

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

IN THE MATTER OF THE PROPOSED)	
INCREASED RATES AND CHARGES)	INVESTIGATION AND SUSPENSION
CONTAINED IN TARIFF REVISIONS)	DOCKET NO. 1425
FILED BY PUBLIC SERVICE COMPANY)	
OF COLORADO, 550 15TH STREET,)	ORDER OF THE COMMISSION
DENVER, COLORADO, UNDER)	DENYING IN PART AND
ADVICE LETTER NO. 795-ELECTRIC,)	GRANTING IN PART
ADVICE LETTER NO. 296-GAS, AND)	APPLICATIONS FOR REHEARING,
ADVICE LETTER NO. 24-STEAM.)	REARGUMENT AND RECONSIDERATION.

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January 6, 1981
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STATEMENT AND FINDINGS OF FACT

BY THE COMMISSION:

On December 12, 1980, the Commission entered its Phase I decision and order (Decision No. C80-2346) in the above-captioned docket.

On December 30, 1980, Public Service Company of Colorado (hereinafter Public Service) filed an "Application of Public Service Company of Colorado for Reconsideration, Reargument or Rehearing."

On December 31, 1980, Emma Young Green, Concerned Citizens Congress of Northeast Denver, Dorothy Starling, and the Colorado Office of Consumer Services (hereinafter referred to collectively as "Concerned Citizens") filed an "Application for Rehearing, Reargument and Reconsideration of Decision No. C80-2356."

The Commission has considered the foregoing applications respectively filed by Public Service and Concerned Citizens and finds that no change in the order as contained in Decision No. C80-2346 is necessary. However, the Commission will make certain modifications in the narrative portion of the Decision relating to Fort St. Vrain in connection with two matters: (1) the capacity factor year, and (2) clarification of the monies to be refunded to ratepayers in the event Fort St. Vrain does not attain the prescribed capacity factor.

Public Service has pointed out that the low fuel supply of Fort St. Vrain, and the need to have Fort St. Vrain on line during the middle of the summer during 1981 virtually assures the exclusion of Fort St. Vrain from rate base if the 50% capacity factor must be met by the end of 1981. It was the Commission's intention to measure Fort St. Vrain against the 50% capacity factor during a mature characteristic year. Accordingly, we agree that we should apply the 50% capacity factor condition to the first full year after refueling, or, in any event, no later than the end of calendar year 1982. We would anticipate, however, that Public Service would continue to make every effort to improve Fort St. Vrain's 1981 capacity factor so that by the end of 1981 it will be in the range of 40% on a yearly basis.

Concerned Citizens has suggested that the Commission modify its formula regarding the refund of monies earned on Fort St. Vrain (in the event

it does not attain the appropriate capacity factor level) to provide that the total of \$18,400,656 plus all accrued interest will be refunded to ratepayers. Inasmuch as the Commission's order, as contained in Decision No. C80-2346, provides for escrowing of net investment return to Fort St. Vrain in the amount of \$807,046 per month, perhaps it was not understood by Concerned Citizens that in the event there is a return of escrowed funds to ratepayers, Public Service would have a reduced tax liability. It should be understood that in the event there is a reduced tax liability in the future because of a return of funds collected from the ratepayers related to investment in Fort St. Vrain (that is, the escrowed funds and taxes thereon), the benefit of that reduced tax liability is not to be "captured" by Public Service but is to be flowed through to the ratepayers together with interest applicable thereto, if any.

Premises considered, the narrative portion in Decision No. C80-2346 beginning with page 31 and continuing through page 32 will be revised to read as set forth in the order below.

Except as above indicated, we do not find that the respective applications for rehearing, reargument and reconsideration set forth sufficient grounds for the granting thereof. Accordingly, except as hereinafter revised, Decision No. C80-2346, as amended on December 16, 1980 nunc pro tunc December 12, 1980, shall remain as the decision and order of the Commission with respect to Phase I.

An appropriate order will be entered.

O R D E R

THE COMMISSION ORDERS THAT:

1. The following portion of Decision No. C80-2346 be, and hereby is, stricken, to wit: Commencing with page 31 and continuing through page 32. In lieu thereof the following language is substituted:

