

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

PROCEEDING NO. 19AL-0268E

IN THE MATTER OF ADVICE LETTER NO. 1797 FILED BY PUBLIC SERVICE COMPANY OF COLORADO TO RESET THE CURRENTLY EFFECTIVE GENERAL RATE SCHEDULE ADJUSTMENT (“GRSA”) AS APPLIED TO BASE RATES FOR ALL ELECTRIC RATE SCHEDULES AS WELL AS IMPLEMENT A BASE RATE KWH CHARGE, GENERAL RATE SCHEDULE ADJUSTMENT-ENERGY (“GRSA-E”) TO BECOME EFFECTIVE JUNE 20, 2019.

DECISION SETTING THIS MATTER FOR HEARING BEFORE THE COMMISSION *EN BANC*, SUSPENDING EFFECTIVE DATE OF TARIFFS, SETTING NOTICE AND INTERVENTION PERIOD, SETTING RESPONSE TIME TO MOTION FOR EXTRAORDINARY PROTECTION, SCHEDULING A PREHEARING CONFERENCE, AND REQUIRING PUBLIC SERVICE TO CONFER WITH POTENTIAL PARTIES ON A PROPOSED PROCEDURAL SCHEDULE

Mailed Date: May 31, 2019

Adopted Date: May 29, 2019

IMPORTANT NOTICE: ANY PERSON DESIRING TO PARTICIPATE ONLY BY MAKING A STATEMENT MAY DO SO BY APPEARING AT THE HEARING. IF YOU DESIRE TO ASK QUESTIONS OF A WITNESS OR OTHERWISE PARTICIPATE AS A PARTY IN THIS MATTER, YOU MUST REQUEST PERMISSION FROM THE COMMISSION TO BE AN INTERVENOR (EVEN IF YOU HAVE ALREADY FILED AN OBJECTION). ANYONE DESIRING TO INTERVENE MUST CAREFULLY FOLLOW THE LAW AND COMMISSION RULES FOR BECOMING AN INTERVENOR. FOR FURTHER INFORMATION ON HOW TO INTERVENE, CALL (303) 894-2070 (PUC EXTERNAL AFFAIRS OFFICE).

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I. BY THE COMMISSION

A. Statement

1. This Decision sets for hearing before the Commission *en banc*, the tariffs filed by Public Service Company of Colorado (Public Service or the Company) with Advice Letter No. 1797 and suspends their effective date for 120 days pursuant to § 40-6-111(1), C.R.S.

2. A pleading to intervene in this matter may be filed by any person, firm, or corporation desiring to be a party and fully participate in this proceeding no later than June 26, 2019.

3. As described below, we direct Public Service to confer with potential parties to develop a proposed procedural and discovery schedule. We also schedule a prehearing conference to be held on July 10, 2019 for the purpose of establishing the procedural and discovery schedules for this Phase I electric rate case.

B. Discussion

4. On May 20, 2019, Pubic Service filed Advice Letter No. 1797 with supporting attachments and pre-filed testimony as a Phase I rate proceeding. The proposed effective date of the tariffs filed with Advice Letter No. 1797 (Attachment A to this Decision) is June 20, 2019.

5. Public Service is seeking a total increase in its base rate revenues of approximately \$408 million, or 26.4 percent. However, approximately \$249 million of that amount is the result of transfers from three ongoing riders: (1) approximately \$79 million would

move to base rates from the Clean Air-Clean Jobs Act Rider, which would be eliminated upon certain final reconciliations; (2) approximately \$40 million would move to base rates from the Transmission Cost Adjustment (TCA); and approximately \$131 million would be recovered through a General Rate Schedule Adjustment-Energy (GRSA-E) to collect costs associated with the Rush Creek Wind Project that are presently recovered through the Company's Electric Commodity Adjustment (ECA). In addition to the GRSA-E, Public Service would implement a standard General Rate Schedule Adjustment (GRSA) of 13 percent. The proposed net increase in total revenues is about \$158.3 million, or an overall bill impact of 5.7 percent.

