(Decision No. C81-752)

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

***

IN THE MATTER OF THE APPLICATION OF PUBLIC SERVICE COMPANY OF COLORADO FOR AN ORDER AUTHORIZING IT TO REVISE THE EXTENSION POLICY INCLUDED IN ITS PUC NO. 5 - ELECTRIC TARIFF.	)	APPLICATION NO. 32602
IN THE MATTER OF THE APPLICATION OF PUBLIC SERVICE COMPANY OF COLORADO FOR AN ORDER AUTHORIZING IT TO ESTABLISH GAS AND ELECTRIC SERVICE PIPE INSTALLATIONS.	)	APPLICATION NO. 32845

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April 21, 1980

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ORDER REMANDING APPLICATIONS FOR FURTHER HEARINGS

Appearances: Kelly, Stansfield and O'Donnell, by James K. Tarpey, Esq., Denver, Colorado for Public Service Company of Colorado;

Gorsuch, Kirgis, Campbell, Walker & Grover, by William H. McEwan, Esq., Denver, Colorado, for the City of Lakewood and the City of Arvada;

James M. Lyons, Esq., Denver, Colorado, for Home Builders Association of Metropolitan Denver;

Jeffrey G. Pearson, Esq., Denver, Colorado, for Colorado Office of Consumer Services;

D. Bruce Coles, Esq., Denver, Colorado, for Colorado Energy Advocacy Office;

Richard L. Fanyo, Esq., Denver, Colorado, for CF&I Steel Corporation;

Dudley P. Spiller, Jr., Assistant Attorney General, Denver, Colorado, for the Staff of the Commission.

S T A T E M E N T

BY THE COMMISSION:

On February 28, 1980, Public Service Company of Colorado (hereinafter "Public Service" or "Applicant") filed Application No. 32602. Due and proper notice of such application was issued by the Secretary of the Commission on March 5, 1980. As a result of such notice, requests for leave to intervene were filed by the following entities and such requests were granted as indicated:

Petitioner	Date filed	Commission Action Date	Decision No.
City of Lakewood	4-2-80	Granted 4-8-80	C80-651
City of Arvada	4-4-80	Granted 4-15-80	C80-707
Home Builders Assn. of Metropolitan Denver (HBA)	3-17-80	Granted 4-15-80	C80-707
CE&I Steel Corporation (CE&I)	5-1-80	Granted 5-6-80	C80-886
Colorado Energy Advocacy Office	5-9-80	Granted 5-20-80	C80-982

On April 30, 1980, HBA filed a motion requesting that Application No. 32602 be consolidated with Case No. 5921, a complaint case which it had filed earlier against Applicant's rules, regulations and tariffs concerning construction advances and deposits and other related subjects, and also requested that these matters be heard by the Commission en banc. After responses and counter-motions by Applicant, the Commission issued Decision No. C80-1138 on June 10, 1980. granting the motion to consolidate Application No. 32602 and Case No. 5921 for hearing and denying the motion that the Commission hear the matters en banc.

On May 15, 1980, Public Service filed Application No. 32845. Notice of such application was duly issued by the Executive Secretary of the Commission on May 23, 1980.

In response to a motion stated in the request of CE&I for leave to intervene in Case 5921, the Commission issued Decision No. C80-1406 on July 15, 1980, ordering that each intervenor in each matter was made an intervenor in the other matter if not already a party thereto.

On July 31, 1980, in response to a motion filed on behalf of Applicant, the Examiner issued an interim order consolidating Application No. 32845 with Application No. 32602 and Case No. 5921.

After numerous settings, continuances and interlocutory matters pertaining to discovery, the matters were finally called for hearing pursuant to due and proper notice on September 11, 1980, in the Commission Hearing Room, Fifth Floor, 1525 Sherman Street, Denver, Colorado. At such time, counsel for Complainant HBA moved for dismissal of Case No. 5921 without prejudice to later refiling, which motion was granted. Hearing was held as scheduled on Applications 32602 and 32845. The hearing was completed on September 12, 1980. Testimony was heard from seven witnesses and a total of twenty-four (24) exhibits were offered and admitted into evidence.

The matter was taken under advisement by the Examiner at the conclusion of the hearing. Statements of position thereafter were filed by some of the parties herein and were considered by the Examiner.

On December 22, 1980, Hearings Examiner Loyal W. Irumbull issued Recommended Decision No. R80-2380 wherein he recommended that Application No. 32602 and Application No. 32845 be denied.

