BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

* * *

IN THE MATTER OF RATES AND CHARGES FILED BY PUBLIC SERVICE COMPANY OF COLORADO UNDER ADVICE LETTER NO. 190 - GAS AND UNDER ADVICE LETTER NO. 643 - ELECTRIC.	INVESTIGATION AND SUSPENSION DOCKET NO. 868 ERRATA NOTICE

October 7, 1974

Decision No. 85724

DECISION AND ORDER OF THE
COMMISSION ESTABLISHING NEW
RATES AND TARIFFS

(Issued September 24, 1974)

Page 1: Under "Appearances" change the word "Respondent" to "Public Service Company".

Page 2: Change the second line in appearances concerning Archie Calvaresi, Denver, Colorado, from "for" the Colorado Motel Association to "of" the Colorado Motel Association.

Page 3: Under Paragraph No. 3, (2) change the word "Respondent's" to "Public Service Company's".

Under Paragraph No. 3, No. (4) change the word "Respondent's" to "Public Service Company's".

Under Paragraph No. 3, No. (6) change the word "Respondent's" to "Public Service Company's".

Page 4: Change the typographical error in Paragraph No. 2, line 1, from "parities" to parties".

Page 5: Change the typographical error in line 4 from "compriese" to "comprise".

Page 7: Change the word "rate-making" in the first line of Paragraph No. 3 to "rate making". Also, in Paragraph No. 3, line 2, change the word "ratemaking" to "rate making".

Page 10: Change the figure in line 2 of Paragraph No. 1. from "$516,278,162" to "$156,278,162".

Change the word "or" in Paragraph No. 2, line 3, to "of".

Archie Calvaresi, Denver, Colorado,
for the Colorado Motel Association
and the Denver Metropolitan Motel
Association;

Elbridge G. Burnham, Denver, Colorado,
pro se;

Tucker K. Trautman, Esq., Denver, Colorado,
of Legal Aid Society of Metropolitan Denver
for Darold and Amye Martin, Helen Bradley,
Laura Jones, Wilson E. Thompson, Barbara
Barner, Coreen Patrick, Sonja Jones and
Priscilla Vigil; and

John E. Archibold, Esq.,
Oscar Goldberg, Esq., and
Bruce C. Bernstein, Esq., Denver, Colorado,
Counsel for the Commission.

BY THE COMMISSION:

I

HISTORY OF PROCEEDINGS

On May 24, 1974, Public Service Company of Colorado (hereinafter referred to as "Public Service Company" or "Company") filed Advice Letter No. 190 - Gas and Advice Letter No. 643 - Electric, accompanied by tariff revisions which would result in increased rates and charges on its gas and electric service, respectively. On June 14, 1974, Public Service filed Advice Letter No. 190 - Gas-Supplement and Advice Letter No. 643 - Electric-Supplement, to supplement, respectively, the prior advice letters. The proposed effective date of the filed tariffs, gas and electric, was June 23, 1974.

On June 21, 1974, by Decision No. 85241, the Commission, on its own motion, pursuant to 115-6-11, CRS 1963, as amended (1) set the electric and gas tariffs filed by Public Service Company -- pursuant to its respective advice letters -- for hearing to commence on July 17, 1974, and (2) suspended the effective date of the tariff sheets filed by Public Service Company under its respective electric and gas advice letters until October 24, 1974, or until further order of the Commission.

Notice in accordance with the provisions of Rule 18 of the Commission's Rules of Practice and Procedure was properly given by Public Service Company to its customers. Approximately 650 letters of protest to the proposed rate increases were received by the Commission. Approximately 140 letters were received supporting the proposed increases.

Formal pleadings to become parties in this proceeding were filed as follows:

(1) Cherry Creek School District No. 5 in the County of Arapahoe and State of Colorado - June 21, 1974.

(2) CF&I Steel Corporation - July 1, 1974.

(3) General Services Administration on behalf of all executive agencies of the United States - July 1, 1974.

(4) Colorado Association of School Boards - July 1, 1974.

(5) Colorado Public Interest Research Group - July 1, 1974.

(6) Darold and Amye Martin, Helen Bradley, Laura Jones, Wilson E. Thompson, Barbara Barner, Coreen Patrick, Sonja Jones, Priscilla Vigil - July 9, 1974.

(7) Board of County Commissioners of Pitkin County - July 12, 1974.

(8) Elbridge G. Burnham - July 17, 1974.

Pursuant to the above pleadings, all the above-named persons were granted leave to intervene in this proceeding by the Commission.

Although it did not request leave to become a party to this proceeding, the Colorado Municipal League, by its attorney Susan K. Griffiths, did file with the Commission a pleading entitled "Statement of Concern". Moreover, a letter addressed to the Commission, dated August 6, 1974, re: Mass Media Advertising by Public Service Company and Mountain Bell, from Dale Tooley, Denver District Attorney, was read into the record on August 6, 1974.

After due and proper notice, the herein matter was heard by the full Commission on the following dates in the hearing room of the Commission, Columbine Building, 1845 Sherman Street, Denver, Colorado:

(1) On July 17, 1974 - Consideration of additional hearing dates and procedures for the presentation of testimony and other evidence.

(2) On August 6 and 7, 1974 - Presentation of Respondent's direct case, and cross-examination limited to clarification of testimony and exhibits.

(3) On the evening of August 13, 1974 - Testimony of public witnesses.

(4) On August 19, 20, 21 and 22, 1974 - Cross-examination with respect to Respondent's direct case.

(5) On the evening of August 27, 1974 - Testimony of public witnesses.

(6) On September 4, 1974 - Further testimony by one of Respondent's witnesses.

(7) On September 5, 6, 9 and 10, 1974 - Testimony of intervenors and Commission Staff witnesses.

The evening sessions of August 13 and 27, 1974, were for the sole purpose of hearing public witnesses. However, public witnesses who wished to testify were also heard as the first order of business on the other hearing dates and at other times. A total of 26 public witnesses testified on the various hearing dates.

During the course of this proceeding, testimony was presented by Public Service Company, members of the Commission Staff, Colorado Association of School Boards, Elbridge Burnham, and members of the public.

The transcript of testimony comprised 13 volumes, totalling 1,544 pages. A total of 75 exhibits was admitted into evidence. A list of the exhibits is attached to this decision as Appendix A.

Upon motion of Public Service Company, the Commission took official notice of Section 46(c)(3) of the Internal Revenue Code (26 U.S.C. 46(c)(3)).

The hearings in this proceeding concluded on September 10, 1974.

All parites in this proceeding were permitted to file statements of position on an optional basis, on or before September 16, 1974. Statements of position were filed by:

Public Service Company	September 16, 1974
General Services Administration	September 16, 1974
Darold and Amye Martin, et al	September 16, 1974
CF&I Steel Corporation	September 16, 1974
Colorado Association of School Boards	September 16, 1974
Board of Commissioners, County of Pitkin (late filed)	September 19, 1974

On September 16, 1974, the Colorado Association of School Boards (CASB) filed a Motion with the Commission for an order awarding attorneys' fees to CASB in this proceeding in the amount of $500.00.

The herein matter has been submitted to the Commission for decision. Pursuant to the provisions of the Sunshine Act of 1972, and Rule 32 of this Commission's Rules of Practice and Procedure, the subject matter of this proceeding was first placed on the agenda for the open public meeting of the Commission held on September 17, 1974. At the open public meeting on September 24, 1974, the herein decision was entered by the Commission. Commissioner Zarlengo was not present at the open public meeting of September 17, 1974, or the open public meeting on September 24, 1974, and did not participate in the determination of the Commission decision herein.

II

DESCRIPTION OF THE COMPANY

Public Service Company is a public utility operating solely within the State of Colorado engaged principally in the generation, purchase, transmission, distribution and sale of electricity and the purchase, distribution and sale of natural gas to various areas of the State of Colorado. The Company also renders steam service within a limited area of the downtown business district of the City of Denver; and operates a small bus transportation system within the City of Boulder, and a water system in the general area in and around Evergreen, Colorado. No changes in the rates for steam, bus, or water service provided by Public Service Company has been requested in this proceeding.

Public Service Company, as of June 30, 1974, had 614,437 electric customers, and 530,714 gas customers. Generally, these customers are broadly classified as residential, commercial, and industrial. As of December 31, 1973, Public Service Company had 30,799 shareholders holding common stock in the Company (16,832 of whom own 100 shares or less) and 4,300 shareholders owning preferred stock in the Company. Common shareholders who live in the State of Colorado compriese 34.6% of the total number thereof.

Public Service Company has been and is involved in the largest construction program in its history to expand its electrical generating, transmitting, transforming and distribution facilities. This construction program has been undertaken in order to provide the facilities to meet expected demands for service and to provide adequate reserve capacity. The Company -- as set forth below -- expects to expend more than $1 billion during the five years ended in 1978.

	Electric	Gas
1974	$145,787,000	$33,607,000
1975	$162,974,000	$28,415,000
1976	$205,261,000	$21,040,000
1977	$255,538,000	$21,907,000
1978	$225,205,000	$24,234,000

(Volume X, page 6)

III.

GENERAL

The most recent case involving Public Service Company, prior to the instant proceeding, was Investigation and Suspension Docket No. 747. In that docket by Decision No. 82411, entered on February 23, 1973, the Commission approved new and revised electric and gas rates designed to produce an additional $4,039,499 in retail electric revenues and $2,418,892 in gas revenues. Those revenue increases amounted to approximately 2.6% on electric revenues and 3.06% on gas revenues.

In 1971, Public Service Company proposed rate increases for gas and electric service. The "1971 rate case" procedurally was divided into two phases. In phase one, Public Service Company, on April 7, 1971, filed Application No. 24900, which sought authority from this Commission to file new gas and electric rates that would produce an increase in gross revenues of $11,259,823 on the basis of the test year, 1970. In that proceeding, by Decision No. 78811, entered on October 4, 1971, the Commission authorized Public Service Company to file, based upon conditions of the 1970 test year, new gas rates that would produce additional revenues of not more than $493,807, and new electric rates that would produce additional revenues of not more than $6,894,662.

In phase two, Public Service Company filed new gas and electric rates which, on November 26, 1971, were set for hearing and suspended in Investigation and Suspension Docket No. 706. On December 31, 1971, in Decision No. 79350, the Commission, in Investigation and Suspension Docket No. 706, authorized Public Service Company's gas tariff revisions to become effective. With respect to Public Service Company's proposed electric tariff revisions, the Commission ordered certain changes, mainly with respect to certain large electric customers, but otherwise authorized Public Service Company to file electric rates which would produce additional electric revenues in conformity with Decision No. 78811 rendered by the Commission in phase one.