6. The proposed rate increase is supported by Public Service's cost of service study that generates a total annual base rate revenue requirement of \$1.95 billion. This amount is based on a proposed return on equity (ROE) of 10.35 percent, a cost of long-term debt of 4.18 percent, and a capital structure composed of 56.46 percent equity and 43.54 percent debt. These financing components combine into an overall weighted average cost of capital of 7.66 percent.

7. A major driver of the proposed rate increase is \$4.1 billion of investment that Public Service has made in the last five years. In addition, Public Service seeks what it calls a "capital reach" of about \$593 million for the plant additions that will be in service by the end of 2019.

8. Public Service is further seeking the recovery of approximately \$7.7 million of rate case expenses, inclusive of an estimated \$1.5 million specifically related to this Proceeding. Public Service proposes to include rate case expenses from its 2017 rate case (Proceeding No. 17AL-0649E), its 2016 depreciation case (Proceeding No. 16A-0231E), and its 2016 Phase II case (Proceeding No. 16AL-0048E). With respect to the 2017 rate case expenses,

Public Service states that the costs include the expenditures for development and Commission review of settlement proposals related to addressing the rate impacts resulting from the Tax Cut and Jobs Act of 2017 (TCJA).

9. The tariff sheets filed with Advice Letter No. 1797 also would continue the Company's Quality of Service Plan (QSP) for its electric operations. According to the pre-filed testimony submitted on May 20, 2019, Public Service proposes "minimal adjustments" to the electric QSP, such as an extension through 2021 and a reduction in the required reporting from the current monthly, quarterly, and annual reporting to only annual reporting. However, Public Service also explains certain additional adjustments are likely to be made to the electric QSP related to the structure of the overall QSP under Commission consideration for the Company's gas operations (Proceeding No. 18A-0918G) and the outcome of the consolidated electric and gas proceedings in which the Commission is currently examining the Company's distribution line extension policies (Proceeding Nos. 18AL-0852E and 18AL-0862G).

10. Public Service also seeks to modify its ECA tariff to include provisions to facilitate the future recovery of costs associated with the Cheyenne Ridge Wind Project. Public Service explains that these changes conform to the Cheyenne Ridge Wind Project Settlement Agreement recently approved by the Commission in Proceeding No. 18A-0905E.

11. Advice Letter No. 1797 also explains that Public Service seeks to:

- Update tariff sheets to incorporate new rates for the Charges for Rendering Service and Maintenance Charges for Street Lighting Service;
- Eliminate the Transmission Time-of-Use (Schedule TTOU) as of January 1, 2017;
- Correct the wattage in the Parking Lot Lighting Service (Schedule PLL) tariff;
- Remove the tariff for the Earnings Sharing Adjustment (ESA);
- Update the Short-Term Sales Margins in the ECA for Generation and Proprietary Books from calendar year 2015 to 2018;

- Remove the Equivalent Availability Factor Performance Mechanism (EAFPM) from the ECA;
- Revise Data Privacy in the Requests for Customer Data section of the General section of the Company's Rules and Regulations to more clearly reflect the reports available to customers and third parties;
- Clarify and simplify the tariff language in Other Meter Tests and Billing for Errors sections of the Standards in the Company's Rules and Regulations to better align with Commission Rules; and
- Include tariff provisions addressing customer credit and payment plan options that apply in the event billing adjustments are made.

12. Also on May 20, 2019, Public Service filed an “Omnibus Motion” with three parts: a Motion for Extraordinary Protection; a Motion for Rates Effective January 1, 2020; and a Motion for an *En Banc* Hearing.

13. With respect to the Motion for Extraordinary Protection, Public Service explains that Attachment JEM-2 to the Direct Testimony of Jannell Marks and her supporting work papers contain information that the Company claims to warrant extraordinary protection. The evidentiary exhibit and work papers contain Public Service’s monthly 2018 electric sales and customer counts by rate schedule. Public Service states that some of the Company’s rate classes have fewer than 15 customers, and other rate classes have one or more customers whose load comprises more than 15 percent of the total customer data. In these situations, the data does not comply with what is called the “15/15 Rule,” or Rule 3033(b) of the Commission’s Rules Regulating Electric Utilities, 4 *Code of Colorado Regulations* 723-3, that states: “At a minimum, a particular aggregation must contain at least fifteen customers; and, within any customer class[,], no single customer’s customer data or premise associated with a single customer’s customer data may comprise 15 percent or more of the total customer data aggregated per customer class to generate the aggregated data report.”