The following pleadings with respect to the Recommended Decision No. R80-2380 have been filed with the Commission:

Motion for Extension of Time filed by Public Service Company

Motion for Extension of Time filed by the Staff of the Commission

Exceptions of the Colorado Office of Consumer Services

Exceptions of Public Service Company of Colorado

Motion for Extension of Time filed by the Cities of Lakewood and Arvada

Statement of Adoption of the Colorado Energy Advocacy Office

Motion to Strike Statement of Adoption of Home Builders Association

Response of Motion to Strike filed by Colorado Energy Advocacy Office

Response of the Cities of Arvada and Lakewood to Exceptions filed by Public Service Company and The Office of Consumer Services

Adoption of Responses to Exceptions of the City of Lakewood and City of Arvada filed by Home Builders Association of Metropolitan Denver

The Commission has now considered the Recommended Decision of the Examiner together with the foregoing substantive pleadings relating thereto, and has determined that the within applications should be remanded to the Examiner for further hearing and entry of a recommended decision in accordance with the policy parameters as hereinafter set forth.

FINDINGS OF FACT AND DISCUSSION

Public Service, in Application No. 32602, seeks to revise its present extension policy by:

(a) Revising the free construction allowance that Public Service will spend for distribution facilities for a new customer from 5.5 times annual gross revenues downward to one times the annual base rate revenues. The factor for street lighting for municipalities would be two times annual base rate revenues.

(b) Requiring new customers to pay on a non-refundable basis the full cost of providing a service lateral for customers' exclusive use, the cost of which is presently included in computation of the "free construction allowance." Public Service's present average cost for a residential service lateral is $167.00.

By Application No. 32845, Public Service requests that it be allowed to implement further the policy of Application No. 32602 by substantially increasing its charges for installing gas and electric meters.

An extension policy by utility is designed to set forth the maximum amount that a utility will invest in additional facilities in order to provide service before the utility requires any additional expense to be borne by the customer. The question to be answered by an extension policy is the amount that reasonably can be invested in additional facilities without unduly burdening the utility and its general body of ratepayers. Normally, of course, it is generally recognized that a public utility must extend its service at its own expense or investment in order to fulfill a reasonable request for service by a person otherwise entitled to demand service from the utility. In regard to the reasonableness of the cost which an extension of service will entail, it is not necessary that a particular extension of service immediately be profitable or that there be no unprofitable extensions. The criterion generally is whether the proposed extension will place an unreasonable burden upon the utility as a whole or its existing general body of ratepayers. Thus, while a utility cannot fix the limits of a proposed extension which will yield an immediate profit, on the other hand it cannot be required to make unreasonable extensions. Thus, in between these two extremes a utility should be able to require of the proposed customer financial assistance in the necessary outlay in furnishing the service.

Rule 31 of the Rules Regulating the Service of Electric Utilities contains the Commission's present policy with regard to extension of service lines and facilities. Section II of Rule 31, regarding the revenue guarantee plan applicable to "permanent service" states that each utility's extension policy specifically shall set forth the relation that the investment the of utility is justified in making for an extension bears to the assured monthly or annual revenue to be derived from the customer. As indicated above, Public Service, in Application No. 32602, desires to revise its present extension policy by reducing downward the free construction allowance from 5.5 times annual revenues to one times annual base rate revenues. The difficulty, of course, with basing a free construction allowance upon investment to revenue ratio, regardless of what that ratio may be, is that the higher the revenue (which generally means a higher usage), the higher the free construction allowance will be. Stated another way, an investment to revenue ratio mechanism for determining the free construction allowance has a built-in bias against the conservation of energy. On the contrary, an allowance based upon embedded investment does not carry the inherent disincentive toward conservation.

Pending a more comprehensive revision of Rule 31 of the Rules Regulating the Service of Electric Utilities, the Commission, pursuant to the "special circumstances" provisions of Section I(g) of Rule 31 hereby establishes for Public Service the following general extension policy parameters:

Rule 31 currently requires that electric service provided by Public Service for the purposes of the extension lines and facilities of the utility shall be classified as (1) "permanent service", (2) "indeterminate service", and (3) "temporary service."

The <u>permanent service policy</u> should provide that:

(a) A permanent service customer will be allowed a free construction allowance equal to the embedded gross distribution investment per customer.

(b) Ihe gross embedded investment per customer is to be calculated separately for residential customers and commercial-industrial customers.

(c) Costs of an extension over the free construction allowance is to be paid by the customer as a refundable construction advance.