Rate cases in 1969 and 1970 involving Public Service Company were Application No. 23963 and Investigation and Suspension Docket No. 640, which resulted in a consolidated decision (Decision No. 74240) entered January 28, 1970, in which it was determined that a fair rate of return of the combined gas and electric departments of Public Service Company was 7.5%.

In addition to the earlier cases involving Public Service Company, the Commission has also rendered a number of decisions since 1969 involving the Mountain States Telephone and Telegraph Company. These decisions are No. 72385, entered January 7, 1969, in Application No. 23116; Decision No. 77230, entered March 25, 1971, in Investigation and Suspension Docket No. 668; and Decision No. 81320, entered September 19, 1972, in Investigation and Suspension Docket No. 717. All three Mountain Bell decisions were appealed to the Supreme Court of Colorado.* Regulatory principles are discussed in these cases.

The past several years have shown an increased awareness and interest in the rate-making functions of this Commission. Utility rates with respect to gas, electric and telephone services affect large segments of the public. In view of inflationary and other economic pressures, rate cases have become more frequent, and public participation in the rate-making process has increased.

The power of the Public Utilities Commission to regulate non-municipal utilities in the State of Colorado is grounded in Article XXV of the Constitution of the State of Colorado which was adopted by the general electorate in 1954. The Public Utilities Law, which currently is contained in Chapter 115 of the Colorado Revised Statutes (1963, as amended), implements Article XXV of the Colorado Constitution. More specifically, CRS 115-3-2 vests the power and authority in this Commission to govern and regulate all rates, charges and tariffs of every public utility.

It first must be emphasized that rate-making is a legislative function. The City and County of Denver vs. People ex rel Public Utilities Commission, 129 Colo. 41, 266 P 2d 1105 (1954); Public Utilities Commission vs. Northwest Water Corporation, 168 Colo. 154, 551 P.2d 266 (1963). It should also be emphasized that ratemaking is not an exact science, Northwest Water, supra, at 173. In the landmark case of Federal Power Commission vs. Hope Natural Gas Company, 320 U.S. 591, 602-603 (1944) Justice Douglas, speaking for the United States Supreme Court, stated that the "rate-making process under (The Natural Gas) Act, i.e., the fixing of 'just and reasonable' rates, involves a balancing of the investor and consumer interests." The Hope case further stands for the proposition that under "the statutory standard of 'just and reasonable', it is the result reached, not the method employed, which is controlling."

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*Decision No. 72385 is the subject matter of Colorado Municipal League and the City and County of Denver vs. the Public Utilities Commission of the State of Colorado and the Mountain States Telephone and Telegraph Company, 172 Colo. 188, 473 P.2d 960 (1970); Decision No. 77230 is the subject matter of Mountain States Telephone and Telegraph Company vs. the Public Utilities Commission of the State of Colorado, et al., 513 P.2d 721 (Colo. 1973); Decision No. 81320 is the subject matter of Cases No. 25965, Mountain States Telephone and Telegraph Company vs. the Public Utilities Commission; No. 25984, Secretary of Defense on behalf of the Department of Defense and all other executive agencies of the United States vs. the Public Utilities Commission and Mountain States Telephone and Telegraph Company; Case No. 25975, Colorado Municipal League vs. Public Utilities Commission and Mountain States Telephone and Telegraph Company. Colorado Supreme Court decisions in these latter three cases are pending. Other recent cases concerning the Mountain States Telephone and Telegraph Company are: Mountain States Telephone and Telegraph Company vs. the Public Utilities Commission of the State of Colorado, et al., 176 Colo. 457, 491 P.2d 582 (1971) (Telephone company not entitled to preliminary injunction); Mountain States Telephone and Telegraph Company vs. the Public Utilities Commission of the State of Colorado, 177 Colo. 332, 494 P.2d 76 (1972) (invalidity of telephone company request that trial court exercise equity jurisdiction of allowing higher rates pending final Public Utilities Commission determination); Mountain States Telephone and Telegraph Company vs. the Public Utilities Commission of the State of Colorado, 502 P 2d 945 (Colo. 1972) (Commission refusal to consider evidence that telephone customers suffered no excess charges during refund period is proper)

The procedural process by which public utility rates are established should be explained. Under current law, when a public utility desires to change a new rate or rates, it files the same with this Commission, and the proposed new rate or rates are open for public inspection. Unless the Commission otherwise orders, no increase in any rate or rates may go into effect except after thirty (30) days' notice to the Commission and the customers of the utility involved.

If the thirty (30) day period after filing goes by without the Commission having taken any action to set the proposed new rate or rates for hearing, the new rate or rates automatically become effective by operation of law.* However, the Commission has the power and authority to set the proposed new rate or rates for hearing, which, if done, automatically suspends the effective date of the proposed new rate or rates for a period of 120 days.** The Commission has the further option of continuing the suspension of the proposed new rate or rates for an additional period of up to ninety (90) days for a total maximum of 210 days or approximately seven months. Thus, if the Commission has not, by order, permitted the proposed new rate or rates to become effective, or established new rates, after hearing, prior to the expiration of the maximum 210 day period, the proposed new rate or rates go into effect by operation of law and remain effective until such time thereafter as the Commission establishes the new rates in the docket.

As indicated above, under "History of Proceedings", the decision of this Commission entered on June 21, 1974, to set for hearing the proposed electric and gas tariffs filed by Public Service Company had the effect of suspending their effective date until October 24, 1974, or until further order of the Commission. The decision herein is the Order which effectively establishes electric and gas rates for Public Service Company.

In simplest terms, the Commission must determine and establish what are just and reasonable rates. In order to answer this question, the Commission must answer two other questions, namely, what are the reasonable revenue requirements of the utility involved so that it may perform its service, and how are the reasonable revenues to be raised from its ratepayers. In other words, the Commission must determine a "revenue requirement" and the "spread of the rates" to meet the revenue requirements. To accomplish its task, in these regards, it must exercise a considerable degree of judgment and, to the best of its ability, be as fair as possible to the variegated parties and positions that inevitably present themselves in any major rate case. The rate-making function involves, in other words, the making of "pragmatic adjustments". The Hope case, supra, at page 602. No one claims that the task is easy, but, on the other hand, it is not a task impossible of attainment.

IV.

THE TEST PERIOD

In each rate proceeding, it is necessary to select a test period and then adjust the operating results of the test period for known changes

*Under CRS 115-3-4, most fixed utilities file rates on thirty (30) day notice; however, thirty (30) days is a minimum notice period, unless otherwise ordered by the Commission. A utility may select a longer notice period. In any event, if the Commission elects to set the proposed rate or rates for hearing, it must do so before the proposed effective date.

**CRS 115-6-11

in revenue and expense levels so that the adjusted operating results of the test period will be representative of the future, and thereby afford a reasonable basis upon which to predicate rates which will be effective during a future period.

In this case, the test year proposed by Public Service Company and used by the Commission Staff and all intervenors was the 12-month period commencing April 1, 1973, and ending March 31, 1974. The Commission finds that the 12-month period April 1, 1973, to March 31, 1974, is appropriate to constitute a representative year and such will be the test period.

V.

RATE BASE

Public Service Company used a year-end rate base as of March 31, 1974, for both its electric and gas departments. Public Service Company's year-end rate base for its electric department totaled $791,613,321 which consisted of the following components:

1.	Utility Plant in Service	$ 847,287,524
2.	Utility Plant Held for Future Use	757,786
3.	Construction Work in Progress	128,188,847
4	Common Utility Plant in Service Allocated	20,118,609
5.	Prepayments	1,333,897
6.	Utility Materials & Supplies	21,684,541
7.	Cash Working Capital Requirements	None
8.	Compensating Bank Balances Allocated	4,021,750
9.	Customer Advances for Construction	$ (825,354)
10.	Gross Original Cost Rate Base	$1,022,567,600
11.	Reserve for Depreciation & Amortization	(196.207,919)
12.	Rate Base Allocated to FPC Jurisdictional Sales	(34,746,360)
13.	Net Original Cost Rate Base	$ 791,613,321

(Public Service Company Exhibit No. 38, page 1 of 5)

Witness Merrell of the Commission Staff submitted a year-end rate base of $787,760,677, which was $3,852,644 less than Public Service Company's year-end rate base for its electric department. The difference is accounted for by Witness Merrell's removal of $4,021,750 of compensating bank balances reduced by an FPC jurisdictional sales factor of $169,106 (Staff Exhibit No. 1, page 4 of 6)

With respect to its gas department, Public Service Company used a year-end rate base of $157,147,636 consisting of the following:

1.	Utility Plant in Service	$195,944,922
2.	Utility Plant Held for Future Use	112,627
3.	Construction Work in Progress	7,254,030
4.	Common Utility Plant in Service Allocated	12,398,942
5.	Prepayments	255,226
6.	Utility Materials and Supplies	2,966,046
7.	Cash Working Capital Requirements*	2,351,551
8.	Compensating Bank Balances Allocated	869,474
9.	Customer Advances for Construction	(1,333,727)
10.	Gross Original Cost Rate Base	220,819,091
11.	Reserve for Depreciation and Amortization	(63,673,416)
12.	Net Original Cost Rate Base	$157,145,675

(Public Service Company Exhibit No. 38, Page 2 of 5)

Witness Merrell of the Commission Staff submitted a year-end rate base for Public Service Company's gas department of $516,278,162. The $869,474 difference is accounted for by Witness Merrell's removal of compensating bank balances (Staff Exhibit No. 1, page 5 of 6). (The FPC jurisdictional sales factor applied for electric sales is inapplicable with respect to gas sales.)

