

(Decision No. 91365

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

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IN THE MATTER OF PROPOSED INCREASED)	INVESTIGATION AND SUSPENSION
RATES AND CHARGES CONTAINED IN)	DOCKET NO. 1116
TARIFF REVISIONS FILED BY PUBLIC)	
SERVICE COMPANY OF COLORADO UNDER)	INTERIM DECISION AND ORDER
ADVICE LETTER NO. 690 - ELECTRIC,)	OF COMMISSION ESTABLISHING
AND ADVICE LETTER NO. 232 - GAS.)	DISCOUNTED GAS RATE

September 28, 1977

Appearances: Kelly, Stansfield and O'Donnell by
Bryant O'Donnell, Esq., and
James R. McCotter, Esq.,
Denver, Colorado, for
Public Service Company of Colorado;

Gorsuch, Kirgis, Campbell, Walker & Grover
by Leonard M. Campbell, Esq.,
William Hamilton McEwan, Esq., and
C. Paul Swift, Esq., Denver, Colorado,
for AMAX and Colorado Municipal League;

Richard Wood, Esq., Denver, Colorado,
for the District Attorneys for the
1st, 2nd, 17th and 20th Judicial
Districts;

Louis A. Bluestein, Esq., and
Sidney Brooks, Esq., Denver, Colorado,
for Common Cause;

John L. Mathews, Esq., San Francisco,
California, Western Area Chief
Counsel for Regulatory Law, General
Services Administration, for the
Executive Agencies of the United States;

Welborn, Dufford, Cook & Brown by
David W. Furgason, Esq., and
Richard L. Fanyo, Esq., Denver,
Colorado, for CF&I Steel Corporation;

Rothgerber, Appel & Powers by
James M. Lyons, Esq., Denver,
Colorado, for Home Builders
Association of Metropolitan Denver;

Laurence Edelman, Esq., Denver,
Colorado, for Friends of the Earth, Inc.;

Barbara S. Holme, Colorado State
Senator, Denver, Colorado, pro se;

D. Bruce Coles, Esq., Denver,
Colorado, for Mountain Plains
Congress of Senior Organizations;

Tucker K. Trautman, Esq., and
Eugene C. Cavaliere, Esq.,
Assistant Attorneys General,
Denver, Colorado, for the Commission.

S T A T E M E N T

BY THE COMMISSION:

On April 1, 1977, Public Service Company of Colorado (hereinafter "Public Service" or "Company" or "Respondent") filed with the Commission Advice Letter No. 690-Electric, accompanied by 133 tariff sheets pertaining to Colorado PUC No. 5-Electric. Also, on April 1, 1977, Public Service filed Advice Letter No. 232-Gas, accompanied by 92 tariff sheets pertaining to Colorado PUC No. 4-Gas. According to Advice Letter No. 690-Electric, the effect of the revision of the electric rates would be to produce additional gross revenues of approximately \$42,828,000 annually and, according to Advice Letter No. 232-Gas, the effect of the revision of the gas rates would be to produce additional gross revenues of approximately \$12,149,000 annually.

On April 13, 1977, by Decision No. 90481, the Commission set the tariffs filed with Advice Letter No. 690-Electric and Advice Letter No. 232-Gas for hearing. Pursuant to the provisions of C.R.S. 1973, 40-6-111(1), the effective date of the tariffs filed with the aforesaid advice letters was suspended by operation of law for a period of 120 days. Also, by Decision No. 90481, the Commission further suspended the tariffs filed with those advice letters for an additional 90 days, for a total of 210 days, or until November 27, 1977.

Also, by Decision No. 90481, the Commission determined that the proceedings would be conducted in two phases: Phase I would center on the revenue requirements and Phase II would center on spread-of-the rates. For purposes of Phase I in this proceeding, the Commission determined it would use the 12-month period ended November 30, 1976, as the test period. The Commission also provided, in Decision No. 90481, dates for filing testimony and for hearing with respect to testimony from public witnesses and testimony from Respondent, Intervenors and Staff. Further, the Commission determined in that decision that after the close of Phase I and prior to commencement of Phase II of these proceedings, the Commission would enter an interim order on or about August 26, 1977, with respect to revenue requirement, so that Public Service and all parties would know what figure is being utilized for the spread-of-the-rates phase.

