

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

PROCEEDING NO. 14AL-0660E

IN THE MATTER OF ADVICE LETTER NO. 1672 - ELECTRIC OF PUBLIC SERVICE COMPANY OF COLORADO TO REVISE THE GENERAL RATE SCHEDULE ADJUSTMENT (GRSA) RIDER APPLICABLE TO ALL ELECTRIC BASE RATE SCHEDULES AND REVISE THE TRANSMISSION COST ADJUSTMENT (TCA) TO REMOVE COSTS THAT HAVE BEEN SHIFTED TO BASE RATES TO BECOME EFFECTIVE JULY 18, 2014.

**DECISION SETTING MATTER FOR HEARING BEFORE
THE COMMISSION *EN BANC* AND
SUSPENDING EFFECTIVE DATE OF TARIFFS**

Mailed Date: July 15, 2014
Adopted Date: July 9, 2014

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 RATE 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).

I. BY THE COMMISSION

A. Statement

1. On June 17, 2014, Public Service Company of Colorado (Public Service or Company) filed Advice Letter No. 1672 with supporting testimony and exhibits. The proposed effective date of the tariffs filed with Advice Letter No. 1672 (Attachment A) is July 18, 2014.

2. Public Service seeks to increase its base rates revenues by \$157.6 million. As part of that increase, \$19.9 million in costs presently recovered in its Transmission Cost Adjustment rider would be shifted to base rates, resulting in a net revenue increase of \$137.7 million.

3. The proposed increase in base rates will result in a General Rate Schedule Adjustment (GRSA) rider of 28.50 percent. Public Service states the GRSA will apply to all electric base rate schedules in its electric tariff. The Company estimates the impact to a typical residential customer will be an increase of 5.3 percent while a typical small commercial customer will see an increase of 5.1 percent.

4. The Company asserts the proposed increase in revenues will allow it to recover the costs of plant investment and related expenses such as property taxes and depreciation. Public Service anticipates that approximately \$2 billion in new capital investments will go into service during the period January 1, 2014 through December 31, 2015. Further, the Company has calculated its revenue requirement based on a proposed return on equity of 10.35 percent, which results in an overall rate of return of 7.86 percent.

5. In addition to the base rate revenue increase, Public Service requests approval of a rider for 2016 and 2017 to recover the incremental costs of projects undertaken pursuant to the Company's emission reduction plan under the Clean Air Clean Jobs Act (CACJA) but not included in the base rates proposed to be in effect in 2015. Public Service further requests authorization for a revenue decoupling mechanism that would adjust rates automatically to account for changes in the weather-normalized use per customer for its residential and small commercial rate classes. Additionally, the Company seeks to implement a generation performance benchmarking plan for the Company's owned coal and combined cycle generation assets. If performance exceeds a specified threshold of operational efficiency,

the Company receives an incentive payment. Conversely, if performance falls below the benchmark, the Company would be penalized.

6. On June 20, 2014, the Colorado Office of Consumer Counsel (OCC) submitted a Protest Letter asking the Commission to suspend the tariff sheets and set the matter for hearing. The OCC's concerns include the amount of new capital investments to be included in rate base, the increase in the requested return on equity and the overall return, the proposed revenue decoupling mechanism, the proposed generation performance benchmarking plan, the Company's request for a CACJA rider, and the impact of the proposed rate increase.

7. On June 26, 2014, Staff of the Colorado Public Utilities Commission (Staff) filed a Protest Letter also asking the Commission to suspend the tariff sheets and set the matter for hearing. Among the issues Staff intends to address are the appropriateness and reasonableness of the CACJA rider, the increase in base rates, the proposed January 1, 2015 to December 31, 2015 test year, the proposed generation performance benchmarking plan, the proposed return on equity, and the forecasted expenses such as sales and property taxes as well as compensation and benefits including the pension plan.

8. Pursuant to § 40-6-111(1), C.R.S., the Commission may, in its discretion, set the tariff page(s) for hearing which will suspend the effective date for 120 days from the proposed effective date. If the Commission does not establish new rates before the expiration of the suspension period of 120 days, or, in this proceeding, November 15, 2014, the tariff page(s) filed by Public Service may become effective.

9. Section 40-6-111(1), C.R.S., also provides that the Commission may, in its discretion, by a separate decision, suspend the effective date of the tariff page(s) for an additional 90 days. Thus, the Commission has the power and authority to suspend the effective date of the

tariff page(s) for a maximum of 210 days or, in this proceeding, until February 13, 2015. If the Commission further suspends, by a separate decision, the effective date of the tariff page(s) for an additional 90 days, and if no new rates are established by the Commission before February 13, 2015, the tariff page(s) filed by Public Service may become effective.

B. Conclusions and Findings

10. The Commission finds good cause to suspend the effective date of the tariff pages submitted with Advice Letter No. 1672 and set this matter for hearing. The concerns raised by Staff and the OCC warrant further investigation.

11. Due to the policy issues raised by the Company's proposals, including the implementation of provisions of the CACJA, the proposed introduction of revenue decoupling, the proposed generation performance incentive, and the proposed return on equity, the Commission will hear this matter *en banc*. Based on the Commissioners' calendars, we anticipate that the evidentiary hearing will be scheduled December 2 through 5, 2014.

12. A pleading to intervene may be filed by any person, firm, or corporation desiring to be a party and fully participate in this proceeding, as ordered below. The filing of any other document protesting the tariff page(s) shall not allow participation as an intervenor in this matter.

II. ORDER

A. The Commission Orders That:

1. The proposed effective date, July 18, 2014, of the tariff pages filed by Public Service Company of Colorado (Public Service) with Advice Letter No. 1672 is suspended for 120 days until November 15, 2014, or until further order of the Commission.

2. The tariff pages filed by Public Service with Advice Letter No. 1672 are set for hearing before the Commission *en banc*. The Commission shall set a hearing date and establish other procedures by a separate decision.

3. Any person, firm, or corporation, including any who have previously filed a document protesting the proposed tariff page(s), who desire to intervene and participate as a party in this proceeding shall file a motion to intervene with the Commission no later than August 11, 2014, and shall serve a copy of the motion on Public Service's attorney of record.

4. This Decision is effective upon its Mailed Date.

**B. ADOPTED IN COMMISSIONERS' WEEKLY MEETING
July 9, 2014.**

(S E A L)



ATTEST: A TRUE COPY

Doug Dean,
Director

THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

JOSHUA B. EPEL

PAMELA J. PATTON

GLENN A. VAAD

Commissioners