Public Service Company's combined electric and gas department rate base for the year ending March 31, 1974, was $948,760,957 (Public Service Company Exhibit No. 38, page 3 or 5), whereas Witness Merrell's was $944,038,839 (Staff Exhibit No. 1, page 6 of 6). We find that the combined rate base for the electric and gas departments of Public Service Company is $948,758,996 for the year ending March 31, 1974, consisting of the following:

1.	Utility Plant in Service	$1,043,232,446
2.	Utility Plant Held for Future Use	870,413
3.	Construction Work in Progress	135,442,877
4.	Common Utility Plant in Service Allocated	32,517,551
5.	Prepayments	1,589,123
6.	Utility Materials and Supplies	24,650,587
7.	Cash Working Capital Requirements*	2,351,551

*$2,353,512 (The Company's figure) reduced by $1,961 Staff adjustment:

Decrease in O&M expenses	($7,117) x 12.50%) =	($890.00)
Increase in Federal income tax	$3,245 x (33.0%) =	($1,071)
		(1,961)

(Staff Exhibit No. 2, page 4 of 5)

8.	Compensating Bank Balances Allocated	4,891,224
9.	Customer Advances for Construction	(2,159,081)
10.	Gross Original Cost Rate Base	$1,243,388,652
11.	Reserve for Depreciation & Amortization	(259,881,335)
12.	Rate Base Allocated to FPC Jurisdictional Sales	(34,746,360)
13.	Net Original Cost Rate Base	$ 948,758,996

In finding a combined year-end rate base of $948,758,996, we have included Public Service Company's compensating bank balances, but have adopted Witness Richards' $1,961 reduction adjustment from Public Service Company's working capital requirement which results from amortizing rate case expenses of the gas department over a two-year period rather than a one-year period as proposed by Public Service Company (Staff Exhibit No. 2, page 4 of 5; Volume X, page 56).

For those familiar with past Commission policy, it will be noted that today we have departed from past Commission policy in two significant respects, that is, the adoption of a year-end rather than an average rate base, and the inclusion of compensating bank balances in rate base. It is, of course, true that there is no unanimity of opinion among regulatory bodies concerning these two matters. Although there is no universally accepted preference on either of these matters, we find that certain economic conditions exist at this time which render the use of a year-end rate base and the inclusion of compensating bank balances therein as being more reasonable.

With respect to year-end rate base, the economic conditions of attrition, inflation, and growth lead us to conclude that it should be adopted.

Attrition properly may be described as the failure of a utility, because of inflation, growth or regulatory lag, to earn its previously authorized rate of return on rate base or previously authorized rate of return on common equity. This Commission, in Decision No. 82411 (February 1973), found that a 7.5% return on rate base was a fair rate of return for Public Service Company, and that a fair rate of return for the gas department only was found to be 7.7%. In fact, for the test year as herein used, Public Service Company earned 7.16% on its electric rate base and 6.7% on its gas rate base which produced an overall rate of return of 7.09% which is approximately four-tenths of 1% below the rate of return last authorized by this Commission (Public Service Company Exhibit No. 38, pages 1-3 of 5).

In the same Commission decision, as above set forth, this Commission found that a rate of return on common equity was 12.5 to 13.2%. However, during the test year, as used herein, Public Service Company earned a rate of return on equity of only 10.6% and, if the item of allowance for funds during construction (AFDC) is excluded, the rate of return on average common equity during the test year was only 8.4%, which is another indication of serious attrition (Public Service Company Exhibit No. 14, page 1 of 1; Volume II, pages 5-6).

Another major factor which persuades us to adopt a year-end rate base, is the factor of inflation which affects almost everybody. The price rises in materials that Public Service Company has had to buy have increased materially in the last five years. For example, a No. 2 aluminum steel core conductor has increased from 2½¢ per foot to 5.4¢ per foot during the five-year period, for an increase of 116%. A 40-foot wood pole has increased in cost from \$43.55 to \$106.95, or a 145.58% increase. Other costs have not risen so sharply. For example, a residential gas meter has increased in cost from \$25.24 to \$28.08, or an 11.25% rise (Public Service Company Exhibit No. 6, pages 1-2 of 2). It is also true that the cost of labor per kilowatt hour has risen about 10% and the cost of labor per thousand cubic foot has risen about 35% in the last five-year period (Public Service Company Exhibit No. 3, pages 1-2 of 2).

An additional important factor in adopting a year-end rate base is growth. When a utility is growing, that is, adding to its capital plant, attrition occurs as a matter of fact, other things being equal. This is so because the rate base during the period when new rates are in effect will be greater than the test year rate base (whether average or year-end). Since the test year concept of setting rates for the future assumes that the proper matching of test year rate base and revenues will continue into the future, it is obvious that if the future rate base is, in fact, larger than the test year rate base, and future revenues do not advance significantly beyond test year revenues (adjusted, of course, for any rate increase) then attrition will result. A simple illustration will make this clear. Assume that a utility has a test year rate base of \$100 and test year net operating revenues of \$8.50 (pursuant to newly authorized rates), and that the regulatory body has authorized a 8.5% return on rate base. Assume further that in the future when the new rates are in effect, the net operating revenues of the Company are \$8.50, but that its rate base has in fact increased to \$115. In such a situation the return on rate base would be 7.3% rather than 8.5%, representing an attrition in its rate of return on rate base. We find that a year-end rate base is a more up-to-date reflection of the actual rate base of Public Service Co. during the period in which the new rates will be in effect.

The record in this proceeding indicates that the rate base of Public Service Company will grow significantly. Its total electric construction for 1974 is estimated to be \$145,787,000; in 1975 - \$162,974,000; in 1976 - \$205,261,000; in 1977 - \$255,538,000 and in 1978 - \$225,205,000. Public Service Company's estimates for its gas department construction are \$33,607,000 for 1974; \$28,415,000 for 1975; \$21,040,000 for 1976; \$21,907,000 for 1977 and \$24,234,000 for 1978 (Volume X - page 6).

Accordingly, we find and conclude that the three-fold factors of attrition, inflation and growth more than justify, and indeed mandate, the use of a year-end rate base in this proceeding.

The second change in Commission policy with respect to rate base is the inclusion of compensating bank balances in the rate base. We recognize that inclusion or exclusion of compensating bank balances in rate base is a matter upon which various regulatory commissions have differing views. In the past, this Commission has excluded them, but we also recognize precedent for inclusion. See, for example, Re Michigan Gas Utilities Co., 81 PUR 2d 27, 33 (1969); Re Long Island Lighting Co., 90 PUR 3d 93, 105-106 (1971).

Compensating bank balances are those funds which a bank requires that a utility maintain on deposit for the purpose of assuring the availability of short-term credit. Normally, the ratio is one to 10, that is, for every dollar of compensating bank balances on deposit, the utility will have a line of credit of \$10. The compensating bank balances on deposit are not a savings account and do not earn interest; rather, they are analogous to a minimum balance checking account in which service charges may be eliminated or reduced. There is no dispute of the fact that compensating bank balances are a true economic cost to the utility inasmuch as it does not earn interest on the money on deposit. The advantage of having compensating bank balances is that it enables a utility to borrow up to its line of credit at the so-called prime rate, or enables the utility to use a compensating bank balance as a backup for commercial paper sales (Volume I, pages 91-92; Volume II, pages 32-33). Thus, compensating bank balances are, economically, a permanent investment in today's economic world, and are, like materials and supplies, necessary for the effective operation of the utility's business (Volume I, page 91). As a permanent investment, therefore, compensating bank balances are a proper item of rate base.

In summary, we find that a year-end rate base of $948,758,996, which includes Public Service Company's compensating bank balances, is proper.

VI

RATE OF RETURN

Capital Structure

We find and adopt for purposes of this proceeding the following capital structure of Public Service Company:

	$	%
Reserves and Deferred Taxes	$ 9,394,574	1.05
Long-Term Debt	470,437,924	52.45
Preferred Stock	135,000,000	15.05
Common Equity	282,060,310	31.45
	$896,892,808	100.00

Reserves and deferred taxes have an appropriate place in the capital structure and the cost therein of that proportion of the total capital contributed by reserves and deferred taxes is zero. Long-term debt, as indicated above, comprises 52.45% of the total capitalization. The annual imbedded cost of that debt is 5.76%. The percentage cost of imbedded long-term debt is 3.02% (.5245 X .0576 equals 3.02). The percentage cost of preferred stock is .88% (.1505 X .0584 equals .88). These capital costs are readily ascertainable inasmuch as they are contractual in nature (Staff Exhibit No. 3, page 2 of 2).

Before discussing what a fair and reasonable return on common equity is, it is appropriate to remark that Public Service Company is in the lower range of the 110 major gas and electric utilities in the nation with respect to the proportion that its common equity bears to the total capital structure of the Company. As of December 31, 1973, only eleven of these major gas and electric utilities had a smaller percentage of equity in their respective capital structures than did Public Service Company (Public Service Company Exhibit No. 52).

As our Supreme Court stated in Mountain States Telephone and Telegraph Company vs. the Public Utilities Commission, 513 P 2d 721, 727:

> "methods of raising capital should be left to the discretion of management unless there is a substantial showing that rate payers are being prejudiced materially by the managerial options in the area of capital financing."

This is, of course, but another way of saying that the capital structure of a company is a matter for management discretion absent a showing of material prejudice. No showing has been made in this proceeding that the capital structure of Public Service Company has materially prejudiced the ratepayers, although some of the parties herein apparently believe that its capital structure should be tilted toward more debt vis-a-vis its common equity. On the contrary, it is clear to us that the thinness of Public Service Company's common equity ratio has reached a dangerous level, and any further weakening is likely to be harmful not only to itself, but to its ratepayers.

Cost of Equity

The problem of determining the cost of a utility's capital represented by common stock is a difficult and complex task, since the utility has no fixed contractual obligation to pay dividends to its common shareholders. To be sure, equity capital has a market cost in the sense that there is always a going rate of compensation which investors expect to receive for providing equity capital, but it is not a cost that is directly observable from the market or accounting data. Whereas a purchaser of senior securities acquires a right to a contractual return, a purchaser of common stock simply acquires a claim on the Company's future residual revenue after over-all costs, including the carrying cost of debt and preferred stock, have been met. This essentially venturesome claim is capitalized in the market price of the stock. Conceptually, then, the true cost of common stock is the discount rate equating the market price of the stock with a typical investor's estimate of the income stream, including a possible capital gain or loss, he might reasonably expect to receive as a shareholder.

A determination of a reasonable discount rate, adjusted as necessary for market pressure on new stock issues and underwriting costs, is implicit in every regulatory decision in which an allowance for a cost of equity capital is included as a component of the approved rate of return on a utility's rate base. Although theoretically, it might be said that there is no cost for utility capital raised by common stock since there is no contractual right of a common shareholder to receive any dividend return, it is patently obvious that no reasonable investor will entrust his capital funds to a utility, by purchasing common stock, unless he can expect to obtain a reasonable return on his investment.

On the basis of the record made in this proceeding, we find that a rate of return on Public Service Company's rate base of 8.62% and a rate of return of 15% to common equity is fair and reasonable, sufficient to attract equity capital in today's market, and commensurate with rates of return on investments and other enterprises having corresponding risks. Our finding in this regard is supported by several evidentiary approaches which were set forth in the hearings in this proceeding.

