

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

* * *

IN THE MATTER OF THE APPLICATION)
OF PUBLIC SERVICE COMPANY OF)
COLORADO FOR AN ORDER AUTHORIZING)
IT TO REVISE THE EXTENSION POLICY)
INCLUDED IN ITS PUC NO. 5 -)
ELECTRIC TARIFF.)

APPLICATION NO. 32602

IN THE MATTER OF THE APPLICATION)
OF PUBLIC SERVICE COMPANY OF)
COLORADO FOR AN ORDER AUTHORIZING)
IT TO ESTABLISH GAS AND ELECTRIC)
SERVICE PIPE INSTALLATIONS.)

APPLICATION NO. 32845

COMMISSION ORDER GRANTING EXCEPTIONS
IN PART AND DENYING EXCEPTIONS
IN PART

December 1, 1981

STATEMENT AND FINDINGS

BY THE COMMISSION:

On February 28, 1980, Public Service Company of Colorado (hereinafter "Public Service") filed Application No. 32602. Due and proper notice of such application was issued by the Secretary of the Commission on March 5, 1980. As a result of such notice, requests for leave to intervene were filed by the following entities and such requests were granted as indicated:

| <u>Petitioner</u> | <u>Date Filed</u> | <u>Commission Action Date</u> | <u>Decision No.</u> |
|--|-------------------|-------------------------------|---------------------|
| City of Lakewood | 4-2-80 | Granted 4-8-80 | C80-651 |
| City of Arvada | 4-4-80 | Granted 4-15-80 | C80-707 |
| Home Builders Assn. of Metropolitan Denver (HBA) | 3-17-80 | Granted 4-15-80 | C80-707 |
| CF&I Steel Corporation (CF&I) | 5-1-80 | Granted 5-6-80 | C80-886 |
| Colorado Energy Advocacy Office | 5-9-80 | Granted 5-20-80 | C80-982 |
| Office of Consumer Services (OCS) | 5-15-80 | Granted 5-20-80 | C80-982 |

On April 30, 1980, HBA filed a motion requesting that Application No. 32602 be consolidated with Case No. 5921, a complaint case which it had filed earlier concerning Public Service's rules, regulations and tariffs about construction advances and deposits and other related subjects, and also requested that these matters be heard by the

Commission en banc. After responses and counter-motions by Public Service, the Commission issued Decision No. C80-1138 on June 10, 1980 which granted the motion to consolidate Application No. 32602 and Case No. 5921 for hearing and denied the motion that the Commission hear the matters en banc.

On May 15, 1980, Public Service filed Application No. 32845. Notice of such application was duly issued by the Executive Secretary of the Commission on May 23, 1980.

In response to a motion stated in the request of HBA for leave to intervene in Case No. 5921, the Commission issued Decision No. C80-1406 on July 15, 1980, ordering that each intervenor in each matter was made an intervenor in the other matter if not already a party thereto.

On July 31, 1980, in response to a motion filed on behalf of Public Service, the Examiner issued an interim order consolidating Application No. 32845 with Application No. 32602 and Case No. 5921.

After numerous settings, continuances and interlocutory matters pertaining to discovery, the matters were finally called for hearing pursuant to due and proper notice on September 11, 1980, in the Commission Hearing Room, Fifth Floor, 1525 Sherman Street, Denver, Colorado. At such time, counsel for Complainant HBA moved for dismissal of Case No. 5921 without prejudice to later refiling, which motion was granted. Hearing was held as scheduled on Applications 32602 and 32845. The hearing was completed on September 12, 1980. Testimony was heard from seven witnesses and a total of twenty-four (24) exhibits were offered and admitted into evidence.

The matter was taken under advisement by the Examiner at the conclusion of the hearing. Statements of position were filed by some of the parties.

On December 22, 1980, Hearings Examiner Loyal W. Trumbull issued Recommended Decision No. R80-2380 wherein he recommended that Application No. 32602 and Application No. 32845 be denied.

