

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO**

DOCKET NO. 04A-566E

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IN THE MATTER OF THE APPLICATION OF PUBLIC SERVICE COMPANY OF COLORADO FOR AUTHORITY TO IMPLEMENT AN EXPERIMENTAL RESIDENTIAL PRICE RESPONSE PILOT PROGRAM.

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**ORDER GRANTING STAFF'S UNOPPOSED MOTION  
TO VACATE FILING DEADLINES FOR TESTIMONY;  
VACATING A PORTION OF THE HEARING SCHEDULE;  
AND CERTIFYING QUESTIONS TO THE PARTIES.**

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Mailed Date: March 16, 2005

Adopted Date: March 16, 2005

**I. BY THE COMMISSION**

**A. Procedural and Factual Background**

1. This matter comes before the Commission as a result of Commission Staff (Staff) and Public Service Company of Colorado (Public Service) purportedly having reached a negotiated settlement of all their outstanding issues.<sup>1</sup> On February 16, 2005, in anticipation of reaching a settlement here, Staff filed an unopposed motion to extend and modify the deadlines for the filing of testimony. The Commission granted that motion in Decision No. C05-0245, setting a deadline for Staff's Answer Testimony of March 7, 2005, and a deadline for Public Service's Rebuttal Testimony of March 14, 2005.

2. In lieu of filing its Answer Testimony, on March 7, 2005, Staff filed an Unopposed Motion to Vacate Testimony Filing Deadlines and for Waiver of Response Time (Motion to Vacate). The Staff there represents on behalf of the parties that settlement

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<sup>1</sup> Staff and Public Service are the only parties participating in these proceedings.

negotiations with Public Service have been successful, that the parties have reached an “agreement in principle,” and that they intend to file the actual settlement agreement with the Commission no later than March 10, 2005.

3. On March 10, 2005, Public Service filed a Motion to Approve Settlement Agreement (Motion to Approve), and the actual Settlement Agreement executed by both parties (Settlement Agreement). Public Service represents that it is joined by Staff in the Motion to Approve.

**B. Discussion.**

4. Good cause having been shown, the Commission will grant Staff’s Motion to Vacate the deadlines for filing testimony.

5. The Commission has reviewed the Settlement Agreement, and has a number of questions to pose to both parties in connection with that Settlement Agreement. Those questions are certified in Attachment 1 to this Order, *infra*.

6. In order to provide an opportunity for the parties to respond to those questions, the Commission will vacate the March 17, 2005, hearing date, but retain on its calendar the March 18, 2005, hearing date, and receive answers to the certified questions from a witness or witnesses, from the witness stand at that time. The parties may, at their option, produce separate or joint witnesses in order to respond to the certified questions.

**II. ORDER**

**A. The Commission Orders That:**

1. Staff’s Motion to Vacate is granted.
2. The questions contained in Attachment 1 to this Order are certified to the parties, for response at 9:00 a.m., March 18, 2005.

3. The Motion to Approve is taken under advisement pending receipt of responses to the certified questions from the parties.

4. This Order is effective upon its Mailed Date.

**B. ADOPTED IN COMMISSIONERS' WEEKLY MEETING  
March 16, 2005**

(SEAL)



ATTEST: A TRUE COPY

A handwritten signature in cursive script that reads "Doug Dean".