Eugene Meyer, Vice President of Kidder, Peabody and Company, whose background includes experience in the investment banking and securities brokerage business, testified generally about competition for the investment dollar. More specifically, he contended that the rising interest yields in the bond market necessitated higher yields in the equity markets inasmuch as equity investors demand a greater rate on their investments compared to the lower risk of bonds (Volume 1, pages 45 and 46). The return to the investor in common stock is derived from the dividend he receives plus market appreciation which is compounded at the same rate at which the earnings per share of a particular enterprise grow. In the case of Public Service Company a 6.7% yield on book value (book value -- $17.80 per share) and a 5.8%--7.8% earnings per share growth rate would yield a total equity return in the range of 12.5%--14.5%. However, if the 5.8% and 7.8% are divided by 40% (a reasonable percentage of earnings to be retained in the business) the equity return range rises from 14.5% to 19.5% (Volume 1, page 47).

Witness Grundy of the Commission Staff presented evidence with respect to rate of return on equity based on discounted cash flow. Mr. Grundy's approach was slightly different than that of Mr. Meyer. Mr. Grundy added the compounded annual earnings growth rate of Public Service Company to its current dividend yield to arrive at the bare cost rate of equity. By using a 10-year peri[od] of compounding (1964-1973) and the current dividend yield computed as of

March 31, 1974, the results are a bare cost rate of equity for the 10-year period of 13.27% and a bare cost of equity for a 5-year average period (1969-1973) of 11.92% (Staff Exhibit No. 3, page 1 of 2).

Witness Grundy proposed that a fair return on equity would be the bare cost of equity plus an adjustment that would permit the market price of Public Service Company's common stock to remain above its book value. Using bare cost of equity figures of 12.50% and 12.75% (which figures fall within the range of the bare cost of equity figures calculated at 11.92% and 13.27%), and multiplying the 12.50% and 12.75% by an adjustment figure of 113% and 116%, respectively, a fair rate of return on equity was calculated by Witness Grundy to fall between 14.13% and 14.79%. The adjustment figures of 113% and 116% represent, respectively, adjustments to account for financing and market pressure in the marketplace (Staff Exhibit No. 3, page 1 of 2; (Volume X, page 78).

Witness Garrison of the Commission Staff presented a third approach which properly might be described as the "interest coverage" approach. Mr. Garrison testified that earnings available for coverage compared to the total interest expense of the electric department resulted in a ratio of 2.53 to 1 and with respect to the gas department of 2.39 to 1. Mr. Garrison, who has a long time background in financial analysis, indicated that a 3.5 times coverage ratio was necessary for the electric department and a 3.52 times coverage ratio was necessary for the gas department. If the interest coverage ratio is below 1, a company cannot pay its interest. Indenture requirements, calculated on somewhat different basis, normally require that the interest coverage ratio be at least 2.5. The higher the interest coverage ratio the lesser the risk and the easier it is for such a company to sell debt, and also its common equity. Other things being equal, the interest coverage ratio of 3.0 is about the minimim that a company must have in order to induce investors to become either bondholders or stockholders. In fact, 3.2 is a more realistic figure. It is then necessary to upwardly adjust that figure for the factor of erosion which, in the case of Public Service Company, has been rather sharp in recent years. For example, Public Service Company's interest coverage ratio has declined 11.06% in the 3-month period of the first quarter of 1974 and an additional 8.61% in the second quarter of 1974. Taking a 3.2 interest coverage ratio and upwardly adjusting it by a comparatively conservative 10% erosion factor, gives a 3.5 interest coverage ratio for the electric department.

Multiplying the total interest expense of $22,703,607 by 3.5 results in a figure of $79,462,624. After subtracting present available earnings from that sum, and making necessary tax factor adjustments, the total revenue increase required by the electric department using a 3.5 times interest ratio, is $22,561,707. Using the same method for the gas department with an interest coverage ratio of 3.52 (due to increased risks of the gas department), a $6,350,310 gas revenue increase would be required. The total revenue increase for both the gas and electric departments, as calculated by the interest coverage ratio deemed proper by Witness Garrison, amounts to $28,912,017. Based upon the capitalization of the Company, which we have adopted, and the net operating earnings of of $81,400,643 which is obtained in determining the revenue increase of $28,912,017, Public Service Company would realize a rate of return on its year-end rate base of 8.62% and the cost of common equity would be 15.01% (Staff Exhibit No. 4, page 4 of 4; Volume X, pages 89-104).

In summary, approaching equity return from the point of view of competition for capital funds, discounted cash flow, and Witness Garrison's interest coverage ratio concept, there is a convergence to support our finding that a rate of return on rate base of 8.62% and a rate of return on common equity of 15% is adequate and reasonable for Public Service Company.

VII

REVENUE REQUIREMENT

Based upon a year-end adjusted rate base of $948.758,996, and a 8.62 rate of return on said rate base, we find the total net operating earnings of the company to be $81,783,025. The earnings deficiencies, based on the test year, are as follows:

	Electric	Gas	Total
Required Net Operating Earnings	$67,922,776	$13,860,249	$81,783,025
Net Operating Earnings for the Test Year	$56,738,745	$10,587,056	$67.325,801
Indicated Earnings Deficiency	$11,184,031	$ 3,273,193	$14,457,224

In order to produce $1.00 of net operating earnings, a gross revenue increase of $2.065393 for electric and $2.015055 for gas is required because of additional income and franchise taxes. Accordingly, gross increases of $23,099.419 in retail electric revenues and $6,595,664 in gas revenues are required to compensate for the electric earnings deficiency of $11,184.031 and the gas deficiency of $3,273,193, respectively. Thus, the total gross revenue requirement increase for both gas and electric is $29,695,083.

We find the test year expenses of Public Service Company were reasonable and necessary to the operation of the Company. The Company made an out-of-period adjustment for slightly over $4,000,000 of wage increases which became effective in June of 1974. It is true that in the past this Commission has looked with disfavor to out-of-period wage adjustments to test year operating expenses. In view of the continuing rise of the cost of living, it would be folly to assume that a utility could avoid increased compensation for its workers and at the same time retain high quality service to its customers. In any event, we are persuaded that the case of Mountain States Telephone and Telegraph Company vs. Public Utilities Commission, 513 P 2d 721 (1973), compels us to take into account out-of-period wage and salary increases which have been contracted for and will take effect after the test year. Our Colorado Supreme Court has said, 513 P 2d at 724:

> "...(2.3) The relationship between costs, investment, and revenue in the historic test year is generally a constant and reliable factor upon which a regulatory agency can make calculations which formulate the basis for fair and reasonable rates to be charged. These calculations obviously must take into consideration in-period adjustments which involve known changes occurring during the test period which affect the relationship factor. Out-of-period adjustments must be also utilized for the same purpose. An out-of-period adjustment involves a change which has occurred or will occur, or is expected to occur after the close of the test year. An increase in the public utility taxes effective after the test year is a good example of such

"an adjustment. Wages and salary increases which have been contracted for and which will take effect after the test year must also be analyzed in the process of calculations. Such wage and salary increases may not exceed to any large extent the usual consequent increase in the productivity of the employers. If they do, which is generally the case in periods of uncontrolled inflation, then such out-of-period adjustment must be reckoned with in the rate fixing procedure. These are matters which must of necessity be of substantial concern to a rate fixing regulatory agency of the government when it considers all the evidence and all the factors available to it in a rate case..."

The Company has complied with this Commission's policy of excluding donations and contributions from its test year expenses.

One other category of expense merits comment. Some consumers, understandably, find advertising by a utility which has a monopoly to be anomalous. We agree that promotional advertising by a utility is inconsistent with the theory of regulated monopoly insofar as such advertising expenses would be charged to the ratepayer rather than being an expense borne by the owners of the utility. Test year mass media advertising expense incurred by Public Service Company was $799,862 (Staff Exhibit No. 2, page 5 of 5). None of this advertising expense was promotional in nature. It is specifically noted that $15,990 which was contributed to the electric company advertising program was not included as an operating expense by the Company. Public Service Company's advertising categories are: Wise Use of Energy, Insulation, Cooking Schools and Service, Safety, Energy Supply, Cost of Service, Environmental, Heritage and Historical, Employee Activities and Community Service, and Seasonal. We find all of these categories of advertising expense to be proper and we note that the per customer cost of said informational advertising amounts to 6.4¢ per month per electric customer and 5.8¢ per month per gas customer (Volume X, pages 64-68).

VIII

RATE DESIGN AND SPREAD OF THE RATES

Having determined that Public Service Company requires a total gross increase in its revenues of $29,695,083, ($23,099,419 for electric and $6,595,664 for gas) it is necessary to spread the revenue requirement among its ratepayers.

Public Service Company, in its Advice Letter No. 190 - Gas, proposed a 7.3% across-the-board gas rate increase for all of its classes of customers which would increase its revenues approximately $7,598,000 annually on the basis of the test year. In Advice Letter No. 643 - Electric, Public Service Company proposed a 15.6% across-the-board electric rate increase for all of its classes of customers which would increase its revenues approximately $27,754,000 annually on the basis of the test year. Thus, the Company's proposed combined gas and electric increase amounts to $35,352,000.

If we agreed with Public Service Company that its proposed gas and electric increases should be uniform, the Commission could order Public Service Company to file new gas rates which would be 86.8% of those proposed ($6,595,664 divided by $7,598,000). Likewise, the Commission also could order Public Service Company to file electric rates which would be 83.2% of those proposed ($23,099,419 divided by $27,754,000).

Gas Rates

In our judgment, there should be a slight variation in the percentage increases to gas customers. The percentage increase for residential gas customers should be 6.11%; 6.34% for industrial and interruptible customers; and 6.75% for commercial customers. In this way the average cost per thousand cubic feet (Mcf) among these three principal classes of service will be narrowed.