(d) Ihe gross embedded investment per customer is to be calculated to include the service lateral from the distribution loop.

(e) Appropriate refunds are to be made to the customer by the utility if any additional customer or customers are served off the extension during the first five year period that the extension is in operation.

(f) With regard to street lighting, the free construction allowance shall be equal to the gross embedded investment per street light with the extension costs above that amount to be paid by the particular municipality or governmental entity involved. No refunds will be paid.

Ihe indeterminate service, policy should provide for two types of customers:

(a) Real estate subdividers and developers of land for sale.

(b) All other indeterminate customers not included in (1). (This would include, of course, such entities as mines, quarries, wells, sand pits, etc.)

With regard to subdividers and developers in the indeterminate policy should provide that:

(a) A subdivider and developer will pay to the utility all costs of the extension as a refundable construction advance.

(b) As customers of a permanent nature take service within the subdivision or development, the subdivider or developer will receive from the utility a refund equal to the gross embedded investment per customer for the type of customer connected.

(c) Ihe refund period will run for five (5) years from the date the extension becomes operational. During that five (5) year period of time any amounts which are not refunded will become contributions in aid of construction.

With regard to all indeterminate customers, except for subdividers and developers, the customer will pay to the utility the entire cost of the extension as a non-refundable contribution in aid of construction.

With regard to temporary service, a customer will pay to the utility, as a non-refundable contribution in aid to construction, an amount equal to the required investment less net salvage (gross salvage less cost of removal).

With regard to Application No. 32845, Public Service's proposed changes pertain to installation charges for gas and electric meters as well as providing that Public Service would have the responsibility for determining the location of the meters. It appears that installation charges were determined as a result of a study conducted by Mr. Heckendorn of Public Service. The Examiner in Decision No. R80-2380 makes no specific findings with regard to the installation charges for gas and electric meters, except to say that the present meter charges had not been shown to be unjust, unreasonable or unduly discriminatory. The Commission believes that more specific findings are required in order to establish why the proposed meter installation charges are not appropriate, if such be the case. As a matter of policy, the Commission is favorably inclined toward any proposal which more accurately tracks costs and allocates the same to those who are responsible for their incurrance. In this way the general body of ratepayers is not compelled to subsidize new customers. Additionally, of course, the recovery of costs "up front" will enhance the cash flow position of Public Service thereby diminishing the necessity to raise rates for the general body of ratepayers.

Premises considered, the Commission finds and concludes that Application Nos. 32602 and 32845 should be remanded to the Examiner for further hearings in accordance with the policy parameters expressed herein. The further hearings should establish what the current embedded costs are with regard to particular categories of service. The further hearing should further enable the Examiner to make a more particularized determination as to the reasonableness, or nonreasonableness of the proposed meter charges which are the subject of Application No. 32845.

With regard to embedded gross distribution investment per customer, in regard to permanent service, the Commission believes that the embedded gross distribution investment per customer can be updated on an annual basis for implementation in a line extension policy.

An appropriate Order will be entered.

O R D E R

THE COMMISSION ORDERS THAT:

1. Application No. 32602 and Application No. 32845 be, and hereby are, remanded to Examiner Loyal W. Irumbull for further hearings and rendition of a recommended decision in accordance with the decision herein.

2. Hearings Examiner Loyal W. Irumbull shall issue such further procedural orders as may be necessary herein.

3. This Order shall be effective forthwith.

DONE IN OPEN MEETING the 21st day of April, 1981.

THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

Edith S. Miller

Daniel E. Muse

L. Duane Woodard

Commissioners

jkm:ao/3/C

(Decision No. C81-752-E)

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OF THE STATE OF COLORADO

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IN THE MATTER OF THE APPLICATION OF PUBLIC SERVICE COMPANY OF COLORADO FOR AN ORDER AUTHORIZING IT TO REVISE THE EXTENSION POLICY INCLUDED IN ITS PUC NO. 5 - ELECTRIC TARIFF.	)	APPLICATION NO. 32602
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May 7, 1981
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Decision No. C81-752
(Issued April 21, 1981)

Page 1, below the captions, change date from "April 21, 1980" to "April 21, 1981".

Page 2, after line 11, insert the following:

"Colorado Office of Consumer Services"	5-15-80	Granted 5-20-80	C80-982

THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

HARRY A. GALLIGAN, JR., Executive Secretary

Dated at Denver, Colorado, this
7th day of May, 1981.