After the issuance of Recommended Decision No. R80-2380, the following pleadings were filed with the Commission:

Motion for Extension of Time filed by Public Service Company

Motion for Extension of Time filed by the Staff of the Commission

Exceptions of the Colorado Office of Consumer Services

Exceptions of Public Service Company of Colorado

Motion for Extension of Time filed by the Cities of Lakewood and Arvada

Statement of Adoption of the Colorado Energy Advocacy Office

Motion to Strike Statement of Adoption of Home Builders Association

Response of Motion to Strike filed by Colorado
Energy Advocacy Office

Response of the Cities of Arvada and Lakewood to
Exceptions filed by Public Service Company and
The Office of Consumer Services

Adoption of Responses to Exceptions of the City
of Lakewood and City of Arvada filed by Home Builders
Association of Metropolitan Denver

On April 21, 1981, the Commission issued Decision No. C81-752 wherein the Commission stated that after consideration of Recommended Decision No. R80-2380 and the foregoing substantive pleadings related thereto, that the Commission: "has determined that the within applications should be remanded to the Examiner for further hearing and entry of a recommended decision in accordance with the policy parameters as hereinafter set forth."

The Commission outlined, by Commission Decision No. C81-752, its policy parameters with respect to extension policy. In Decision No. C81-752 the Commission stated at page 6, Findings and Discussion, fourth and fifth paragraphs from the top of said page:

"Premises considered, the Commission finds and concludes that Application Nos. 32602 and 32845 should be remanded to the Examiner for further hearings in accordance with the policy parameters expressed herein. The further hearings should establish what the current embedded costs are with regard to particular categories of service. The further hearing should further enable the Examiner to make a more particularized determination as to the reasonableness, or nonreasonableness of the proposed meter charges which are the subject of Application No. 32845.

With regard to embedded gross distribution investment per customer, in regard to permanent service, the Commission believes that the embedded gross distribution investment per customer can be updated on an annual basis for implementation in a line extension policy."

On September 29, 1981, Examiner Loyal W. Trumbull issued Recommended Decision No. R81-1650, being his Recommended Decision upon remand pursuant to Commission Decision No. C81-752. By Recommended Decision No. R81-1650, inter alia, the Examiner recommended that embedded gross distribution plant for the classes of residential and commercial customers, and their subclasses, be calculated on the basis of the cost of service study done by Public Service in I&S Docket No. 1330, which was based on a calendar year 1978 test period. The Examiner further recommended that Public Service Company should be required to exclude distribution substation costs from computation of both the free construction allowance and new customer line extension costs.

In addition to the above, the Examiner, by Recommended Decision No. R81-1650, determined that free construction allowances be established on the basis of subclasses within the residential class. The Examiner found and concluded that a \$320 free construction allowance for new street lighting customers is a just and reasonable figure. The Examiner further declined

to require Public Service Company to provide an alternate rate for street lighting service which would allow a municipality to pay the entire cost of installing a new street lighting fixture and then pay a rate which does not include a return on fixture. The Examiner also proceeded to recommend the establishment of free construction allowance for each new customer of Public Service for each rate class, and recommended that Public Service Company should be required to update the free construction allowances within thirty days after a Commission decision in a general rate case becomes effective. Finally, the Examiner found and concluded that the installation charges proposed for gas and electric meters in Application No. 32845 and Exhibit No. 3 and No. 5 are just and reasonable and should be allowed to go into effect. The Examiner also proposed certain changes to Public Service Company's herein proposed rules, regulations and tariffs.

On October 29, 1981, the Cities of Arvada and Lakewood, and the Home Builders Association of Metropolitan Denver filed exceptions to Recommended Decision No. R81-1650. On November 13, 1981, the Colorado Energy Advocacy Office and Colorado Office of Consumer Services filed joint reply to Exceptions of Home Builders Association and the Cities of Arvada and Lakewood. On November 19, 1981, Public Service Company filed its response to the exceptions previously filed by other parties.