Generally speaking, hardly anyone relishes the prospect of increased gas and electric rates. However, to ignore economic reality today is to invite economic misery tomorrow. It is natural, of course, for a public utility and its stockholders to look with favor upon rate increases which will enhance the financial health of the enterprise. It is significant, however, to note that representatives of the Homebuilders' Association testified for the need of providing Public Service Company with the financial capability to insure the reliability of the future supply of energy to meet the needs of metropolitan Denver. Testimony by a number of homebuilders set forth the graphic relationship between the availability of natural gas and the health of the homebuilding industry, which industry, in the metropolitan Denver area, is estimated to affect 105,000 persons (Volume VIII, pages 76-78). In addition to the homebuilders, a representative of the Denver Area Labor Federation testified, on its behalf, in favor of rate relief for Public Service Company to enable it to operate, expand, and grow. The Denver Area Labor Federation -- the central city body of the AFL-CIO -- has affiliates whose members total approximately 50,000 persons in the Denver metropolitan area and it was indicated that this was the first time that the Denver Area Labor Federation had endorsed a rate increase by a public utility (Volume X, pages 41-43). In addition, Local 111's International Brotherhood of Electrical Workers also endorsed the rate request for Public Service Company in view of the increasing costs incurred by the Company and the necessity for the Company to remain financially stable. If financial stability were not maintained, labor problems would loom on the horizon (Volume VIII, pages 2-4).

Finally, we recognize that even with the rate increases approved today, the percentage of effective buying income devoted to paying residential gas and electric utility bills will be less than it was from 1967 to 1970, and amounts to approximately 2.3% of effective buying income (Public Service Company Exhibit No. 18, page 101).

Gas Adjustment Clause

Public Service Company, in this proceeding, seeks to implement a "Gas Cost Adjustment" tariff which is set forth in filed Original Sheets No. 133, 133A, 133B and 133C. In common parlance such a tariff is generally known as a purchased gas adjustment (PGA) tariff or clause. As filed, Public Service Company's PGA clause proposes automatically, on October 1 of each year, to increase rates to adjust for the preceding annual unrecovered purchased gas cost expense, or more often than annually, if deemed necessary. Public Service Company's proposed PGA clause also proposes to adjust amounts at times other than at the annual adjustment to coincide with changes in rates to it by its pipeline suppliers when increases or decreases equate to at least one mill ($0.001) per thousand cubic feet. As a result of the frequency in automatic rate increases of the Company's pipeline suppliers which has shown an upward trend in recent years, (Volume II, pages 108-112), we find that the inclusion of an appropriate PGA clause is warranted to avoid slippage in increased gas costs which the Company is obligated to pay and to recover. We agree with Witness Teall that in order to clarify the operation of the PGA clause, the words "at least" should be deleted from paragraph 1. under the section heading "Frequency of Change," which appears on Original Sheet NO. 133, and that Sheet No 133A should add the following section:

> "INFORMATION TO BE FILED WITH PUBLIC UTILITIES COMMISSION:
>
> With each filing pursuant to paragraph 1. or paragraph 2. under 'Frequency of Change' above, the Company shall file in addition to the information delineated in said paragraphs 1. and 2., such information as will set forth proof of the Company's increased or decreased costs incurred from its suppliers, together with such other supporting data or information as the Commission may request from the Company."

With this type of a PGA tariff, slippage will be avoided, but at the same time this Commission will be fully apprised of the pertinent information relative to all gas cost increases which trigger operation of the Purchased Gas Adjustment clause.

Electric - General

The electric rate increase as proposed by Public Service Company of approximately 15 6% would be applied on a uniform basis to all blocks of all rates and to all classes of service. Such a proposal, however, would not be consistent with its cost-of-service study which discloses that past inequities would continue if applied in such manner. It should be noted that the cost-of-service study does not take into account such factors as time of day when a consumer's load occurs, value of service and character of load.

We believe that rates should be applied by class and that residential rates should be restructured to increase the minimum, but provide a smaller increase for the lower than average use residential customer. At the same time, we have continued the trend toward flattening the rates. We therefore, find and conclude that the $23,099,419 in electric revenues based on the test year, which we have stated should be allowed, may properly be derived by restructuring the residential rates to result in an overall 11.9% increase and by applying various percentage increases to rates for other classes, with the exceptions of water heating and area lighting. As for water heating, it should be noted that this Commission, by Decision No. 79350, in Investigation and Suspension Docket No. 706, determined that the water heating rate should be the same as the tail end block of residential. With the tail end block of residential set at $0.0175 per kwh, and when applied to water heating, now $0.0146, this will result in a 19.9% increase for water heating. The increase for area lighting would be 12.0%.

By applying various percentage increases to groups other than the residential, the following increases will occur:

General Commercial Lighting Service (GCL) Sheets 120-122	11.0%
Small Lighting and Power Service (SLP) Sheets 123-124	12.0%
General Lighting and Power Service (GLP) Sheet 125	14.0%
Commercial Electric Water Heating Service (CWH) Sheet 126	19.9%
Commercial Outdoor Area Lighting Service (CAL) Sheets 128-129	12.0%
General Secondary Power Service (GSP) Sheets 140-142	15.6%
General Primary Power Service (GPP) Sheet 143	15.6%
Special Primary Power Service (SPP) Sheet 147	13.0%
Metal Mining and Metal Extracting Service (MMP) Sheet 146	13.0%
Irrigation on Power Service (IP) Sheets 144-145	15.6%
Special Contracts Sheets 160-172	15.6%
Street Lighting Sheets 201-252	13.0%
Other Uses Sheets 253-278	13.0%

Electric - Lifeline

Today, the Commission finds and adopts, as being in the public interest and consistent with the Public Utilities Law, the concept of "lifeline" pricing for minimum electric service. The term "lifeline" has been used with respect to minimum telephone service in rate cases in other jurisdictions. The term also may be appropriately used with respect to minimum electric service. It should be recognized at the outset that as we use the term, "lifeline" service refers to level of use and not the economic situation of the user. Thus, a minimum user, regardless of economic status, will be entitled to the lifeline rate which we establish today. We recognize, of course, that in fact many minimum users are likely to be low-income customers whose electrical needs are not large and that the advantage of lifeline pricing will accrue, generally, to this class of customers.

Rising costs is one of the reasons necessitating a rate increase. In turn, new plant and equipment to meet additional demand must be financed at today's costs rather than on the basis of historical costs. Although we are not adopting a theory of incremental costing and pricing, we do believe that it is reasonable that minimum users (who place little or no demand upon the utility system for additional plant) are equitably entitled to a lesser percentage rate increase vis-avis those new or old customers whose increased demands require increasingly greater amounts of capital construction. Stated another way, we believe the percentage increases for various users should reflect, at least in part, the relative demands upon the system as a whole.

In this proceeding, so-called "lifeline" proposals were submitted by Staff Witnesses Christolear and Hager, and Public Service Company Witness Ranniger. Witnesses Christolear and Hager proposed that the rate in the first two blocks, (20 kwh per month, and 60 kwh per month) be maintained at the current level, i.e., no increase at all be assigned to those two first blocks. All other residential blocks would be increased 15.6%* (Volume X, page 126 and page 144).

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*Technically it was proposed that the first block of the R-1 rate be rounded upward from 97.5¢ to $1.

Public Service Company Witness Ranniger presented a "soup bowl" alternative for "lifeline" service. That is, at 45 kwh per month the proposed increase would be 15.6%; at 80 kwh the increase would be 2.5%; the increase would rise to 5.5% at 100 kwh per month; to 13.91% at 200 kwh per month; 15.6% at 300 kwh per month; to 15.8% for 411 kwh per month (411 kwh = average monthly usage) and to 16% at 500 kwh, at which point the curve would flatten through the tail end block which would receive a 17.9% increase.

We do not accept the proposal of Staff Witnesses Christolear and Hager for no increases through 80 kwh per month blocks. Although the evidence is not strictly clear, it seems reasonably certain that a $1 minimum rate does not, in fact, recover the non-energy front end and fixed costs (sometimes lumped together and known as "customer" costs), let alone the energy costs (Volume X, page 127; Volume XI, page 25). Nor do we accept the "soup bowl" curve proposed alternatively by Public Service Company Witness Ranniger. On balance, we have adopted an approach in between the proposal submitted by Witnesses Christolear and Hager and that proposed by Public Service Company. Accordingly, we have increased the minimum monthly charge for residential service for R-1, R-2, UR-1 and UR-2 rates but have also increased the energy in the minimum block for these rates from 20 to 30 kwh. We believe a low user properly might be considered one who uses approximately 100 kwh per month. In restructuring residential rates, we have established a rate for 100 kwh at $3.95 per month, or a 9.92% increase; for 200 kwh at $6.67 per month for a 10.0% increase; and for 1,000 kwh per month at $28.43 or a 12.55% increase. The average user is one who consumes approximately 411 kwh per month at a rate of $12.41 per month or an increase of 11.6%. These rates are applicable only to the R-1 rate areas which apply generally in the metropolitan areas of the state. For all other rate areas, a similar percentage of restructuring rates is to be applied, with a tail end block for rates including water heating set at $0.0175 per kwh.

Electric - Elimination of "All Electric" Residential

Under the new rates which we approve today, the "all electric" residential rates RH and URH are eliminated and customers heretofore served thereunder, will be billed pursuant to the appropriate R-1, R-2 and R-3 rates for general overhead service and the UR-1, UR-2 and UR-3 rates for underground service, except that the "all electric" residential customer will have a minimum monthly bill based on 200 kwh usage. The 1973 average use per customer of general "all electric" service RH was 1,897 kwh per month (Public Service Company Exhibit No. 44, page 1 of 2). The increased rates for this average use will range between 27.8 to 35.6% for usage under the new R-1, R-2 or R-3 rates. In 1973 the average use per customer of "all electric" underground service - URH was 2,908 kwh per month (Public Service Company Exhibit No. 44, page 1 of 2). For 2,908 kwh usage per month the "all electric" underground served customers will receive an increase in their rates ranging from 22.7 to 28.2%. Approximately 2,500 customers will be affected by the elimination of the "all electric" rates (Staff Exhibit No. 6, page 3 of 3). It has been generally recognized that in the past a number of electric utilities, including Public Service Company, adopted so-called "all electric" rates which, when compared to other residential electric rates, gave a price preference to those customers who agreed to use electricity exclusively for all space heating and applicance requirements. The preferential "all electric" rate was basically promotional, and, although it may have been justified in the past, in our view it is no longer appropriate or justified in an era of energy shortages. In our judgment were the "all electric" rates retained, coupled with shortages of natural gas, the incentive to convert to and construct "all electric" homes will be strong, thus placing increasing pressure on our electrical energy supplies in the future. It should also be recognized that there is no evidence in this record, to justify a lower rate for "all electric" service based upon cost-of-service studies, load factor or other factors. In summary, we cannot look with favor upon any special rate which encourages the use, rather than the conservation of energy.