Doug Dean,  
Director

THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF COLORADO

GREGORY E. SOPKIN

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CARL MILLER

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Commissioners

## **Policy Questions**

1. Provide an overview of the Experimental Residential Price Response Pilot (Pilot) and the Settlement Agreement.
2. Where are the details of the Pilot found?
3. Please explain any differences between what Public Service Company of Colorado (Public Service) proposed in its application and what is contained in the Settlement Agreement.
4. In its application, Public Service requests authority to implement the Pilot to measure the public's acceptance and the effectiveness of dynamic price signals in order to encourage customers to reduce consumption of electricity during the summer peak. The Pilot's stated goals are 1) to provide customers better price signals and encourage efficient consumption, and (2) to allow Public Service to evaluate the public's acceptance of the price signals and whether the program can be cost effective. How does the Settlement Agreement address the twin goals of the Application?
5. On page 2 of the Settlement Agreement the Parties state that the Pilot period, if approved, will consist of four phases: the Test Phase, the Enrollment and Baseline Phase, the Price Signal Phase, and the Evaluation Phase. What is the anticipated timeline for each of these phases?
6. Staff in its Notice of Intervention expressed the following areas of concern:
  - The proposed cost estimates and recovery mechanism;
  - The appropriate proposed pilot program progress reporting; and

- Ensuring that data is collected over an appropriate period of time so that one can derive a reasonable price elasticity index.

How has the Settlement addressed these concerns of Staff?

7. Are there any remaining issues voiced by Staff during these proceedings, but not raised in its Notice of Intervention?
8. In the Settlement Agreement on page 3, the Parties agree to certain “modification themes” which include the following:
  - Significantly more detailed reporting requirements to ensure a viable method of evaluating the success of the Pilot;
  - Establishing parameters to be used in evaluating the costs incurred in connection with the Pilot and providing a means of challenging those costs if they exceed expectations; and
  - Establishing guidelines to be used to determine the success of the Pilot and its future effectiveness.

Please explain what specific measures have been adopted in order to further these “themes,” how those measures are expected to operate, and the significance of each.

9. In the Settlement Agreement on page 3, the Parties state that it is appropriate for Public Service to use the Demand Side Management Cost Adjustment (DSMCA) clause to recover the costs of the Pilot. Why is the DSMCA the appropriate mechanism for the recover of these costs? What other approaches were discussed?

10. What is the purpose and expected use of the anticipated budget report included in confidential Exhibit A?
11. If there is a challenge to the recoverability of expenses, who bears the burden of proof in such a proceeding.
12. If it decides to discontinue the Pilot, will Public Service first file an application with this Commission for authority to discontinue the Pilot? If yes, who will bear the burden of proof in such an application?
13. On page 6 in paragraph 5 the Parties agree that the following guidelines should be used to determine the future of the Pilot:
  - (a) If customer participation in the Pilot or the RTOU, RCPP, or RCTOU tariff individually falls so short of expectations that no meaningful data can be developed from continuing the Pilot or the RTOU, RCPP, or RCTOU tariff, the Company will end the Pilot or the RTOU, RCPP, or RCTOU tariff without expending further funds. In this case, the Company will research why customers did not respond, and will not offer a replacement program to customers without gaining approval from the Commission to do so.
  - (b) If data obtained during the Pilot is insufficient to provide meaningful results, the Pilot will be extended for another year. The circumstances for this extension could be abnormal weather, or if it becomes clear that customers have a learning curve to overcome that would require more than one summer to be able to respond to time-differentiated rates. In this option, the budget for the Pilot would be increased by approximately \$862,000 to cover the costs of an additional year of operation. The actual amount of the budget for the additional year shall be set following subsequent negotiations between Staff and the Company.
  - (c) If customer load response is much below expectations, with no indication that more time on the rate would increase response, the Company will let the pilot end after a year of price signals. This option would also be valid if the costs of implementing the pilot prove to be much higher than expected and the forecast benefit/cost ratio of the rate structure is less than 1.0.

(d) If customer participation, load response, and costs are better than expected, the Company will transition the Pilot to a generally applicable tariff option for residential customers.

- a. Regarding the future of the Pilot, to what extent will the Commission be involved in each of these steps? How do the parties envision these changes being made? For example, will it be in a docket or some other formal filing with the Commission for its review and approval?
- b. What criteria/standards will the Parties use in order to determine if the Pilot successful or unsuccessful, and whether the Pilot has generated sufficient data for use in determining the future of the Pilot?

