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June 2, 2017

Advice No. 912 - Gas

Public Utilities Commission  
 of the State Of Colorado  
 1560 Broadway, Suite 250  
 Denver, Colorado 80202

The accompanying tariff sheets issued by Public Service Company of Colorado ("Public Service" or the "Company") are sent to you for filing in accordance with the requirements of the Public Utilities Law:

COLORADO P.U.C. NO. 6 - GAS

and the following sheets are attached:

<u>Colorado P.U.C. Sheet No.</u>	<u>Title of Sheet</u>	<u>Cancels Colorado P.U.C. Sheet No.</u>
Twenty-first Revised 3	Table of Contents	Sub. Twentieth Revised 3
One Hundred Twenty-seventh Revised 10A	RESERVED FOR FUTURE FILING	Sub. One Hundred Twenty-sixth Revised 10A
Fifty-fourth Revised 10B	RESERVED FOR FUTURE FILING	Sub. Fifty-third Revised 10B
Forty-fifth Revised 10C	RESERVED FOR FUTURE FILING	Sub. Forty-fourth Revised 10C
Forty-eighth Revised 10D	RESERVED FOR FUTURE FILING	Sub. Forty-seventh Revised 10D
One Hundred Forty-first Revised 11	RESERVED FOR FUTURE FILING	Sub. One Hundred Fortieth Revised 11
Eighty-fifth Revised 11A	RESERVED FOR FUTURE FILING	Eighty-fourth Revised 11A
Eighty-sixth Revised 11B	RESERVED FOR FUTURE FILING	Eighty-fifth Revised 11B
Thirty-ninth Revised 11C	RESERVED FOR FUTURE FILING	Thirty-eighth Revised 11C
Fourth Revised 11D	RESERVED FOR FUTURE FILING	Third Revised 11D

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<u>Colorado P.U.C. Sheet No.</u>	<u>Title of Sheet</u>	<u>Cancels Colorado P.U.C. Sheet No.</u>
Eighth Revised 12	Schedule of Charges for Rendering Service	Sub. Seventh Revised 12
Ninth Revised 12A	Schedule of Charges for Rendering Service	Sub. Eighth Revised 12A
Twenty-first Revised 48	General Rate Schedule Adjustment	Twentieth Revised 48
Eighth Revised 49	Earnings Sharing Adjustment	Seventh Revised 49
Second Revised 49A	Earnings Sharing Adjustment	First Revised 49A
Original 49B	Earnings Sharing Adjustment	
Fifth Revised 70B	Quality of Service Plan	Fourth Revised 70B

The principal proposed changes are: to increase rates for all natural gas sales and transportation services by implementing a General Rate Schedule Adjustment ("GRSA") in the Company's Colorado P.U.C. No. 6 - Gas tariff, to become effective July 3, 2017, and to roll the Pipeline System Integrity Adjustment ("PSIA") costs into base rates beginning in 2019. These GRSA factors are proposed to be applied to the base rates for gas sales and gas transportation services under all rate schedules in the tariff, except Schedules TF-FRP and TI-FRP.

The Company is proposing to implement those changes by filing a multi-year plan ("MYP") for its gas business covering the years 2018 through 2020. The effects of the MYP, if approved by the Colorado Public Utilities Commission ("Commission"), will include the following:

- Rates will increase in accordance with the proposed GRSA effective dates.
- Subject to limited exceptions explained further herein, the Company will not file a Phase 1 rate case that would have the effect of further changing gas service base rates prior to January 1, 2020.
- The current gas Quality Service Plan ("QSP") for the gas department will be extended through the term of the proposed MYP.
- The Company will operate under an Earnings Test that provides for the annual sharing of gas department earnings

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with customers driven by the achievement of certain threshold returns on equity ("ROE").

- The Company seeks approval of the proposed updates to our Charges for Rendering Service.
- The PSIA rider cost recovery of various PSIA projects will be shifted to base rates in 2019 and will not continue after the rider expires on December 31, 2018, with the exception of the true-up of forecast and actual 2017 and 2018 PSIA costs and revenues.

The proposed GRSA rate changes are supported by cost of service studies for each of the three years of the plan - which are grounded in historical information.

The initial GRSA is proposed to become effective July 3, 2017, unless suspended by the Commission. The Company is seeking a net increase in annual gas base rate revenues of \$63,195,261, based on total base rate revenue requirements of \$523,648,000 using a test year ("TY") of calendar year 2018, an overall return on rate base ("RORB") of 7.49 percent, and a return on equity ("ROE") of 10.0 percent. The proposed incremental 2018 GRSA is a positive 16.52 percent. The total GRSA would be the current GRSA of 17.12 percent plus 16.52 percent, or 33.64 percent.