Electric - Special Contracts

Although Staff Witness Hager proposed 20% increase for special contract customers, we find and agree that Public Service Company's proposed rate increase of 15.6% for this group of customers is reasonable and appropriate.

IX

MOTION FOR ATTORNEYS' FEES

On September 16, 1974, the Colorado Association of School Boards (CASB) filed a motion that the Commission enter an order awarding attorneys' fees to it in the amount of $500.00. In support of its motion, CASB states that this Commission has the power and authority to allow attorneys' fees to protestants and cites Mountain States Telephone and Telegraph Company vs. Public Utilities Commission, 502 P 2d 945 (1972); Miller Bros. Inc., vs. Public Utilities Commission, 3 Colorado Lawyer 621 (Colo., 1974) and Colorado Attorney General's Opinion No. 74-0035 dated September 3, 1974, in support of the Commission's power and authority. It should be noted that the Attorney General's Opinion, supra, relates solely to the power and authority of this Commission to award fees and is completely silent as to what protestants, if any, are entitled to such fees. The awarding of attorneys' fees is a matter within the discretionary purview of the Commission.

We note that on its face CASB's motion sets forth no factual grounds whatever in support of its motion, and is, therefore, defective on its face. Thus, we are not advised, with any supporting detail, how much time CASB's attorney spent in preparation and hearings; why CASB is entitled to have attorneys fees awarded to it which would be assessed against the general body of ratepayers; what results, if any, were directly attributable to CASB's participation in this proceeding; and how any result achieved, if any, benefits the general body of ratepayers rather than the particularized interests of CASB itself. In view of the clear lack of any factual justification for the awarding of attorneys' fees to CASB, the motion will be denied. The Commission also wishes to state that the power and authority to award attorneys' fees, in any event, should be exercised in the public interest with the utmost care, caution, and consideration, as any attorneys' fees awarded would necessarily have to be assessed as an operating expense of the utility whose rate increase has been protested as such. Any assessed award will have to be paid for by the general body of ratepayers of the utility and, accordingly, our exercise of the power, if done at all, must be with the public interest first and foremost in mind.

We note that no intervenor in this proceeding, other than CASB, has filed any motion for attorneys' fees.

X

SUMMARY OF FINDINGS OF FACT

1. The proper test period in this proceeding is April 1, 1973 to March 31, 1974.

2. Public Service Company's combined gas and electric rate base for the year ending March 31, 1974, is $948,758,996.

3. The current capital structure of Public Service Company is not unreasonable.

4. A fair and reasonable return on Public Service Company's combined gas and electric rate base is 8.62%.

5. A fair rate of return to common equity of 15% is fair and reasonable, sufficient to attract equity capital in today's market, and commensurate with rates of return on investments in other industries having corresponding risks.

6. A total gross increase of retail electric revenues required is $23,099,419.

7. The total gross increase of gas revenues required is $6,595,664.

8. To obtain increased gas revenues of $6,595,664, rates for residential customers should be increased 6.11%; industry and interruptible gas customers should be increased 6.34%; and commercial customers should be increased 6.75%.

9. Public Service Company's "Gas Cost Adjustment" tariff, as clarified to provide in paragraph 1 thereof ("Frequency of Change") to operate only on October 1 of each year, and to provide for the submission of supporting data or information to the Commission, is reasonable, and should be approved.

10. To obtain an additional $23,099,419 in electric revenues, residential rates should be restructured to result in an overall 11.9% increase with specific percentage increases by classes, as delineated more specifically above under the section headed "Rate Design and Spread of the Rates".

11. A "lifeline" rate for minimum electric service should be established to provide a 9.92% increase in the first 100 kilowatt hour per month block in the R-1 rate zone.

12. The "all electric" residential rate should be abolished and the rate structure for "all electric" homes should be the same as for other electrical usage.

13. Colorado Association of School Boards did not purport to, and in fact does not, represent the general body of ratepayers of Public Service and its participation in the proceeding herein had no material effect upon the decision rendered today.

CONCLUSIONS ON FINDINGS OF FACT

Based upon all the evidence of record in this proceeding, the Commission concludes that:

1. The existing gas and retail electric rates for Public Service Company do not, and will not, in the foreseeable future, produce a fair and reasonable rate of return to Public Service Company.

2. Such rates presently in effect are not, in the aggregate, just and reasonable or adequate, and, based upon the test year ending March 31, 1974, the overall revenue deficiency for Public Service Company is $29,695,083.

3. Public Service Company should be authorized to file new gas and electric rates and tariffs that would, on the basis of the test year conditions, produce additional revenues equivalent to the revenue deficiencies stated above, spread among its ratepayers in the manner set forth above under "Rate Design and Spread of the Rates".

4. The rates and tariffs, as ordered herein, are just and reasonable.

5. A Purchase Gas Adjustment clause is reasonable and proper.

6. The Colorado Association of School Board's Motion for attorneys fees should be denied.

An appropriate Order will be entered.

O R D E R

THE COMMISSION ORDERS THAT:

1. The gas tariff revisions accompanied by Advice Letter No. 190 - Gas, filed by Public Service Company of Colorado, be, and hereby are, permanently suspended.

2. The electric tariff revisions accompanied by Advice Letter No. 643 - Electric, filed by Public Service Company of Colorado, be, and hereby are, permanently suspended.

3. Public Service Company of Colorado be, and the same hereby is, ordered to file new gas rates to produce $6,595,664 in increased revenues as more specifically set forth in Appendix B which is attached hereto, and made a part hereof.

4. Public Service Company of Colorado be, and the same hereby is, ordered to refile the following sheets which accompanied Advice Letter No. 190 - Gas, to wit:

Colo. PUC Sheet Number		Title of Sheet
Original	133B	Gas Cost Adjustment
Original	133C	Gas Cost Adjustment

5. Public Service Company of Colorado be, and the same hereby is, ordered to refile Original Sheet No. 133, Gas Cost Adjustment, with the words "at least" deleted from paragraph 1. under "Frequency of Change".

6. Public Service Company of Colorado be, and the same hereby is, ordered to refile Original Sheet No. 133A, Gas Cost Adjustment, with the following added thereto:

"INFORMATION TO BE FILED WITH PUBLIC UTILITIES COMMISSION:

With each filing pursuant to paragraph 1. or paragraph 2 under 'Frequency of Change' above, the Company shall file, in addition to the information delineated in said paragraphs 1. and 2., such information as will set forth proof of the Company's increased or decreased costs incurred from its suppliers, together with such other supporting data or information as the Commission may request from the Company."

7. Public Service Company of Colorado be, and the same hereby is, ordered to file electric rates, as hereinafter ordered, to produce $23,099,419 in increased revenues.

8. Public Service Company of Colorado be, and the same hereby is, ordered to refile the following electric tariff revisions originally filed by Advice Letter No. 643 - Electric:

4th Revised 140	Schedule GSP-1
3rd Revised 141	Schedule GSP-2
3rd Revised 142	Schedule GSP-3
4th Revised 143	Schedule GPP
4th Revised 144	Schedule IP-1
3rd Revised 145	Schedule IP-2
4th Revised 160	Schedule SCS-1
3rd Revised 161	Schedule SCS-2
5th Revised 162	Schedule SCS-3
3rd Revised 163	Schedule SCS-4

4th Revised 164	Schedule SCS-5
3rd Revised 165	Schedule SCS-6
3rd Revised 166	Schedule SCS-7
3rd Revised 167	Schedule SCS-8
3rd Revised 168	Schedule SCS-9
4th Revised 169	Schedule SCS-10
3rd Revised 170	Schedule SCS-11
3rd Revised 171	Schedule SCS-12
3rd Revised 172	Schedule SCS-13

9. Public Service Company of Colorado be, and the same hereby is, ordered to file new residential electric rates as more specifically described in Appendix C which is attached hereto and made a part hereof.

10. Public Service Company of Colorado be, and hereby is, ordered to file other new electric rates as more specifically set forth in Appendix D which is attached hereto and incorporated herein made a part hereof.

11. The rates and tariffs provided for in paragraphs 1. through 10. shall be filed by Public Service Company of Colorado on or before the 25th day after the effective date of this order, to become effective on not less than one (1) day's notice. Notice required hereby shall be given in the manner prescribed by CRS 1963, 115-3-4, as amended, with additional notice required only to the parties herein. The filing of all the new rates and tariffs provided for herein shall reflect the effective date of the various schedules and the authority for filing under this decision.

12. The Motion filed by the Colorado Association of School Boards be, and the same hereby is, denied.

13. All pending motions not previously ruled upon by the Commission or by the Order herein, be, and the same hereby are, denied.

This Order shall be effective forthwith.

DONE IN OPEN MEETING the 24th day of September, 1974.

(S E A L)

THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

EDWIN R. LUNDBORG

HOWARD S. BJELLAND

Commissioners

COMMISSIONER HENRY E. ZARLENGO ABSENT

ATTEST: A TRUE COPY

Harry A. Galligan, Jr.

Harry A. Galligan, Jr., Secretary

PUBLIC SERVICE COMPANY EXHIBITS

1. Analysis of sources of construction funds.

2. A 2-page exhibit showing the comparison of growth in electric and gas operating revenues to operating expenses for each department.

3. A 2-page exhibit showing the trend of operating labor costs per kilowatt hour and per MCF compared to the trend in sales of electricity and natural gas.

4. An 8-page exhibit examining certain indicators of labor performance. The first 4 pages relate to the electric department and the last 4 pages to the gas department.

5. A 2-page exhibit showing, for the period 1969 through 1973, the cost of operating labor as a percent of total revenue.

6. A 2-page exhibit showing the prices of commonly used electric materials on page 1 and gas materials on page 2.

7. A 3-page exhibit showing the results of purchasing and holding 100 shares of PSC Common Stock from January 3, 1961 to June 28, 1974.

8. A tabulation of the Consumer Price Index, with various price comparisons from 1953 - 1974.

9. A tabulation showing the impact of prior Commission Decisions on Revenues of PSC.

10. A tabulation showing the Compensating Bank Balances of the Company and the resulting amount of short-term credit supported by those investments.

11. A tabulation showing the fee-line credit of PSC.

12. The pattern of short-term borrowing during the test period by PSC.

13. Determination of wage adjustment for twelve-month period ended March 31, 1974.

14. Reported return on Common equity and the return earned excluding AFDC for the year 1973 and company estimates of the return on Common Equity on both bases for each of the years 1974 through 1978 on a corporate basis.