On August 26, 1977, by Decision No. 91203, the Commission issued its interim decision and order establishing revenue requirement. By that decision, the Commission ordered that an overall increase in combined revenues of the Electric Department and the Gas Department in the amount of \$28,955,617 was required to offset the net operating earnings deficiency determined in Phase I. Spreading these revenues among Public Service Company's customers became the subject matter of Phase II of these proceedings.

It was originally envisioned by the Commission that the next decision to be issued in this matter would be the final decision fully setting forth the rationale for the establishment of the revenue requirement and spreading of those revenues among the various classes of customers. However, as a result of the testimony of the Staff of the Commission concerning its proposed discounted gas rate and Public Service's response thereto during cross-examination in Phase II, the Commission has determined that it is necessary to issue this interim decision which will be fully discussed hereinafter.

DISCUSSION, FINDINGS OF FACT AND
CONCLUSIONS ON FINDINGS OF FACT

During the course of Phase II, the Staff of the Commission presented a proposal for the establishment of a discounted gas rate to be offered to low income elderly, or disabled residential customers. The Commission so finds and concludes that such a proposal is responsive to a serious problem resulting from the fact that such persons' income has been insufficient to keep up with recent escalations of energy prices. Such a situation, in the Commission's view, demands immediate attention.

In essence, the Staff proposal would create a new residential rate class available to low income elderly or disabled, whereby there would be a discount of 50% of the total charges for the first 250 Ccf of usage (275 Ccf in rate areas 6 and 7) during the seven-month period October through April, beginning with the first billing cycle covering October usage continuing until its last billing cycle covering April usage. During the remaining five months, those customers would pay the full residential gas rate. The proposal avoids one serious deficiency noted by many critics of traditional lifeline rates. Such lifeline rates, by merely providing a discount for low usage, assume a correlation between low income and low usage, and that that correlation will result in low income persons being the primary beneficiaries of the establishment of such a rate. However, there is serious question as to whether those assumptions are correct. By contrast, the proposed discounted gas rate provides a mechanism whereby only low income persons who are elderly or disabled can qualify for the plan. Those persons are readily identifiable by utilization of information from the Colorado Department of Revenue and, thus, no screening of customers on the part of Public Service is required. Basically, all persons qualifying for the Colorado property tax or rent credit (Form 104 PTC) would be sent a punched card (punched in any form compatible with Public Service's computer). The individual would then be responsible to either bring or mail the card to Public Service to qualify for the discounted rate.

Because of confidentiality provisions of the Colorado tax laws (C.R.S. 1973, 39-21-113(4)(a)), it is not possible for the Department of Revenue to provide the eligibility list directly to Public Service. Accordingly, the Commission finds that the mailing of an eligibility card to the potential recipient is the best alternative in light of those confidentiality provisions. There was some concern expressed at the hearing by Public Service of potential fraud or counterfeiting that might result if there were no system of verification of the information presented by the applicant. The only possible mechanism for verification would require Public Service to obtain a waiver of the confidentiality provisions so that it may verify the information with the Colorado Department of Revenue. However, it is the Commission's conclusion, at this time, that any potential abuse inherent in the system is far outweighed by the expense of administering such a verification plan and its potential for erosion of the individual's privacy rights. The Commission does believe, however, that this situation should be monitored extremely closely by Public Service and any problems immediately brought to the Commission's attention.

The qualifications of persons eligible for the rate are, as mentioned, those established for property tax and rent credit. Specifically, those qualifications are as follows:

- (1) The claimant must have been a full-year resident of Colorado for the year in which credit is claimed;
- (2) The claimant must be one of the following:
 - (a) At least 65 years of age by December 31st of the year for which credit is claimed. In the case of a married couple, it is sufficient if either of them is 65 by that date;
 - (b) Disabled during the entire year for which credit is claimed to a degree sufficient to qualify for the payment of full benefits from any bona fide public or private plan or source based solely on such disability; or
 - (c) A surviving spouse, age 58 or older as of December 31st of the year for which credit is claimed whose deceased spouse met the age requirements and they jointly met all of the other requirements for a prior taxable year.
- (3) The claimant(s) must have paid one of the following during the year for which credit is claimed:
 - (a) General property taxes on his, her or their owner-occupied residence in Colorado;
 - (b) Colorado mobile home specific ownership tax on his, her or their owner-occupied residence;
 - (c) Rent for the right to occupy a residence in Colorado upon which general property taxes have been paid;
 - (d) Rent to a public housing authority located in Colorado; or,
 - (e) Rent for the right to occupy a mobile home or to use a trailer space in Colorado.
- (4) The claimant's income from all sources must have been less than \$7,300 if he or she is single, or less than \$8,300 in the case of a married couple.