For the second GRSA, proposed to become effective January 1, 2019, the Company is seeking an additional \$126,826,936 in annual gas base rate revenues. This increase is based on total base rate revenue requirements of \$657,616,537 using a TY of calendar year 2019, an RORB of 7.47 percent, and an ROE of 10.0 percent. This proposed revenue increase includes the transfer of costs of integrity projects previously recovered through the PSIA to base rates as of January 1, 2019. The amount of this transfer is projected to be \$93,883,039. Since a transfer of cost recovery between rates does not increase the net total revenue collected from retail customers, only \$32,943,900 of the total incremental 2019 increase in base revenue represents a net revenue increase to customers. The proposed 2019 GRSA will be calculated to recover the \$126,826,936 of additional revenues based on the most recent sales forecast available at the time. Based on the current sales forecast, the incremental GRSA is estimated to be a positive 32.29 percent. The total GRSA effective on January 1, 2019, would be the GRSA effective in 2018 of 33.64 percent plus 32.29 percent, or 65.93 percent.

For the third GRSA, proposed to become effective January 1, 2020, the Company is seeking an additional \$42,915,002 in annual gas base rate

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revenues. This increase is based on total base rate revenue requirements of \$704,291,574 using a TY of calendar year 2020, an RORB of 7.49 percent, and an ROE of 10.0 percent. The proposed 2020 GRSA will be calculated to recover the \$42,915,002 of additional revenues based on the most recent sales forecast available at the time. Based on the current sales forecast, the incremental GRSA is estimated to be a positive 10.53 percent. The total GRSA effective on January 1, 2020, would be the GRSA effective in 2019 of 65.93 percent plus 10.53 percent, or 76.46 percent.

To mitigate the rate increase for our customers in the first and second years of the MYP (2018 and 2019), the Company is proposing to defer certain costs that would otherwise be recoverable in those years to the third year of the MYP (2020). The Commission could reject or modify that mitigation proposal, or any other aspect of the Company's proposed MYP. The Commission's modifications could result in adjustments to the amounts that the Company is proposing to recover in each year of the MYP period. It is possible, for example, that the Commission could approve rates higher than the Company's proposed rates for the first and second years of the MYP and lower rates for the third year of the MYP.

The Company proposes to extend the current QSP for the gas department through the term of the proposed MYP - or through 2020.

With respect to the Earnings Test, the Company proposes a structure under which the Company absorbs all under-earnings and retains 50 percent of any over-earnings up to 200 basis points above the authorized ROE. Any earnings in excess of this threshold would be returned 100 percent to customers. This structure provides the Company with no downside protection against earned returns lower than the authorized levels, and shares with customers either partially or totally all earnings in excess of the authorized levels.

The total gas department increase in base rates over the three-year MYP period of 2018 through 2020 is \$232,937,199. The impacts of the Company's filing on residential and small commercial customer rates during the term of the MYP are as follows:

**Residential**

	<b>Baseline Typical Monthly Bill</b>	<b>Proposed Typical Monthly Bill</b>	<b>Dollar Change</b>	<b>Percentage Change</b>
2018	\$44.96	\$47.70	\$2.73	6.08%
2019	\$47.70	\$49.88	\$2.19	4.58%
2020	\$49.88	\$51.62	\$1.74	3.49%

**Small Commercial**

	<b>Baseline Typical Monthly Bill</b>	<b>Proposed Typical Monthly Bill</b>	<b>Dollar Change</b>	<b>Percentage Change</b>
2018	\$192.36	\$203.27	\$10.91	5.67%
2019	\$203.27	\$210.24	\$6.97	3.43%
2020	\$210.24	\$217.19	\$6.95	3.31%

These impacts are based solely on the Company's MYP proposal covering the years 2018 through 2020. Consequently, these impacts reflect only the Company's proposed rate changes in this filing - the proposed GRSAs and the transfer of the capital costs of integrity programs from the PSIA to base rates as of January 1, 2019. Any other potential changes to base rates or riders during the MYP period are excluded from these impacts.

The Company is also proposing changes to the charges for various services provided upon request or as needed.

The Company had been providing information to customers for Rule 4406(b) in its gas tariff, and by updating its Rate Schedule Summation Sheets; however, the Company believes that providing this same information on its website is more effective and proposes to end its Rule 4406(b) and Rate Schedule Summation Sheets.

It is desired that the tariff modifications accompanying this Advice Letter become effective on July 3, 2017.

In addition, the Company is filing a Motion for Alternative Form of Notice. The Company will provide notice to affected customers by:

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publishing the legal notice in the *Denver Post* for two consecutive Sundays; posting a copy of the filing (Advice Letter, tariffs, testimony and attachments) on the Company's website; providing the notice as a bill insert with all of the Company's gas bills; and providing the notice to all of the Company's ebill customers via email. A copy of the customer notice is attached.

Contemporaneously filed with this Advice Letter are the tariffs and the direct testimony and attachments of 17 witnesses in support of the request for an increase in rates for all natural gas sales and transportation services by implementing GRSAs and other tariff provisions.

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Please send copies of all notices, pleadings, correspondence, and other documents regarding this filing to:

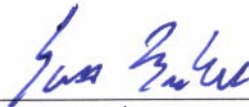
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Director

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Enclosures