14. Public Service requests that the Commission grant extraordinary protection to any information produced in this proceeding going forward that does not comport with the 15/15 Rule, including the data contained in Attachment JEM-2 and Ms. Marks's supporting work papers. Public Service asks that the Commission issue an order restricting access to this information only to the Commissioners, the Commission Staff (Staff), employees of the Office of Consumer Counsel (OCC) assigned to the proceeding, and counsel for Staff and OCC assigned to this proceeding.

15. With respect to the Motion for Rates Effective January 1, 2020, Public Service argues that a January 1, 2020 effective date will conserve customer, Commission, and Company resources by eliminating the need for multiple true-ups. The Company also states that a January 1, 2020 effective date will also help to eliminate customer confusion that often ensues as a result of such true-ups. Public Service further explains that the Company's rates have been reduced to reflect the impact of the TCJA from January 1, 2018 through December 31, 2019, as approved in Proceeding No. 18M-0074EG. The Company suggests that having new base rates effective January 1, 2020 corresponds with the conclusion of that initial TCJA rate reduction. In sum, Public Service concludes that authorizing a January 1, 2020 effective date for rates will provide the most seamless and efficient path to providing customers the financial benefits provided under the TCJA-related settlements.

16. Finally, with respect to the Motion for an *En Banc* Hearing, Public Service states that this Proceeding "provides a clear instance of when the Commission should utilize its statute- and Rule-based authority to designate a proceeding for hearing by the full Commission."¹ Public Service notes the significant dollar amounts at issue in the case and the "important questions of

¹ Motion for an *En Banc* Hearing at ¶ 20.

state and local policy.”² The Company further explains that Colorado law vests the Commission the authority to “conduct its proceedings in such a manner as will best conduce the proper dispatch of business and the ends of justice.”³

C. Conclusions and Findings

17. Pursuant to § 40-6-111(1), C.R.S., the Commission may, in its discretion, set the tariff pages filed with Advice Letter 1797 for hearing, which will suspend the effective date of the tariff pages for 120 days from the proposed effective date. If the Commission does not establish new tariffs before the expiration of the suspension period of 120 days, or does not issue a separate decision further suspending the effective date of the tariff pages pursuant to § 40-6-111(1), C.R.S., the tariff pages filed by Public Service may become effective.⁴

18. The Commission finds good cause to set for hearing the tariff sheets submitted with Advice Letter No. 1797 filed by Public Service on May 20, 2019. Pursuant to § 40-6-111(1), C.R.S., the initial 120-day suspension period for the tariff pages submitted with Advice Letter No. 1797 shall extend through October 18, 2019.

19. We will hear this matter *en banc*. We agree with Public Service that this case raises policy issues that warrant an evidentiary hearing heard by the Commissioners themselves. An *en banc* hearing also eliminates the time otherwise required for the filing and consideration of exceptions to a Recommended Decision issued by an Administrative Law Judge. The time

² *Id.*

³ *Id.* at ¶ 19.

⁴ Senate Bill (SB) 19-236 amends § 40-6-111(1), C.R.S., by extending the additional period for the suspension of the effective date of tariffs from 90 days to 130 days. Therefore, pursuant to § 40-6-111(1), C.R.S., as amended by SB 19-236 when enacted into law, the Commission may, in its discretion, set the tariff pages for hearing which will suspend the effective date for 250 days from the proposed effective date, expiring on February 25, 2020. If the Commission does not establish new tariffs before the expiration of this extended suspension period, the tariff pages filed by Public Service may become effective.

saved by conducting an *en banc* hearing preserves the option for the Commission to establish rates for effect on January 1, 2020, as requested by Public Service.⁵