It is estimated that approximately 26,000 customers of Public Service will be eligible for the rate. Based upon those estimates the Staff estimated that the revenue impact of the plan would be \$2,304,445 at the currently effective rate levels. It should be noted that the revenue impact, using the Staff's method of calculation, will be somewhat higher using the rate levels ultimately set in this proceeding. The Commission feels that this revenue effect, as well as any costs of administering the rate, should be spread uniformly over all nondiscounted gas sales for all classes of customers. It is proposed that these revenues be recovered through a "rider" mechanism, which amount to approximately \$0.0013 per Ccf. Due to the inherent uncertainty in prediction of

revenue impact of such a plan, it is necessary that a mechanism be provided to accurately track the revenue impact of the plan. Accordingly, Public Service shall set up separate sub-accounts in which it will keep track of revenue gained through application of the rider and revenue loss through application of the discount. Then, on a monthly basis, Public Service will be allowed to adjust the rider to recover any unrecovered amounts or to refund any over-recovered amounts. At least five days prior to any such adjustment, Public Service shall submit to the Commission Staff the proposed rider amount, including the following supporting data: (1) Sales volumes to which discount applied; (2) revenue recovered from discounted bills; (3) revenue calculated prior to discount; (4) number of eligible users; (5) excess usage (over discount limit); and (6) such other data deemed pertinent. It should be noted that the rider while separately accounted for by Public Service should not appear as a separate line item on the customer's bill in order to avoid unnecessary customer confusion.

The Commission realizes that implementation of such a plan will require certain reprogramming of Public Service's computer. For example, Public Service witness Ranniger testified that the Company estimates that a 90-day period will be required. The Commission notes, however, that the conditions justifying the implementation of this plan dictate implementation as soon as reasonably possible. It is also noted that the information necessary for the Department of Revenue to send out the above-mentioned computer cards will not be available until December 1, 1977. In light of all the above, the Commission finds and concludes that Public Service shall be prepared to accept applications by December 15, 1977, and begin billing under that rate by January 1, 1978.

O R D E R

THE COMMISSION ORDERS THAT:

1. Public Service Company of Colorado shall file tariffs by November 15, 1977, establishing a discounted gas rate plan as hereinafter described and shall be prepared to accept applications for said plan by eligible persons by December 15, 1977, and to begin billing such eligible persons effective January 1, 1978.

2. The discounted gas rate shall be made available to all Public Service Company of Colorado residential customers eligible for the Colorado property tax or rent credit (Form 104 PTC), which qualifications were set forth in the Discussion, Findings of Fact and Conclusions on Findings of Fact.

3. Public Service Company of Colorado shall accept, by hand delivery or mail, Department of Revenue computer cards to establish eligibility for said discounted gas rate.

4. Customers eligible for said rate shall receive a discount of 50% of total charges (base rate plus GCA) for the first 250 Ccf of usage (275 Ccf in rate areas 6 and 7) during the seven-month period October through April.

5. Public Service Company of Colorado shall calculate the revenue impact of said discounted gas rate plan and develop a "rider" mechanism for recovering said revenue utilizing the methodology developed by the Staff of the Commission as set forth in the Discussion, Findings of Fact and Conclusions on Findings of Fact based upon the rates put into effect at the conclusion of these proceedings; provided, however, Public Service Company of Colorado may adjust that rider on a monthly basis in accordance with paragraph 6 below.

6. In order to adjust the rider amount, Public Service Company of Colorado shall file with the Commission Staff at least five days prior to the effective date of the proposed change the adjusted rider amount, as well as the following supporting data: (a) sales volumes to which discount applied; (b) revenue recovered from discounted bills; (c) revenue calculated prior to discount; (d) number of eligible users; (e) excess usage (over discount limit); and (f) such other data deemed pertinent.

7. This decision is interim in nature.

This Order shall be effective forthwith.

DONE IN OPEN MEETING the 28th day of September, 1977.

(S E A L)



THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

EDWIN R. LUNDBORG

EDYTHE S. MILLER

SANDERS G. ARNOLD

Commissioners

hbp

ATTEST: A TRUE COPY

Harry A. Galligan, Jr.
Harry A. Galligan, Jr.
Executive Secretary