

PUBLIC SERVICE COMPANY OF COLORADO

Sheet No. 47

P.O. Box 840  
Denver, CO 80201-0840

Cancels  
Sheet No.

NATURAL GAS RATES  
PIPELINE SYSTEM INTEGRITY ADJUSTMENT

APPLICABILITY

All rate schedules for natural gas service are subject to a Pipeline System Integrity Adjustment ("PSIA") designed to collect the costs of Projects, as defined herein. The PSIA amounts will be subject to annual changes to be effective on January 1 of each year. The PSIA to be applied to each rate schedule is as set forth on Sheet No. 47C.

ANNUAL NOVEMBER PSIA FILING

Each proposed revision in the PSIA will be accomplished by filing an advice letter on November 15 of each year to take effect on the following January 1. The Company will include in its annual November PSIA Filing all pertinent information and estimated supporting data on each of the Projects, e.g., project description and scope, estimated project costs, in-service date, etc., as well as information required by applicable Commission Decisions.

APRIL ANNUAL REPORT

On April 1 of each year, the Company will file an annual report showing the actual costs for the Projects for the prior calendar year, as compared to the estimated costs presented in the applicable November PSIA Filing. The April Annual Report will also include the information required by applicable Commission Decisions. Any differences between recovery during the prior calendar year and actual permitted recovery as a result of the April Annual Report will be reflected in rates beginning January 1 of the following year through the Annual November PSIA Filing referenced above.

DEFINITIONS

Deferred PSIA Balance is the balance, positive or negative, of PSIA revenues at calendar year-end for the year prior to the annual November 15 PSIA filing less the Pipeline System Integrity Costs as forecast by the Company for the previous calendar year of the annual November 15 PSIA filing.

Former PSIA Project is defined as any project for which the associated Pipeline System Integrity Cost was included for recovery in any previously-effective PSIA and which is no longer included in the definition of Pipeline System Integrity Cost Projects.

(Continued on Sheet No. 47A)



ADVICE LETTER NUMBER \_\_\_\_\_

ISSUE DATE \_\_\_\_\_

DECISION NUMBER \_\_\_\_\_

REGIONAL VICE PRESIDENT,  
Rates & Regulatory Affairs

EFFECTIVE DATE \_\_\_\_\_

PUBLIC SERVICE COMPANY OF COLORADO

Sheet No. 47A

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PIPELINE SYSTEM INTEGRITY ADJUSTMENT

DEFINITIONS - Cont'd

Pipeline System Integrity Cost is defined as (1) a return, equal to the Company's projected weighted average cost of capital, on the projected increase in the retail jurisdictional portion of the thirteen (13) month average net plant in-service balances associated with the Projects for the following calendar year in which the PSIA will be in effect exclusive of all plant in-service included in the determination of the revenue requirements underlying the Company's effective base rates; and (2) the plant-related ownership costs associated with such incremental plant investment, including depreciation, accumulated deferred income taxes, and income taxes.

Pipeline System Integrity Cost Projects ("Projects") are defined as projects (including the associated sub-projects) falling under the following PSIA initiatives: Transmission Integrity Management Programs, and the Distribution Integrity Management Programs.

PSIA True-up Amount is equal to the difference, positive or negative, between the Pipeline System Integrity Cost as forecasted for the calendar year prior to the annual November 15 filing and the actual PSIA cost incurred by the Company for the calendar year immediately preceding the annual November 15 filing. The true-up amount associated with any Former PSIA Project shall be included in the PSIA True-up Amount to reflect any over- or under-recoveries of the Pipeline System Integrity Cost attributable to such Former PSIA Project during the period such costs were included for recovery in an effective PSIA. The PSIA true-up amount will also include a carrying charge applied for 12 months to the over- or under-recovery derived using the approach explained above. This carrying charge will be the after-tax WACC during the 12-month period immediately following the year during which the true-up amount was accrued.

(Continued on Sheet No. 47B)



ADVICE LETTER  
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PUBLIC SERVICE COMPANY OF COLORADO

Sheet No. 47B

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Sheet No. \_\_\_\_\_

NATURAL GAS RATES  
PIPELINE SYSTEM INTEGRITY ADJUSTMENT

DEFINITIONS - Cont'd

Weighted Average Cost of Capital (WACC)

WACC is the cost of long-term debt and common equity weighted by the relative proportions of each in the Company's balance sheet at the end of the period being measured. For the purpose of calculating the carrying charge on PSIA over- or under-recoveries, the return on equity shall be the latest equity rate approved by the Commission for the Company's natural gas department.

PSIA CALCULATION

The PSIA is equal to the Pipeline System Integrity Cost, plus or minus the PSIA True-up Amount, plus or minus the Deferred PSIA Balance. The PSIA shall be calculated for each rate schedule based on a dollar per therm basis as follows:

$$PSIA = A \pm B \pm C$$

Where:

- A = Pipeline System Integrity Cost
- B = PSIA True-up Amount
- C = Deferred PSIA Balance

ALLOCATION OF PSIA COSTS

For purposes of developing the annual PSIA rates in the RATE TABLE provided on Sheet No. 47C, the annual PSIA will be allocated to classes based on the their projected annual use during the calendar year in which the PSIA will be effective.

PSIA ADJUSTMENT WITH CHANGES IN BASE RATES

Whenever the Company implements changes in base rates as the result of a final Commission order in a general gas rate case setting new rates based on approved revenue requirements, the Company shall simultaneously adjust the PSIA to remove all costs that have been included in base rates.

(Continued on Sheet No. 47C)

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