

SUMMARY OF DISTRIBUTION INTEGRITY MANAGEMENT PROGRAM

Program Overview:

The Distribution Integrity Management Program (“DIMP”) activities are focused on obtaining and evaluating information related to the distribution system that is critical for a risk-based, proactive integrity management program that involves programmatically remediating risks. The DIMP rules were promulgated by the Pipeline and Hazardous Materials Safety Administration (“PHMSA”) in 2009. The DIMP rules address how gas utilities identify, prioritize and evaluate risks, repair threats, and validate the integrity of their gas distribution system. Distribution systems typically operate at lower pressures (<1 psi - <150 psi), but, due to their inherent location within population centers, are deemed to be within high consequence areas. Under the federal rules, pipeline operators were required to develop their DIMP plans on or before August 2, 2011. The Company published its DIMP plan in August 2011 and submitted it to the Colorado Public Utilities Commission on September 28, 2011.

Although the foundational requirements underlying the DIMP rules are similar to the Transmission Integrity Management Program (“TIMP”) rules -- know your assets, identify the threats and risks to those assets, and proactively mitigate those threats -- the DIMP rules have less of a prescriptive nature than the TIMP rules. PHMSA determined that more general requirements were needed for distribution systems given the diversity of distribution systems and the unique threats to which they may be exposed.

Activities included as part of the Company’s 2014 DIMP include:

- Programmatic Risk-Based Pipe Replacement Program (exclusive of Accelerated Main Replacement Program (“AMRP”) and Cellulose Acetate Butyrate (“CAB”) Services Replacement Program;
- Distribution Valve Replacements;
- Pipeline Data Project (“PDP”) – Distribution;
- Intermediate Pressure (“IP”) Assessments;
- Close Interval/Direct Current Voltage Gradient (“DCVG”) Surveys;
- Meter Barricades;
- Accelerated Leak Surveys; and
- Bridge Crossings/Exposed Pipes

Asset Types Included:

The Company’s DIMP projects cover all distribution facilities, such as meters, mains, valves, regulators and services. The DIMP category of projects for purposes of the PSIA excludes distribution pipelines comprised of the following pipe types: cast iron, bare steel, polyvinyl chloride (“PVC”) and CAB, which are covered by the Company’s AMRP and CAB Services Replacement programs.

Vintage of Assets:
All

Key Changes Since the October 1, 2012 PSIA Filing:

The Sewer Line Conflict project described in the Company's October 2012 PSIA filing is not in the current 2014 DIMP plan. This project focused on proactively inspecting portions of the gas distribution system where installation involved directional boring to ensure there were no instances of gas distribution pipelines intersecting sewer lines. The Sewer Line Conflict project was initiated in 2010 and performed through 2013 and did not identify any conflicts in the Public Service gas system based on the surveys performed. Based on known available information, the Company believes it has mitigated this risk, and considers this project complete.

Meter barricades is a new project that has been added for 2014. Additional details on this project are provided in a subsequent section of this exhibit.

The Programmatic Risk-Based Pipe Replacement Program is also included in DIMP in the 2014 PSIA. To add clarity, this program is a combination of four (4) existing projects already contained in the 2013 PSIA. In addition to Pre-1973 Aldyl-A mains and services, and Coupled-IP mains, it also includes both the coated steel replacement program, which was previously a stand-alone project under the DIMP, and the replacement of mill wrap main and services, which was previously a part of AMRP. The Company believes that consolidating these pipe types into one program under DIMP achieves two primary goals. First, it eliminates confusion associated with various types of coated steel and vintages. And, second, it creates closer alignment with the Proactive Stage of the Transition Model and the component of "Data and Risk Driven Decision Making." Additional pipe types may be included in the future, based on assessments and identified risks.

2013 DIMP Activities – Status Update:

The Company has continued to utilize robotic in-line-inspection tools to assess the condition of intermediate pressure pipelines. It is estimated that, by year end 2013, approximately three miles of IP pipe will have been assessed using this technology. The Company has also utilized Close Interval and DCVG surveys to assess the condition of over 20 miles of its gas distribution system. The distribution valve replacement program has successfully replaced a number of valves, isolating sections of the system in the event of an emergency or incident and minimizing customer impacts during these events.