15. On a consolidated basis - the ratio of pre-tax earnings coverages of fixed charges for each of the years 1966 through 1973 and for the twelve-months ended March 31, 1974.

16. Statement of the Capital Structure of the Company at March 31, 1974.

17. Consists of 2 pages.
First page shows the Consumers Price Index as a short dashed line, the Index for residential electric rates nationally as a long dashed line and PSC's residential rates, all from 1967 through 1973.
Second page shows the relationship of PSC's residential natural gas rates based on the 1973 average of 154 CCF per month.

18. Chart showing the percentage of "Effective Buying Power Per Household" required to pay for gas and electric service.

19. A discounted cash flow analysis to determine what the fiar rate of return on Common Equity should be.

20. An analysis of the increases in embedded costs of debt at the times of rate cases since 1960 and a calculation of the cost of common equity based upon increased debt costs.

21. Analysis of new issue yields on Aa utility bonds and the yields that have been demanded by investors in PSC Common Stocks.

22. Compilation of recent events or "happenings" in utility financing to illustrate the difficulties presently being encountered in the market-place.

23. Total construction requirements of the Investor-owned Electric Utility and Telephone Industries.

24. Internal generation of construction requirements of the Investor-owned Electric and Telephone Utilities Industries.

25. Assorted data from Moody's Investors Services regarding utilities securities.

26. Utilities whose bond ratings have been reduced by Moody's and/or Standard and Poor's since 1970.

27. Data concerning the direct offerings of electric utility common shares to the public since 1970.

28. Price performance of 51 electric utility stocks since the Con Edison dividend omission.

29. Flow of Funds Table describing the increases in the individual's financial assets in the U.S. economy since 1968.

30. Impact of inflation on individual income since 1967.

31. Assorted Data regarding Standard and Poor's averages of industrial and electric power company stocks and regarding Moody's electric power company average.

32. Certain measures of growth for Public Service Company of Colorado.

33. Additional data on electric utilities downgraded from AA/Aa to A by Standard and Poor's and/or Moody's in 1973 and 1974.

34. Available returns on various instruments since 1968.

35. An exhibit prepared by Reis & Chandler, Inc., entitled "Studies of Cost of Capital and Other Data Used in Determination of Fair Rate of Return," dated July, 1974.

36. A 9-page exhibit showing PSC's net operating earnings of the electric and gas departments for the 12 months ended March 31, 1974.

37. A 4-page exhibit - setting forth financial statements for the total company for the 12 months ended March 31, 1974.
    Page 1 - Statement of Income
    Page 2 - Statement of Retained Earnings
    Pages 3 and 4 - Balance Sheet.

38. A 5-page exhibit setting forth the Company's Net Original Cost Rate Base at March 31, 1974.

39. A 5-page exhibit setting forth various calculations. Entitled "Determination of Electric Department Earnings Requirement with a 9.10% Gas Department, 8.86% Electric Department, and 8.90% Combined Electric and Gas Departments Return.

40. "Proposed Electric Rates."

41. "Proposed Gas Rates."

42. "Calculation of Proposed Gas Rates."

43. A 2-page exhibit showing "Increase in Rate of Return vs. Rate of Return Under Conditions of a Uniform Increase in Rates," for the electric and gas departments.

44. A 2-page exhibit entitled "Average Monthly Revenue Increase" for the electric and gas departments.

45. A 2-page exhibit illustrating the method used to normalize gas sales, the change in operating revenues due to normalization and the corresponding change in the cost of purchased gas.

46. A 3-page exhibit showing the effect of the revenue adjustment resulting from the rates filed on May 24, 1974, the net operating earnings for the test year, and the resulting rates of return.

47. A 28-page exhibit entitled "Public Service Company of Colorado, Bank Line Commitments."

48. A summary of cost of service allocation studies for both the gas and electric departments for major customer classifications for the test year.

49. A 4-page exhibit detailing rates for wholesale service.

50. An alternate residential rate proposal for the electric department.

51. The dollar and cents effect at average uses for the various residential rates should the rates shown on PSC Exhibit No. 50 be adopted.

52. "Approximate Proportion of Common Stock Equity to Total Capitalization of Principal Electric Utilities at December 31, 1973."

STAFF EXHIBITS

1. A 6-page exhibit developing a year-end and average year rate base for the Company.

2. A 5-page exhibit developing income statements for the test year, and showing mass media expense.

3. A 2-page exhibit developing a fair return on equity, and a capitalization statement.

4. A 4-page exhibit developing the revenues of the Company's gas and electric departments using a coverage ratio approach.

5. A 4-page exhibit on spread of rates by staff.

6. A 2-page exhibit in respect to proposed electric revenues by staff.

7. A 2-page exhibit in respect to proposed gas revenues by staff.

ZARLENGO EXHIBITS

1. Letter by Commissioner Zarlengo dated August 29, 1974, addressed to Respondent's Counsel, Mr. Bryant O'Donnell.

2. A study containing a peak electric load projection for the year 1978.

3. Letter by Mr. O'Donnell dated September 4, 1974, in response to Commissioner Zarlengo's letter of August 29, 1974.

GENERAL SERVICES ADMINISTRATION EXHIBITS

1. A 5-page exhibit consisting of 3 publications entitled "Financial News and Comment."

2. A document entitled "Rate of Return earned on Average Common Equity."

3. Revenue Requirements of Public Service Company based on Commission Decision No. 82411, February 23, 1973.

COLORADO ASSOCIATION OF SCHOOL BOARDS EXHIBITS

1. A 3-year exhibit detailing Projected Electric Construction during the years 1974 through 1978 and the estimated cost thereof, for PSC.

2. A 10-page exhibit entitled "Authorized Revenue Base for Colorado School Districts - 1975 Budget Year."

COLORADO PUBLIC INTEREST RESEARCH GROUP EXHIBITS

1. A 14-page exhibit detailing customer information for the electric department of Public Service Company for the twelve months ended March, 1974. Also referred to as Attachment No. 4.

2. A 3-page exhibit detailing the 10 largest electric customers of Public Service Company based on 1973 consumption, 1972 consumption and 1971 consumption. Also referred to as attachment No. 9.

3. A 2-page exhibit for Public Service Company detailing monthly peak load capabilities for electricity and gas from 1971 through 1973. Also referred to as Attachment No. 15.

4. A 10-page exhibit showing by plants or plant units, as the case might be, the percentage of maximum output capacity, along with appropriate footnotes. Also referred to as Attachment No. 16.

J. D. MACFARLANE EXHIBITS

1. Statement of Mr. MacFarlane.

2. A set of four tabulations.

SAUL PRIMACK EXHIBIT

1. Statement of Saul Primack.

BARBARA HOLME EXHIBIT

1. Statistical data entitled "Sales of Electricity by Rate Schedules (Selected Schedules)."

COLORADO P.U.C. NO. 4 - GAS RATES EFFECTIVE BY THIS ORDER
RESIDENTIAL AND COMMERCIAL

Present Sheet Number	Schedule	Minimum $	(Includes)	Increase Per Block Percent	Unit
Thirteenth Revised 26	RG-1	1.40	4 Ccf	6.11	Ccf
Eleventh Revised 27	RG-2	1.45	4 Ccf	6.11	Ccf
Twentieth Revised 28	RG-3	1.45	4 Ccf	6.11	Ccf
Fourth Revised 29	RG-4	1.45	4 Ccf	6.11	Ccf
Ninth Revised 30	RG-5	1.75	4 Ccf	6.11	Ccf
Thirteenth Revised 31	RG-6	1.75	4 Ccf	6.11	Ccf
Tenth Revised 32	RG-7	1.80	4 Ccf	6.11	Ccf
Fifteenth Revised 33	RG-8	1.45	5 Ccf	6.11	Ccf
Ninth Revised 37	GL-1	1.95, First Two Mantles		$0.62 ea. add'l. mantle	
Ninth Revised 38	GL-2	2.20, First Two Mantles		$0.65 ea. add'l. mantle	
Seventh Revised 39	GL-3	1.80, First Two Mantles		$0.62 ea. add'l. mantle	
Thirteenth Revised 51	CG-1	2.50	4 Ccf	6.75	Ccf
Twelfth Revised 52	CG-2	2.60	4 Ccf	6.75	Ccf
Twentieth Revised 53	CG-3	2.60	4 Ccf	6.75	Ccf
Fifth Revised 54	CG-4	2.60	4 Ccf	6.75	Ccf
Ninth Revised 55	CG-5	2.90	4 Ccf	6.75	Ccf
Thirteenth Revised 56	CG-6	2.95	4 Ccf	6.75	Ccf
Twelfth Revised 57	CG-7	2.95	4 Ccf	6.75	Ccf
Eleventh Revised 58	ICG-1	Greater of $61.00 or Billing Demand		6.75	Mcf, Commodity and Demand
Tenth Revised 59	ICG-2	Greater of $61.00 or Billing Demand		6.75	Mcf, Commodity and Demand
Fourth Revised 59A	ICG-2	Greater of $61.00 or Billing Demand		6.75	Mcf, Commodity and Demand
Thirteenth Revised 60	ICG-6	Greater of $89.00 or Billing Demand		6.75	Mcf, Commodity and Demand
Eleventh Revised 61	CGL-1	1.95, First Two Mantles		$0.62 ea. add'l. mantle	
Thirteenth Revised 62	CGL-2	2.20, First Two Mantles		$0.65 ea. add'l. mantle	
Thirteenth Revised 63	CG-8	2.30	5 Ccf	6.75	Ccf
Eleventh Revised 64	ICG-8	Greater of $62.00 or Billing Demand		6.75	Mcf, Commodity and Demand
Eighth Revised 65	CGL-3	1.80, First Two Mantles		$0.62 ea. add'l. mantle	

COLORADO P.U.C. NO 4 - GAS, RATES EFFECTIVE BY THIS ORDER
INDUSTRIAL AND INTERRUPTIBLE

Present Sheet Numbers - Revision	Schedule	Base and Excess % Increase	Base and Excess Unit	On Peak/Mcf $	Minimum Apr-Oct $	Minimum Nov-Mar $	Annual Minimum $
78 thru 78E as Applicable	C-1	6.34	Mcf	13.35	55.45	5.55	
79 and 79A as Applicable	SS-1	6.34	Mcf	21.95			1,110.00
80 and 80A as Applicable	D-1	6.34	Mcf	21.95	288.00		
81 and 81A as Applicable	E-1	6.34	Mcf	21.95			3,330.00
82 thru 82D as Applicable	E-2	6.34	Mcf	23.30			1,660.00
83 and 83A as Applicable	E-3	6.34	Mcf	23.30			1,660.00
84 and 84A as Applicable	E-4	6.34	Mcf	23.30			1,660.00
86 and 86A as Applicable	E-6	6.34	Mcf	54.55			554.50
87A and 87B as Applicable	E-7	6.34	Mcf	23.30			1,660.00
88 and 88A as Applicable	F-1	6.34	Mcf	21.95			55,400.00
89 thru 89C as Applicable	C-2	6.34	Mcf	13.45	56.00	5.60	
90 and 90A as Applicable	SS-2	6.34	Mcf	22.20			1,120.00
91 and 91A as Applicable	D-2	6.34	Mcf	22.20	280.00		
92 and 92A as Applicable	E-8	6.34	Mcf	22.20			3,360.00
93 and 93A as Applicable	F-2	6.34	Mcf	22.20			112,000 00
101 as Applicable	SCS-1	6.34	Mcf				
102 as Applicable	SCS-2	6.34	Mcf				55,400.00
103 as Applicable	SCS-3	6.34	Mcf				22,200.00
104 & 104A as Applicable	SCS-4	6.34	Mcf	21.95			
105 as Applicable	SCS-5	6.34	Mcf				3,880.00
106 & 106A as Applicable	SCS-6	6.34	Mcf	22.20			112,000.00

Where the entry block provides for multiple units of volume that block rate shall be increased 6.34%.

