

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

DOCKET NO. 03L-140E

IN THE MATTER OF THE APPLICATION OF PUBLIC SERVICE COMPANY OF
COLORADO TO INCREASE THE INTERIM ADJUSTMENT CLAUSE ON LESS THAN
30 DAYS NOTICE.

**DECISION GRANTING APPLICATION
AND GRANTING MOTION TO AMEND
DECISION GRANTING ALTERNATIVE
NOTICE AND WAIVER OF RESPONSE TIME**

Mailed Date: April 29, 2003

Adopted Date: April 29, 2003

I. BY THE COMMISSION

A. Statement

1. This matter comes before the Commission for consideration of a Less than Statutory Notice application to increase the Interim Adjustment Clause (IAC) filed by Public Service Company of Colorado (Public Service or the Company) on April 9, 2003.

2. Within the application, Public Service seeks to increase the current IAC from 4.78 mills to either: 1) 11.78 mills for Secondary Service level customers, 11.51 mills for Primary Service level customers, and 11.25 mills for Transmission Service level customers to be effective on July 1, 2003, or; 2) 10.15 mills for Secondary Service level customers, 9.90 mills for Primary Service level customers, and 9.68 mills for Transmission Service level customers to be effective on May 1, 2003.

3. Public Service contends that the 2003 energy costs have been substantially higher than the 2002 energy costs, due primarily to increases in the prices of natural gas. As a

consequence, the Company has been substantially under-collecting, and continues to under-collect, its 2003 energy costs through the current IAC.

4. Public Service has provided two different sets of proposed IAC factors for the Commission to consider in this application. Under either approach, the IAC rates are designed to collect \$215,509,934 by the end of 2003. If the collection of IAC costs were to commence on May 1, 2003, the typical residential customer would incur a \$3.35 monthly increase; while the typical small commercial customer would incur a \$6.79 monthly increase. If the collection of IAC costs were to commence on July 1, 2003, the typical residential customer would incur a \$4.37 monthly increase; while the typical small commercial customer would incur an \$8.85 monthly increase.

5. As part of the proposed settlement in Public Service's pending general rate case, Docket No. 02S-315EG, the parties agreed that the Company should be allowed to pass-through 100 percent of its Colorado retail jurisdictional 2003 energy costs through the IAC.¹ The proposed settlement also allowed for differentiated IAC factors based on service voltage delivery levels in order to reflect distribution system losses.

6. On April 21, 2003, Public Service filed a Motion to Amend Decision Granting Alternative Notice and Motion for Waiver of Response Time. By Decision No. C03-0396, the Commission granted Public Service's request to allow for alternative notice. In that decision, the Commission allowed Public Service to publish customer notice in the legal notice sections of *The Denver Post* and *The Denver Rocky Mountain News* on or before April 19, 2003. As

¹ The Commission previously approved a different settlement involving the Incentive Cost Adjustment mechanism in Docket No. 02A-158E, Decision No. C02-609 (May 24, 2002). In that decision, the Commission approved that 2003 energy costs would be passed through 100 percent to retail customers until new rates were set by the Commission in Docket No. 02S-315EG.

explained in the Motion to Amend Decision Granting Alternative Notice, due to no error on the Company's part, notice was not published in *The Denver Post* until April 21, 2003. Because of this mistake, the Company seeks to amend Decision No. C03-0396.

7. Public Service further explains in the motion, that it had arranged to have legal notice printed in both the April 12, 2003 editions of *The Denver Post* and *The Denver Rocky Mountain News*. However, due to the recent newspaper publishing arrangement only *The Denver Rocky Mountain News* was printed. This edition was delivered to both subscribers of *The Denver Post* and *The Denver Rocky Mountain News*. Since it was unclear to Public Service whether the Saturday joint publication of these papers complied with the Commission order, the Company attempted to re-run the legal notice in *The Denver Post*. As discussed above, a publication error prevented Public Service from getting the customer notice printed by the Commission imposed deadline in Decision No. C03-0396.

B. Findings and Conclusions

8. The Commission is concerned with the ratcheting-up of the Company's energy costs over a relatively short period of time. By this application, the typical electrical residential customer's bill will increase either \$3.35 or \$4.37 per month. Over the past year, the Commission has approved a series of rate increases for electric customers. In June 2002, the Commission approved the Incentive Cost Adjustment Settlement Agreement, which increased the typical electrical residential customer's bill by \$1.30 per month. In January 2003, the Commission approved the initial IAC adjustment, which increased the typical residential customer's bill by \$2.99 per month. Thus, the sum of these three increases would be either \$7.64 or \$8.66 per month for the typical electrical residential customer. As a percentage, these total

increases represent a 16.80 percent or 19.04 percent increase in the typical bill² for an electric residential customer.

9. Furthermore, to the extent an electric customer of Public Service is also a natural gas customer, the Commission also approved in March 2003 an increase in the Company's Gas Cost Adjustment clause, which increased the typical residential gas customer's bill by \$9.82 per month.

10. As outlined in the application, the Company has proposed to spread the additional 2003 IAC costs over either six or eight months. Although spreading of costs can result in inter-customer inequities because customers who may leave the system before the spread costs are fully collected, do not pay their fair share of costs. Likewise, spreading costs means that a new customer of Public Service has to pay costs of which he/she did not receive the benefit.

11. However, the time period proposed by the Company to spread out the 2003 energy costs coincides with the actual 2003 calendar year, which is the same period that the IAC will be effective. The Commission believes the May 1, 2003 through December 31, 2003 recovery period will best match costs to the recovery of those costs, which is fair to customers. In order to address the Commission's concern with rate shock, collection of the 2003 energy costs should be spread over the May through December period. Thus, the Commission will grant the application to start the collection of the additional 2003 IAC costs to be effective on May 1, 2003.

² Attachment L to the proposed Settlement in Docket No. 02S-315EG indicates an existing base rate bill of \$44.57. Add to that the \$0.91 per month for the AQIR (Air Quality Improvement Rider) results in a total typical bill of \$45.48 for a residential customer.

II. ORDER

A. The Commission Orders That:

1. The Application to Increase the Interim Adjustment Clause on Less Than 30 Days Notice filed by Public Service Company of Colorado, to be effective on May 1, 2003, is granted.
2. The Motion to Amend Decision Granting Alternative Notice is granted.
3. Response time to the Motion to Amend Decision Granting Alternative Notice is waived.
4. Public Service Company of Colorado shall file on not less than one day's notice the applicable tariffs to reflect Interim Adjustment Clause factors of 10.15 mills for Secondary Service level customers, 9.90 mills for Primary Service level customers, and 9.68 mills for Transmission Service level customers.
5. This Order is effective on its Mailed Date.

**B. ADOPTED IN COMMISSIONERS' DELIBERATIONS MEETING
April 29, 2003.**

(S E A L)



ATTEST: A TRUE COPY

**Bruce N. Smith
Director**

THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

GREGORY E. SOPKIN

POLLY PAGE

JIM DYER

Commissioners