Generally, the areas of work related to the various DIMP initiatives are outside the regions that were impacted by Front Range flooding that occurred within the Company's service territory in September 2013. However, the availability of engineering and construction resources focused on flood related restoration work could have a potential impact on the fourth quarter 2013 work plans.

Planned 2014 DIMP Activities:

Overall DIMP 2014 Financial Information:

	Capital Expenditures	O&M Expenses	13 Month Average Plant In Service	Revenue Requirement
Total DIMP	\$37.8 M	\$6.0 M	\$23.8 M	\$9.3 M

DIMP Project Financial Details	Capital Expenditures	O&M Expenses
Programmatic Risk-Based Pipe Replacement	\$32.68 M	\$2.12 M
Distribution Valve Replacements	\$3.60 M	\$0
Pipeline Data Project – Distribution	\$1.50 M	\$0
IP Assessments	\$0	\$1.70 M
Close Interval/DCVG Surveys	\$0	\$1.30 M
Meter Barricades	\$0	\$0.34 M
Accelerated Leak Surveys	\$0	\$0.20 M
Bridge Crossings/Exposed Pipe	\$0	\$0.25 M
DIMP – Labor, Employee Expense	\$0	\$0.13 M
Total DIMP	\$37.78 M	\$6.04 M

Specific DIMP Projects Activities:

The Company’s DIMP under the PSIA includes a variety of projects focused on advancing the primary elements of the program: know your assets, understand the risks and threats to your assets, and proactively mitigate risks. A brief description of each project is provided below.

Programmatic Risk-Based Pipe Replacement Program

Program Overview:

This program identifies and programmatically replaces distribution mains not covered by the AMRP or CAB programs that have a higher relative risk to public safety than other segments within the gas distribution system. The program is currently focused on three general pipe types:

- Older, vintage (pre-1950) steel pipe, that has been previously referred to as the “Coated Steel Main Replacement Program,” which also includes the specific type of coated steel referred to as “mill wrap;”
- Aldyl-A mains and services; and
- Coupled Intermediate Pressure (IP) mains.

The pipe segments and/or areas targeted for replacement are risk-ranked and identified based on history of leakage, pipes with problems in the coating or cathodic protection as identified through direct assessment, and engineering judgment provided by subject matter experts

(“SME”). As discussed below, the PDP-Distribution project is designed to address data gaps associated with these pipe types and, as such, new information will be integrated into the programmatic risk-based replacement strategy.

The scope of this project does not include pipe types that are part of other main or service replacement programs, such as cast iron, bare steel, PVC, and CAB.

2014 Financial Information:

	Capital Expenditures	O&M Expenses
Programmatic Risk-Based Pipe Replacement Program (Total)	\$32.68 M	\$2.12 M

Vintage Steel

Current plans include targeted replacement of nearly 40 miles of distribution main. This is comprised of older vintage (pre-1950) steel pipe that is located in various portions of the Denver Metro region, as well as in Boulder and Pueblo. This project is unrelated to the Pre-1950s Vintage Transmission Main Replacement Program, which covers only transmission pipelines.

This project began in 2013 and was originally called the “Coated Steel Main Renewal” project in the Company’s October 2012 filing. In accordance with the accelerated timetable proposed in the Company’s pending rate case in Proceeding No. 12AL-1268G, the Company plans to replace the known high risk vintage steel pipe over the next ten years.

Coupled Intermediate Pressure (IP) Pipe Replacement

This project is focused on the replacement of vintage IP pipelines in the Denver Metro area that are known to contain a high number of compression couplings (also known as mechanical couplings). These types of couplings have been involved in incidents at other utilities, and are considered obsolete and pose a higher than normal risk to the public and employees who must work on these lines. In addition, there has been a PHMSA advisory bulletin related to the risks of mechanical couplings (see PHMSA Advisory Bulletin ADB-08-02).

