

(Decision No. C92-1057)
BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

* * *

IN THE MATTER OF THE JOINT)
APPLICATION OF THE PARTIES TO)
REVISED SETTLEMENT AGREEMENT)
II IN DOCKETS NO. 92S-091EG AND NO.)
90F-226E FOR COMMISSION)
CONSIDERATION OF DECOUPLING) DOCKET NO. 91A-480EG
REVENUES FROM SALES AND)
ESTABLISHMENT OF REGULATORY)
INCENTIVES TO ENCOURAGE THE)
IMPLEMENTATION OF DEMAND-SIDE)
MANAGEMENT PROGRAMS)

**DECISION TO REOPEN HEARINGS FOR THE LIMITED PURPOSE
OF REVIEWING PROPOSALS FOR (NON-DECOUPLING) DEMAND SIDE
MANAGEMENT-INDUCED LOST REVENUE AND
DEMAND SIDE MANAGEMENT COST ADJUSTMENT MECHANISMS**

Mailed Date: August 17, 1992

Adopted Date: August 12, 1992

Procedural Background:

On July 23, 1992, the Colorado Public Utilities Commission ("commission") issued Decision No. C92-920 allowing briefs to be filed by noon on Wednesday, July 29, 1992; setting a working session; granting various motions for extensions of time; and granting Public Service Company of Colorado's ("PSCo") motion for receipt of additional evidence. On July 29 supplemental briefs were filed by the following parties: PSCo, the Colorado Office of Energy Conservation ("OEC"), The Land and Water Fund of the Rockies ("LAW Fund"), Multiple Intervenors, the City and County of Denver ("Denver"), the Energy Conservation Association ("ECA"), and a Joint Supplemental Brief filed by the Office of Consumer Counsel, the Staff of the Public Utilities Commission, CF&I Steel Corporation, and Climax Molybdenum Company.

Summary of supplemental pleadings:

The supplemental briefs filed by the LAW Fund, OEC, ECA, and Denver favor a decoupling mechanism. None of the above parties proposed other mechanisms for the recovery of PSCo's demand side management-induced lost revenues. The LAW Fund and OEC believe that a modest incentive should be developed along with revenue per customer decoupling. The ECA and Denver did not state a preference for any incentive specific demand side management incentive beyond that incentive that may be accomplished by revenue per customer decoupling profits from sales.

Multiple Intervenors urge the commission to reject revenue per customer decoupling, and encourage adoption of at least three safeguards they believe would prevent subsidies and would avoid perceived problems with demand side management implementation.

The Joint Supplemental Brief filed by the Office of Consumer Counsel, the Staff of the Public Utilities Commission, CF&I Steel Corporation, and Climax Molybdenum Company rejects revenue per customer decoupling and proposes that the commission adopt a modified demand side management cost adjustment (DSMCA) clause as illustrated in their Attachments A and B. The brief does not propose a lost revenue adjustment.

PSCo's supplemental brief proposes a two-part recovery mechanism, including recovery of lost revenues and a demand side management incentive, as illustrated in their Attachment A.

A special working session was held on July 31, 1992. At this meeting the commission was unable to reach a final decision on an approach to decoupling and incentives, although potential compromise positions were discussed. A second special working session was set for August 10, 1992, that was subsequently rescheduled to August 12, 1992.

As a result of the discussion at the Open Meeting held on August 12, we agreed on the following:

Need for a hearing:

The Supplemental Briefs filed on July 29, 1992 by several parties contain new information entered into the record in this case. We find that additional evidence on the financial issues in this docket is necessary and therefore will reopen the hearing.

