storage Company, Ltd. (Young).

9. CIG, WIC, KMI, Southern Star, and Young are natural gas companies under the provisions of the Natural Gas Act, as amended, and the rates and charges incidental to the provision of the various pipeline delivery services to Applicant are subject to the jurisdiction of the Federal Energy Regulatory Commission (FERC). This Commission has no jurisdiction over the pipeline delivery rates of CIG, WIC, KMI, Southern Star, Red Cedar, and Young, but it expects Applicant to negotiate the lowest prices for supplies of natural gas that are consistent with the provisions of the Natural Gas Policy Act of 1978, 15 U.S.C. §§ 3301-3432 and applicable federal regulations, or determinations made under applicable federal regulations.

10. Public Service acknowledges that the company has read and agrees to abide by the provisions of Rules 4002(b)(IV) through (VI) and Rules 4002(b)(XI)(A) through (C) of the Rules Regulating Gas Utilities and Pipeline Operators, 4 CCR 723-4.

11. Public Service incorporates by reference information on file with the Commission in Proceeding No. 06M-525EG as required pursuant to Rule 4002(c).

12. The Commission's GCA Rules at 4 CCR 723-4-4602(a) require that Public Service revise its GCA rates to be effective on October 1 of each year. In addition, pursuant to § 40-3-104(2), C.R.S., 4 CCR 723-1-41.5, and the S&A reached by the Parties pursuant to Decision No. C09-0596, Public Service is required to make one annual and three quarterly GCA filings. This filing is intended to comply with these requirements.

13. The purpose of the proposed revision is to reflect the level of: (1) Gas Commodity Cost, reflecting natural gas costs to be charged Applicant by its numerous producers/suppliers during the period October 1, 2014 through December 31, 2014, based on forecasts of

sales quantities, producer/supplier contract pricing terms, and market indices; (2) Upstream Services Cost, reflecting costs anticipated to be charged Applicant by CIG, KMI, WIC, Southern Star, Red Cedar, and Young; (3) Deferred Gas Cost, reflecting Applicant's Deferred Gas Cost Account No. 191 as of August 31, 2014, adjusted for unbilled revenue; and (4) forecasted amounts for the Gas Storage Inventory Charge from September 1, 2014 through September 30, 2015. The upstream Services Cost and the Deferred Cost components under the Quarterly GCA mechanism correspond to the components with the same names under the monthly GCA mechanism previously in effect.

14. The natural gas costs reflected in this filing are based on the New York Mercantile Exchange (NYMEX) October, November, and December 2014 daily Settlement Price for natural gas on the seventh business day of the month of this Application, or September 10, 2014. The NYMEX price for each of these three months was adjusted for the basis differentials applicable to regional indices used by the Applicant for its gas purchases. The resulting Gas Commodity Cost is \$4.103 per Dth, as compared to the current \$5.010 per Dth for third quarter 2014.

15. Pursuant to the Stipulation and Agreements approved by the Commission in Decision No. C04-1112 in Proceeding No. 02A-267G issued September 22, 2004; the S&A reached by the Parties pursuant to Decision No. C09-0596 in Proceeding No. 08A-095G; and Public Service's GCA tariff, Public Service proposes to include in the calculation of the Deferred Gas Cost component of the GCA rates the full amount of the deferred account balance as of August 31, 2014, instead of June 30, 2014 as required under Rule 4 CCR 723-4-4604(d) of the Commission's GCA Rules.

16. The resulting Deferred Gas Cost is \$0.147per Dth, as compared to the current \$.133 per Dth in the third quarter of 2014. The cumulative effect of an increase in Deferred Gas Cost of \$.014 per Dth and a decrease in Gas Commodity Cost of \$.907 per Dth resulted in a 14.72 percent decrease in GCA for the residential customers as stated in the proposed notice.

17. In addition to a change in the commodity cost of gas, Applicant has included in the instant filing, projections of costs for upstream pipeline transportation and storage services from CIG, Southern Star, Red Cedar, Front Range Pipeline, and Tallgrass based upon existing service agreements and currently effective rates under each interstate company's FERC gas tariff.

18. In paragraph d of Section 6, Part C, of the Commission's Decision No. C95-0796, Proceeding No. 95I-394G (page 13) issued August 21, 1995, the Commission imposed the following requirements after stating its concern that transportation discounts could possibly have an adverse impact on the cost of gas collected through the GCA:

Therefore, the Company will be ordered to report in each of its GCA applications the calculation of the revenue effect of transportation discounts on sales in the GCA. This report shall include any discounts which are provided to any affiliated company.

(Footnote omitted.)

19. Consequently, Applicant was required to report in its GCA Application the following: (i) the revenue effect of any transportation discounts on sales in the GCA; and (ii) any transportation discounts provided to any affiliated company.

20. Applicant states that the GCA is currently not impacted by transportation commodity discounts, as all discounted transportation commodity rates are in excess of the current gas cost portion of the transportation charge (balancing costs). Accordingly, Applicant represents that the GCA applicable to sales customers will not be affected by transportation discounts.

21. The proposed tariffs are attached to the application and affect Applicant's customers in its Colorado certificated areas on file with the Commission. The net effect of the revision in the GCA for the months of October, November, and December, 2014 would be to decrease revenues by \$40,941,437 or 17.48 percent below that yielded by the currently effective GCA. The annual revenue resulting from the proposed October GCA rates, if those rates were to remain effective for an entire year, would be \$148,221,073 less than the annual revenue that would have been collected had the currently effective GCA rates remained in effect for the same period.

22. Applicant anticipates that the adjustment in the GCAs requested herein will bring future gas cost recovery amounts more closely in line with the predicted future price of gas.

23. Consistent with Rules 4604(a)(I) and 4603(k) through (l), Public Service filed Exhibits 10 through 12, Exhibits on Rate Base, Net Operating Earnings, Capital Structure and Cost of Capital, respectively, after the proposed change in revenue, with this annual GCA application. For the Gas Department, Applicant's last authorized rate of return on rate base was 7.53 percent, and its last authorized rate of return on equity was 9.72 percent. If this decrease is approved, Applicant's rate of return on rate base will be 6.55 percent and rate of return on equity will be 8.30 percent. Without the decrease, Applicant's rate of return on rate base would be 9.15 percent and its rate of return on equity would be 12.77 percent.

24. Pursuant to the Quarterly GCA S&A reached by the Parties pursuant to Decision No. C09-0596 in Proceeding No. 08A-095G, the filing of this application has been or will be brought to the attention of Applicant's affected customers by means of a legal notice in a newspaper of general circulation, and a first of the month display ad. In addition, Public Service, at its option, may continue press releases, call center voice activation messaging, and timely

postings to its internet website, as long as such forms of notice and communication reasonably and effectively continue to provide information to customers.

25. The Commission finds good cause to allow the proposed decreases on less-than-statutory notice.

II. ORDER

A. The Commission Orders That:

1. The application filed by Public Service Company of Colorado (Public Service) is deemed complete.

2. The application filed by Public Service for authority to change tariffs on less-than-statutory notice is granted.

3. Public Service is authorized to file, on less than two days' notice, the tariffs attached as Appendix A and made a part of this Decision, to be effective on or after their effective date of October 1, 2014.

4. 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.

5. This Decision is effective on its Mailed Date.

**B. ADOPTED IN COMMISSIONERS' WEEKLY MEETING
September 24, 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.