The planned work for 2014 includes replacement of two vintage IP lines in the Denver Metro area that are known to contain a high number of compression couplings. The first targeted line is 3,400 feet of 1947-vintage mill wrap pipe installed under Highway I-25 near West 13th Avenue in Denver. The second project is a 10-inch line near where Highways I-25 and I-70 intersect, installed under I-25 and running parallel to I-70. The line is 6100 feet in length and was constructed in the 1940’s of mill wrapped steel.

There are currently 75 miles of coupled IP estimated for replacement, as described in the Company’s gas rate case in Proceeding No. 12AL-1268G, at page 31, lines 3-13, of Ms. Campbell’s Direct Testimony. Initial plans are to remove these pipe types over a 10-year time period.

Aldyl-A Mains & Services

This project proactively replaces pre-1973 Aldyl-A plastic distribution main and services consistent with multiple Advisory Bulletins issued by PHMSA (Advisory Bulletins ADB-07-01 and ADB-02-07) and based on data that this particular material can become brittle over time and is subject to failure. Approximately four miles of pipe, primarily in the Boulder and North Metro operating areas, have initially been identified for replacement in 2014. Modifications to these projects may be made based on future discovery of poor performing pipe locations, leakage data and/or SME input.

There are currently a total of 26 miles of this pipe type identified for replacement, as described in the Company's gas rate case in Proceeding No. 12AL-1268G. The Company currently plans to remove this pipe type over the next 10 years.

Distribution Valve Replacements

Project Overview:

The placement, accessibility and functionality of valves in the distribution system are critical components of gas operations, providing the ability to isolate sections of the system in the event of an emergency or incident and minimizing customer impacts during these events. The Company has identified a need to add, replace or otherwise rehabilitate existing valves.

2014 Plans:

The current plan estimates nearly 20 valves for replacement and these range in size from 6-inch to 20-inch valves.

2014 Financial Information:

	Capital Expenditures	O&M Expenses
Distribution Valve Replacements	\$3.60 M	\$0

Timeline:

This project became part of the PSIA in 2013. Ongoing inspection of current valves as well as evaluation of the system will likely identify additional valves or areas for valve installation.

Pipeline Data Project – Distribution

Project Overview:

The Pipeline Data Project – Distribution is a multifaceted project to improve distribution asset records. This project aligns with the “gathering data for system knowledge” stage within the Transition Model contained in the Overview of PSIA Programs and Projects section of this filing.

2014 Plans:

In 2014, specific attention will be given to the development of more complete asset records for both Aduyl-A pipe and coupled IP pipe to support the on-going risk-based evaluation and prioritization of future replacements. The project will also focus on valves, including mapping of valves and inclusion of asset data in the geographical information system (“GIS”), as well as the work management system. Additionally, vintage and material information were not populated historically for a number of mains and services in the GIS system. This project will review legacy records and fill in those data gaps.

2014 Financial Information:

	Capital Expenditures	O&M Expenses
Pipeline Data Project – Distribution	\$1.50 M	\$0

Timeline:

The 2014 project described above may experience carryover into the first quarter of 2015, dependent on the extent of missing records identified and the time necessary to process this information. After these initial data gaps on vintage and material type are identified, the Company will confirm the inconsistencies within GIS and take steps to mitigate the conflicting data.

Intermediate Pressure (IP) Assessments

Project Overview:

The purpose of this project is to perform In-Line Inspections (“ILI”) using a robotic smart tool on vintage IP pipelines to better understand internal and external conditions of these pipelines. Based on an understanding of the type of data that can be obtained through use of similar ILI technology, the Company concluded that it would be prudent to have select, critical IP pipelines assessed by this method of ILI.

2014 Plans:

Five lines will be tested in 2014 and a minimum of five miles will be evaluated. Preference will be given to performing multiple tests on each line to further extend the amount of data on these pipelines. Estimates are based on 2013 actual costs and carry the assumption that multiple tests can be performed on each line and that there will be no capital assets installed.

2014 Financial Information:

	Capital Expenditures	O&M Expenses
IP Line Assessments	\$0	\$1.70 M

Timeline:

Distribution system ILI technology is still being developed and the Company will continue to assess the feasibility and benefits of new technology for these assets. The Company is still

evaluating the extent of assessment needs on the distribution pipelines, but current plans include assessments over the next several years.