Need to narrow the scope:

In order to narrow the scope of inquiry, we establish these general principles:

1. An adequate record exists with respect to revenue per customer decoupling mechanisms. We will reserve judgment on whether to adopt that decoupling mechanism, and therefore will not hear evidence on revenue per customer decoupling at the upcoming hearing.
2. We are interested in specific (non-decoupling) proposals from all parties on a recovery structure that either:
 - (a) combines demand side management-induced lost revenues and an incentive to engage in demand side management activities;
 - (b) compensates for demand side management-induced lost revenues only; or

- (c) provides for a demand side management (such as a modified DSMCA) incentive only.
3. We are interested in hearing from parties to help us evaluate recovery options, using certain assumptions. Specifically, we would like to receive numeric and analytic responses to the following scenarios:
- (a) Assume a utility whose peak load grows at 60 MW per year for three years. Assume an average rate of \$.058 per kwh. Assume that the utility is not engaged in any utility-sponsored demand side management. What revenue is associated with the load growth over the three year period?
 - (b) Assume the same utility as detailed in paragraph (a) above, except that this utility is meeting its entire load growth through utility-sponsored demand side management measures.
 - (i) What recovery structure would be appropriate for the utility?
 - (ii) What revenue would this recovery structure yield?

In addition, parties are asked to respond to the following alternative approach:

1. Can parties suggest a specific rate approach such that all fuel and purchased power costs are removed from base rates, and recovered through an ECA?
2. What specific proposals can parties suggest to eliminate recovery of fixed costs associated with increased sales, while allowing for increased recovery of fixed costs associated with prudently incurred annual investments?
3. What specific mechanism could be used to limit profiting from increased sales above some base amount, thus eliminating the lost revenue issue from generated or purchased power?

The Use of Common Assumptions to Expedite the Hearing

In order to economize on hearing time, we ask the parties to accept certain assumptions, for illustrative purposes only. Assumptions may be corrected only if the submitted materials state in a detailed fashion how and why they are changed.

For purposes of administrative economy only, the following assumptions are to be used at the hearing:

- \$300/kw - Average cost of DSM measures
- 7 years - Amortization for DSM
- \$400/kw - Weighted average cost of embedded generation for the next 3 years
- \$506/kw - Avoided cost for next intermediate plant. Assumed to be a re-powered natural gas-fired Ft. St. Vrain.*
- \$1500/kw - Avoided cost of next base load plant (30 year life)
- 60 MW/year - Annual peak load growth
- 10.21% - Rate of Return on Investment
- 3.65% - Tax load on investment
- 3 years - Period between rate cases

* The Commission asks PSCo to determine the assumed life of Fort St. Vrain. This data is to be supplied to all parties in the case by August 20, 1992.

Procedural Schedule

Parties are to conform to the following procedural schedule:

1. Direct Testimony is due by 5 p.m. on Friday, August 28, 1992.
2. Rebuttal Testimony is due by 5 p.m. on Friday, September 4, 1992.
3. Any motions for extension of time must be filed by Friday, August 21, 1992.

THEREFORE, THE COMMISSION ORDERS THAT:

1. The Revised Settlement Agreement submitted by Public Service Company of Colorado, the Staff of the Public Utilities Commission, and the Colorado Office of Consumer Counsel concerning Public Service Company of Colorado's Electric Cost Adjustment, filed on May 29, 1992 is accepted and approved. This approval is subject to possible revision if the commission adopts a modification to the Electric Cost Adjustment as a result of the alternative approach described above.
2. The commission re-opens the record in this case for the limited purpose of reviewing recovery mechanisms other than revenue per customer decoupling. The commission will hear proposals for recovery based of any combination of demand side management-induced lost revenue adjustments and, or, incentives to engage in demand side management, and, or, the alternative approach described

above. In addition, the commission wants to receive evidence or proposals responding to the scenarios, as discussed above.

3. Direct Testimony is due by 5 p.m. on Friday, August 28, 1992. Rebuttal Testimony is due by 5 p.m. on Friday, September 4, 1992.
4. Hearings are set in this matter for:

Thursday, September 10, 1992, 1:30-5 p.m.
Friday, September 11, 1992, 9:00 a.m.-noon; 1:30-5:00 p.m.
5. Any motions for extension of time must be filed by Friday, August 21, 1992, 5:00 p.m.
6. This Decision is effective on its Mailed Date.

ADOPTED IN OPEN MEETING August 12, 1992.



ATTEST: A TRUE COPY

Bruce N. Smith
Bruce N. Smith
Executive Secretary

THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

ROBERT E. TEMMER

GARY L. NAKARADO

CHRISTINE E. M. ALVAREZ

Commissioners