Rounding Criteria

Commodity Charges Unit	Commodity Charges Charge
Ccf	.0001
Therm	.0001
Mcf	.001
MMBtu	.001

Demand, Excess, and Minimum Entry	Rounded $
.10 - 1.00	.001
1.01 - 100.00	.05
100.01 - 1,000.00	1.00
1,000.01 - 10,000.00	10.00
10,000.01 - 100,000.00	50.00
100,000.01 - 1,000,000.00	100.00

RESIDENTIAL

PUC #5-Electric Sheet No. & Schedule	Existing Blocks KWH/Month	Existing Rate Per KWH or Minimum	Allowed In This Order by Commission Blocks KWH/Month	Allowed Rate Per KWH or Minimum	% Increase
101 Residential R-1	1st 20	$ 0.975 Min	1st 30	$ 1.50 Min	
	Next 60	.0367	Next 70	.035	
	Next 920	.0240	Next 900	.0272	
	Over 1000	.0156	Over 1000	.0175	
102 Residential R-2	1st 20	$ 1.22 Min	1st 30	$ 1.80 Min	
	Next 60	.0425	Next 70	.041	
	Next 920	.0257	Next 900	.029	
	Over 1000	.0156	Over 1000	.0175	
103 Residential R-3	1st 32	$ 2.05 Min	1st 30	$ 2.10 Min	
	Next 48	.0435	Next 70	.042	
	Next 920	.0257	Next 900	.029	
	Over 1000	.0156	Over 1000	.0175	
107 Residential RH					
R-1 Area	200	$ 5.95 Min		$ 6.67 Min	12.10
R-2 Area	200	5.95 Min		7.57 Min	27.23
R-3 Area	200	5.95 Min		7.94 Min	33.45
Applicable Residential Energy Rate. If for purposes of accounting and use control, company may file a separate sheet for each rate area.					
109 Residential Water Heating RWH. Company may, at its option, bill at this rate at tail of applicable area rate bill by suitable language in area tariff.	All	$ 0.0146	All	$ 0.0175	19.86
111 Residential Area Lighting RAL. Round monthly charge to nearest cent.					12.0

RESIDENTIAL

	Existing		Allowed In This Order by Commission		
PUC #5-Electric Sheet No. & Schedule	Blocks KWH/Month	Rate Per KWH or Minimum	Blocks KWH/Month	Rate Per KWH or Minimum	% Increase
104					
Residential UR-1	1st 20	$ 1.61 Min	1st 30	$ 2.10 Min	
	Next 60	.0464	Next 70	.045	
	Next 920	.0257	Next 900	.029	
	Over 1000	.0156	Over 1000	.0175	
105					
Residential UR-2	1st 20	$ 1.85 Min	1st 30	$ 2.40 Min	
	Next 60	.0523	Next 70	.051	
	Next 920	.0277	Next 900	.031	
	Over 1000	.0156	Over 1000	.0175	
106					
Residential UR-3	1st 32	$ 2.78 Min	1st 30	$ 2.70 Min	
	Next 48	.0532	Next 70	.052	
	Next 920	.0277	Next 900	.031	
	Over 1000	.0156	Over 1000	.0175	
108					
Residential URH					
R-1 Area	200	$ 8.39 Min		$ 8.15 Min	(2.86)
R-2 Area	200	8.39 Min		9.07 Min	8.10
R-3 Area	200	8.39 Min		9.44 Min	12.51

Applicable Residential Energy Rate. If for purposes of accounting and use control, company may file a separate sheet for each rate area.

ALL RATES NOT COVERED IN
APPENDIX C

Colo. PUC #5-Electric Current Rates Sheet No.	Title of Sheet	Increase in % Over Current Rates Allowed in this Order by Commission. Round as in Filed Rates.
3rd Revised 120	Schedule GCL-1	11.0
3rd Revised 121	Schedule GCL-2	11.0
3rd Revised 122	Schedule GCL-3	11.0
2nd Revised 123	Schedule SLP-1	12.0
2nd Revised 124	Schedule SLP-2	12.0
2nd Revised 125	Schedule GLP	14.0
2nd Revised 126	Schedule CWH	19.9
2nd Revised 128	Schedule CAL-1	12.0
2nd Revised 129	Schedule CAL-2	12.0
2nd Revised 146	Schedule MMP	13.0
2nd Revised 147	Schedule SPP	13.0
1st Revised 201	Schedule SL	13.0
1st Revised 201A	Schedule SL	13.0
1st Revised 201B	Schedule SL	13.0
1st Revised 201C	Schedule SL	13.0
1st Revised 201D	Schedule SL	13.0
2nd Revised 209	Schedule SL	13.0
1st Revised 210	Schedule SL	13.0
3rd Revised 211	Schedule SL	13.0
1st Revised 211A	Schedule SL	13.0
2nd Revised 212	Schedule SL	13.0
1st Revised 213	Schedule SL	13.0
2nd Revised 214	Schedule SL	13.0
1st Revised 215	Schedule SL	13.0
2nd Revised 216	Schedule SL	13.0
2nd Revised 217	Schedule SL	13.0
1st Revised 218	Schedule SL	13.0
3rd Revised 219	Schedule SL	13.0
1st Revised 220	Schedule SL	13.0

ALL RATES NOT COVERED IN
APPENDIX C

Colo. PUC #5 Electric Current Rates		Increase in % Over Current Rates Allowed in this Order by Commission.
Sheet No.	Title of Sheet	Round as in Filed Rates.
1st Revised 221	Schedule SL	13.0
1st Revised 222	Schedule SL	13.0
1st Revised 223	Schedule SL	13.0
2nd Revised 224	Schedule SL	13.0
1st Revised 225	Schedule SL	13.0
2nd Revised 226	Schedule SL	13.0
1st Revised 227	Schedule SL	13.0
1st Revised 228	Schedule SL	13.0
Original 229	Schedule SL	13.0
2nd Revised 229A	Schedule SL	13.0
Original 230	Schedule SL	13.0
2nd Revised 230A	Schedule SL	13.0
2nd Revised 231	Schedule SL	13.0
1st Revised 232	Schedule SSL	13.0
1st Revised 233	Schedule SSL	13.0
1st Revised 233A	Schedule SSL	13.0
1st Revised 234	Schedule SL	13.0
1st Revised 235	Schedule SL	13.0
1st Revised 236	Schedule SL	13.0
1st Revised 237	Schedule SL	13.0
1st Revised 250	Schedule SLU-1	13.0
1st Revised 251	Schedule SLU-2	13.0
1st Revised 252	Schedule SLU-3	13.0
2nd Revised 253	Schedule MBS-1	13.0
2nd Revised 254	Schedule MBS-2	13.0
2nd Revised 255	Schedule SPL-1	13.0
2nd Revised 256	Schedule SPL-2	13.0
2nd Revised 257	Schedule MBS-3	13.0
2nd Revised 258	Schedule MBS-4	13.0
2nd Revised 259	Schedule MBL-1	13.0
2nd Revised 260	Schedule MBL-2	13.0
2nd Revised 261	Schedule MBL-3	13.0
2nd Revised 262	Schedule MBL-4	13.0
3rd Revised 270	Schedule MP-1	13.0
5th Revised 271	Schedule MP-2	13.0
3rd Revised 272	Schedule MP-3	13.0
3rd Revised 273	Schedule MP-4	13.0
1st Revised 275	Schedule TSL	13.0
1st Revised 276	Schedule HSL	13.0
2nd Revised 277	Schedule SC	13.0
1st Revised 278	Schedule ARW	13.0

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

* * *

IN THE MATTER OF RATES AND CHARGES FILED BY PUBLIC SERVICE COMPANY OF COLORADO UNDER ADVICE LETTER NO. 190 - GAS AND UNDER ADVICE LETTER NO. 643 - ELECTRIC.	INVESTIGATION AND SUSPENSION DOCKET NO. 868 ERRATA NOTICE

October 7, 1974

Decision No. 85724

DECISION AND ORDER OF THE
COMMISSION ESTABLISHING NEW
RATES AND TARIFFS

(Issued September 24, 1974)

Page 1: Under "Appearances" change the word "Respondent" to "Public Service Company".

Page 2: Change the second line in appearances concerning Archie Calvaresi, Denver, Colorado, from "for" the Colorado Motel Association to "of" the Colorado Motel Association.

Page 3: Under Paragraph No. 3, (2) change the word "Respondent's" to "Public Service Company's".

Under Paragraph No. 3, No. (4) change the word "Respondent's" to "Public Service Company's".

Under Paragraph No. 3, No. (6) change the word "Respondent's" to "Public Service Company's".

Page 4: Change the typographical error in Paragraph No. 2, line 1, from "parities" to parties".

Page 5: Change the typographical error in line 4 from "compriese" to "comprise".

Page 7: Change the word "rate-making" in the first line of Paragraph No. 3 to "rate making". Also, in Paragraph No. 3, line 2, change the word "ratemaking" to "rate making".

Page 10: Change the figure in line 2 of Paragraph No. 1. from "$516,278,162" to "$156,278,162".

Change the word "or" in Paragraph No. 2, line 3, to "of".