"associated with Fort St. Vrain during its maturation period. As already indicated, inasmuch as the Commission is not going to remove Fort St. Vrain from rate base, at this time, during its maturation period, Public Service will have the opportunity to earn, at its rate base rate of return hereinafter authorized, on its net jurisdictional investment in Fort St. Vrain. In order to protect the ratepayers of Public Service from the investment risk that Fort St. Vrain may not turn out to be a used and useful plant following a maturation period, we hereinafter shall order that Public Service escrow the revenues derived by it which are related to the net jurisdictional investment return on Fort St. Vrain. Public Service's investment in Fort St. Vrain is \$107,000,000. After depreciation of \$3,953,483 and the portion related to FERC in the amount of \$8,006,714 is removed, Public Service's net jurisdictional investment in Fort St. Vrain is \$95,039,803. The annual rate base rate of return at 10.19%, hereinafter found to be reasonable, would be \$9,684,556 per year of \$807,046 per month. Public Service shall escrow the latter amount on a monthly basis separately from the general funds of the Company for ultimate disposition.*

*It should be understood that the \$807,046 escrowed sum per month is likely to change in the event Public Service files a general rate case and a decision is entered therein prior to January 1, 1983. This is because the Fort St. Vrain rate base may be greater in a subsequent rate case, and the overall rate of return found to be reasonable may be higher or lower than the 10.19% found in I&S 1425.

"As to the ultimate disposition of the escrowed funds derived from return on Fort St. Vrain rate base, it is our judgment and we find that Fort St. Vrain should attain an annual capacity factor of no less than 50%, based upon 200 MW net capacity, exclusive of scheduled downtime for maintenance and refueling, and shutdowns ordered by the NRC if Fort St. Vrain matures, as Public Service claims it will, following one full year after refueling or by the end of calendar year 1982 at the latest. This 50% capacity factor, as above defined, should be attained by Fort St. Vrain on or before December 31, 1982. If Public Service, with respect to Fort St. Vrain, has obtained a annual capacity factor of 50%, as above defined, then the escrowed funds relating to its return on net jurisdictional investment in Fort St. Vrain will be released to the Company subsequent to January 1, 1983.* If Fort St. Vrain fails to reach the 50% capacity, as above defined, then the escrowed funds shall be refunded with interest at the rate of 10.19% to the ratepayers of Public Service.** The Commission, of course, strongly believes that the benefits to Public Service itself and to its ratepayers will be greatly enhanced by the successful operation of Fort St. Vrain and its permanent incorporation into rate base. The Commission also recognizes that the escrowing, initially, of the funds related to return on net jurisdictional investment in Fort St. Vrain will reduce the cash flow of the Company. On the other hand, if Fort St. Vrain is successful in obtaining the capacity requirements which we find to be evidence of improvement due to maturation by the end of 1982, the escrowed funds will be released to Public Service and further improve its cash flow.

"In addition, it is the Commission's intention from the date of January 1, 1983, to compare the costs of producing power at Fort St. Vrain to the costs of fossil generated power in the Public Service system and/or the costs of purchased power. If the costs of producing power at Fort St. Vrain exceed these costs, some or all of the differential may be disallowed as a ratepayer expense in future proceedings.

"We hereinafter shall order Public Service, on or before the end of each calendar month, to escrow \$807,046 in a separate memorandum account and to invest the funds in said memorandum account in government securities or certificates of deposits of financial institutions whose deposits are guaranteed by the instrumentalities of the United States government, or in such other investment mediums as may be approved by Commission order. Public Service shall report quarterly, in writing, to the Commission on the status of said memorandum account by stating the amount therein, and how said amount is invested."

2. The "Application of Public Service Company of Colorado for Reconsideration, Reargument or Rehearing" filed on December 30, 1980, by Public Service Company of Colorado be, and hereby is, granted to the extent

*It should be made clear that the 50% capacity factor should not be considered as an ultimate goal. Its use herein is for the purpose of determining whether the escrowed funds relating to Fort St. Vrain will be released to the Company or refunded to the ratepayers. Furthermore, we would anticipate that Fort St. Vrain, over time, should reach capacity factors above 50%. In the interim, we would anticipate that Public Service continue to improve Fort St. Vrain's capacity factor so that by the end of 1981 it will be in the 40% range on a yearly basis.

**The benefit of any tax reduction as a result of return of funds collected from the ratepayers related to investment in Fort St. Vrain (that is, the escrowed funds and taxes thereon) also shall be flowed through to the ratepayers by Public Service together with interest applicable thereto, if any.

the same is consistent with the decision and order herein and in all other respects the same be, and hereby is, denied.

3. The "Application for Rehearing, Reargument and Reconsideration of Decision No. C80-2346" filed by Emma Young Green, Concerned Citizens Congress of Northeast Denver, Dorothy Starling, and the Colorado Office of Consumer Services filed on December 31, 1980, be and hereby is, denied.

4. This Order shall be effective forthwith.

DONE IN OPEN MEETING the 6th day of January, 1981.

THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

Edythe S. Miller

Daniel E. Innes

L. Duane Woodard
Commissioners