Close Interval/Direct Current Voltage Gradient (DCVG) Surveys

Project Overview:

The Company continues to look for effective ways to apply technology and approaches to its distribution system that have been successful under its TIMP. Indirect surveys will be performed on distribution pipelines with risk factors associated with external corrosion and third party damage. The close interval technique provides information on the level of cathodic protection on coated steel pipelines. A complementary survey, DCVG, provides information on the condition of the coating on the pipeline and identifies defects that may require additional action. The scope is limited to Intermediate Pressure and High Pressure distribution lines.

2014 Plans:

Survey plans include 16 pipeline segments, totaling nearly 60 miles. The Company intends to perform this type of survey on pipelines with higher risk, as determined based on age, leak history, cathodic protection history, pressure and/or proximity to highly populated areas. It is anticipated that remedial action could be required on a portion of the lines being surveyed.

2014 Financial Information:

	Capital Expenditures	O&M Expenses
Close Interval/DCVG Surveys	\$0	\$1.30 M

Timeline:

These assessments will continue to be a part of the Company’s integrity strategy for several years, as it is recognized as a viable proactive assessment method used to gather information about metallic pipes and develop mitigation strategies.

Meter Barricades

Project Overview:

This project is a continuation of work that commenced in 2013 to install protection around gas metering and related facilities that are subject to the threat of outside force damage, primarily due to vehicular traffic. This project is a proactive initiative to protect at-risk facilities based on the development of regulations addressing these risks in other states.

2014 Plans:

Sites are prioritized to mitigate facilities that pose the highest risk based on consequence. Typically, the order would be regulator stations, commercial and industrial meter sets, followed by residential and trailer park meter sets. It is anticipated that approximately 800 unique sites will be protected via installation of a single or dual bollard and/or cross bars. It is anticipated

that this project will end in 2015, at which time installation of protection will become part of routine O&M work as sites are identified through surveys.

2014 Financial Information:

	Capital Expenditures	O&M Expenses
Meter Barricades	\$0	\$0.34 M

Timeline:

The Company is still investigating the extent of this work needed on the system. The Company will evaluate the full extent of the need for this program in 2014.

Accelerated Leak Surveys

Project Overview:

This project performs annual leak surveys on an accelerated frequency for the worst performing pipe types as measured by leak per mile (“leak ratios”). This is considered an Additional/Accelerated (“A/A”) leak survey under the Company’s DIMP plan and is done on pipe types such as cast iron, bare steel, PVC and CAB. The intent is to understand and mitigate the risk of these pipe types while renewal programs are underway.

2014 Plans:

The accelerated leak survey is estimated to cover over 500 miles of main and nearly 20,000 services. The total miles and number of services surveyed will decrease each year as these poor performing mains and services are replaced as part of the AMRP and CAB programs. Only the incremental costs of surveys over and above the minimum survey intervals previously required for these pipe segments are included in this project.

2014 Financial Information:

	Capital Expenditures	O&M Expenses
Accelerated Leak Surveys	\$0	\$0.20 M

Timeline:

Accelerated leak surveys will continue until all of the pipe types covered under this program are removed from the system in the next ten years. Since these pipe types are part of replacement programs currently in progress, the scope of this project is reduced by a corresponding amount each year.

Bridge Crossings/Exposed Pipes

Project Overview:

In 2012, the Company began a phased approach to inspecting the condition of its distribution pipes that are installed on bridges, or otherwise exposed to the elements that cause atmospheric

corrosion. The purpose of this project is to identify and repair pipes that pose the highest risk in the event of a failure, as measured by indications of damage, corrosion, insufficient support, and/or placement on defective bridge crossings.

2014 Plans:

The estimated project costs include assessments, evaluation, and potential bridge repairs. It is estimated that there will be as many as 15 assessments performed, along with additional costs associated with required repairs.

2014 Financial Information:

	Capital Expenditures	O&M Expenses
Bridge Crossings/Exposed Pipe	\$0	\$0.25 M

Timeline:

This project to assess and repair pipelines will continue through 2018.