20. Based on our initial review of the Company's May 20, 2019 filing, we have identified at least two areas of interest.

21. First, we intend to examine the methods used to quantitatively support the establishment of an authorized ROE for Public Service's electric operations. For example, as explained in the pre-filed Direct Testimony of Public Service's witness Ann Bulkley, the requested ROE is based on several quantitative models using specific data and information for a proxy group of companies, including the Constant Growth Discounted Cash Flow (DCF) model, the Multi-Stage DCF model, the Capital Asset Pricing Model, the Bond Yield Plus Risk Premium approach, and the Expected Earnings analysis. Ms. Bulkley notes that capital market conditions affect the results of the DCF models, such that her recommendation gives weight to the results of the alternative methodologies. She further states that the establishment of the authorized ROE does not necessarily lend itself to a strict mathematical solution, such that the Commission should consider that the methodologies employed reasonably reflect investors' views of the financial markets in general and Public Service in particular.

22. Second, we seek to examine the multiple riders that Public Service relies upon for cost recovery. Public Service witness Michelle Applegate explains in her pre-filed Direct Testimony that riders allow the Company to recover specific costs outside of a comprehensive base rate proceeding and are generally used either to recover ongoing but variable costs (such as the ECA) or to recover specific fixed costs (such as the TCA). She states that costs recovered through riders are significant, such that they are necessary to support the overall financial health

⁵ We will rule on the Motion for Rates Effective January 1, 2020 by a separate decision.

of the Company and can delay the need for full, comprehensive reviews of base rates. However, the transparency of riders from the perspective of ratepayers also merits attention. For instance, Senate Bill 17-105, codified as § 40-3-103, C.R.S., addressed the various electric utility charges presented on monthly bills.

23. A pleading to intervene may be filed by any person, firm, or corporation desiring to be a party and fully participate in this consolidated proceeding, as ordered below. The filing of any other document protesting the tariff pages shall not allow participation as an intervenor in this matter. Intervention filings shall be submitted no later than June 26, 2019. Responses to all intervention filings are due on June 28, 2019.

24. Responses to the Motion for Extraordinary Protection shall be filed no later than June 26, 2019, the deadline for the submittal of the intervention filings.

25. We will hold a prehearing conference the afternoon of July 10, 2019 to establish a procedural schedule.

26. We direct Public Service to confer with the parties seeking intervention in this matter to develop a proposed procedural schedule including provisions for discovery. Public Service shall file the proposed procedural schedule, with a report as to whether consensus on the dates and discovery provisions has been achieved by the potential parties, no later than July 3, 2019. In light of the Company's request for rates effective January 1, 2020, we advise the Company and the potential parties of our preference that the evidentiary hearing be conducted over consecutive days concluding no later than November 8, 2019.

II. ORDER**A. The Commission Orders That:**

1. The proposed effective date, June 20, 2019, of the tariff pages filed by Public Service Company of Colorado (Public Service) with Advice Letter No. 1797 in Proceeding No. 19AL-0268E is suspended for 120 days until October 18, 2019, or until further order of the Commission.

2. The Commission shall hear this matter *en banc*.

3. Any person, firm, or corporation, including any who have previously filed a document protesting the proposed tariff pages, who desire to intervene and participate as a party in this proceeding shall file a motion to intervene with the Commission no later than June 26, 2019 and shall serve a copy of the notice or motion on Public Service's attorney of record.

4. Responses to requests for intervention shall be filed no later than June 28, 2019.

5. Responses to the Motion for Extraordinary Protection filed by Public Service on May 20, 2019 shall be filed no later than June 26, 2019.

6. A prehearing conference is scheduled as follows:

DATE: July 10, 2019

TIME: 2:00 p.m.

PLACE: Commission Hearing Room
1560 Broadway, Suite 250
Denver, Colorado

7. Public Service shall confer with the parties seeking intervention in this matter to develop a proposed procedural schedule, consistent with the discussion above. Public Service shall file the proposed procedural schedule no later than July 3, 2019.

8. This Decision is effective upon its Mailed Date.

**B. ADOPTED IN COMMISSIONERS' WEEKLY MEETING
May 29, 2019.**

(S E A L)



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

JEFFREY P. ACKERMANN

FRANCES A. KONCILJA

JOHN GAVAN

Commissioners