The Commission states and finds, after considering Commission Decision No. C81-752, as corrected by Decision No. C81-752-E, Recommended Decision No. R81-1650, the exceptions of the Cities of Arvada and Lakewood and Home Builders Association, and the replies of Colorado Energy Advocacy Office, Colorado Office of Consumer Services, and Public Service Company of Colorado; that Recommended Decision No. R81-1650 of Examiner Loyal W. Trumbull upon remand should be adopted by the Commission as its decision herein in all respects other than so much of paragraph 7, Findings of Fact and Conclusions Thereon, which requires Public Service Company to update free construction allowances within thirty days of the effective date of a Commission decision in a general rate case; and so much of paragraph 1, Findings of Fact and Conclusions thereon, which recommends use of I&S 1330 figures as evidence of imbedded costs.

The Commission states and finds that the imbedded gross distribution investment per customer can and should be updated on an annual basis for implementation in a line extension policy. Accordingly, Public Service Company should be required to update the free construction allowances set forth in Recommended Decision No. R81-1650 within thirty days after the effective date of a Commission decision in a general rate case, but in no event shall such update occur less than on an annual basis. In regard to this modification of Recommended Decision No. R81-1650, it has been contended herein that Public Service Company should not be required to prepare an annual cost of service study to simply upgrade the free construction allowances. However, as Public Service Company points out in its reply, it has in the past, and will in the foreseeable future, file general rate case applications on no less than an annual basis, which applications will be accompanied by cost of service studies. In the event that Public Service Company should not otherwise prepare a cost of service study on an annual basis, the Company may then file an application seeking a waiver, or modification of the instant requirement.

In paragraph 1, findings of fact and conclusion of Recommended Decision No. R18-1650, the examiner rejected the use of I&S 1425 data and used I&S 1330 data for the purpose of determining imbedded costs for free construction allowances. The Commission states and finds that I&S 1425 is now final and the financial data from said proceeding is available for the above purposes. Accordingly, the Commission will grant so much of HBA's exceptions, which request the substitution of I&S 1425 financial data for that suggested by the Examiner.

Accordingly, in the Order hereinafter, the Commission shall modify paragraph 7 and 1, Finding of Fact and Conclusions Thereon of Recommended Decision No. R81-1650 as above stated, and shall overrule and deny the aforementioned exceptions in all other respects. Furthermore, the Commission will adopt the findings of fact and conclusions thereon of Recommended Decision No. R81-1650 except as herein modified.

An appropriate Order will be entered.

ORDER

THE COMMISSION ORDERS THAT:

1. The exceptions of the City of Arvada and the City of Lakewood filed on October 29, 1981 are overruled and denied.

2. The exceptions of the Home Builders Association of Metropolitan Denver to Recommended Decision No. R81-1650, filed on October 29, 1981 are granted to the extent that Public Service Company shall be required to recalculate the free construction allowances on no less than an annual basis. Paragraph 7, Findings of Fact and Conclusions Thereon of Recommended Decision No. R81-1650 is hereby modified to add such requirement.

3. The exceptions of the Home Builders Association of Metropolitan Denver to Recommended Decision No. R18-1650, filed on October 29, 1981 are granted to the extent that Public Service Company shall use I&S 1425 financial data to calculate current imbedded costs of distribution plant to establish the free construction allowance to be authorized for new customers. The exceptions of Home Builders Association to Recommended Decision No. R81-1650 are overruled and denied except as granted by this paragraph and paragraph 2 above.

4. Applicant Public Service Company of Colorado shall, within ten (10) days from the effective date of this decision and order, file with this Commission a new set of the revised tariff sheets which were a part of or appended to Exhibits 3, 4, 5 and 26 in this proceeding, but which have been accurately and completely revised to reflect the findings of fact and conclusions thereon as contained in Recommended Decision No. R81-1650 as adopted herein by the Commission and as hereby modified in paragraphs 7 and 1, Findings of Fact and Conclusions Thereon. Such filings shall be accompanied by a new Advice Letter that may be made without any necessity of further notice to the public of the filing thereof, this Decision being fully self-executing.

This Order shall be effective forthwith.

DONE IN OPEN MEETING the 1st day of December, 1981.

THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

Edythe S. Miller

Daniel E. Bruce

L. Duane Hubbard

Commissioners

jk: ao/5/P