14. By what date will Public Service file to extend the program to the general body of residential customers if the pilot is deemed successful?

15. Please explain in detail why the parties, and each of them, believe the Settlement is in the public interest.

#### Technical Questions

16. On page 2 of the Settlement Agreement, footnote 1 states, "To correspond to Phase II rates, the tariffs will apply in the months of June through September."

- a. Will Public Service alter these tariff terms in the Pilot to match the Phase II outcome, if the Commission adopts a different period for the Phase II rates?
- b. If so, what changes does Public Service believe are necessary and appropriate?

17. In his direct testimony, page 6 lines 4-6, Public Service witness James states that benefits are compared to program costs.
- a. Explain what program costs were considered, including a description and overall amount of costs, a breakdown of costs per customer, and any other pertinent assumptions used in the cost effectiveness tests.
  - b. Explain how the timing of costs and benefits were equitably compared (*e.g.*, net present value analysis).
18. In his direct testimony, page 6 lines 7-10, Public Service witness James states that he used four Demand Side Management (DSM) cost effectiveness tests in his analysis.
- a. Is the Ratepayer Impact Measure (RIM) test the same as the Net Present Value of Rate Impact test required in the Commission's Least Cost Planning Rules 4 CCR-723-3600 (h) and 3610 (f)? If not, please explain the differences.
  - b. What avoided generation cost is used in these cost effectiveness tests, and what is the basis for this cost?
  - c. If this avoided generation cost is different than the avoided generation cost used in Public Service's most recent LCP application, Docket Nos. 04A-214, 215 and 216E, explain how the Pilot's cost effectiveness analysis would change if the LCP avoided generation cost was used.
19. In his direct testimony, page 12 lines 5-6, Public Service witness James proposes to limit the pilot to residential customers with at least 1800 kWh of use during the months of June through August.



- a. How many residential customers on Public Service's system meet this requirement?
  - b. Of the customers that meet this requirement, how many likely have central air conditioning?
  - c. How many customers that do not meet this requirement likely have central air conditioning?
20. With reference to the direct testimony of Public Service witness Clark, attachment KCC-3:
- a. What are the units for column 8, "Expected Reduction in Avg System Peak Demand After Implementation?"
  - b. What is the total expected reduction in system peak demand for the Pilot?
21. In her direct testimony, pages 8-10, Public Service witness Narog describes the general AMR meter systems and enabling technologies that will be used in the Pilot program.
- a. Provide a detailed explanation of the types of AMR equipment and enabling technologies that Public Service proposes to implement.
  - b. What modifications to existing customer metering equipment will be necessary?
  - c. Will the existing radio meter reading equipment that is currently installed on Public Service's customer meters require replacement or upgrade?
  - d. If yes, has Public Service explored ways of utilizing this technology to perform some or all of the data acquisition needs for the proposed pilot programs? Please explain.

22. The following questions pertain to the possible future implementation of the Pilot program to the general body of residential customers, assuming that the Pilot is successful and the proposed program achieves the expected results.
- a. Explain whether the future implementation to the general body of residential customers could likely be accomplished at a lower cost per customer than the Pilot, due to economies of scale, prior completion of certain components within the proposed Pilot program, or other factors.
  - b. If the full program can likely be implemented at a lower cost per customer, does Public Service project that it would still need to continue to limit participation to a minimum customer consumption level in order to be cost effective (*i.e.*, 1800 kWh), or could a cost-effective program be made available to all residential customers?
  - c. If implementation of the proposed Pilot to all residential customers would not likely be cost effective, what additional level of costs would the participating customers likely have to pay (*e.g.*, what portion of the metering and administrative costs) in order to be cost-effective? Can these additional costs be considered as part of the evaluation of this initial introduction of the Pilot, and if so, how would they likely affect the results of the Pilot?
  - d. What level of total peak system demand reduction would likely be achieved by expanding the program to the general body of residential customers?