

(Decision No. R82-903)

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

* * *

RE: INVESTIGATION AND SUSPENSION)
OF TARIFF SHEETS ACCOMPANYING)
ADVICE LETTER NO. 51, FILED BY)
YAMPA VALLEY ELECTRIC ASSOCIATION,)
INC., FOR REVISION OF TARIFF)
COLORADO PUC NO. 2 - ELECTRIC.)

CASE NO. 6045

RECOMMENDED DECISION OF
EXAMINER ROBERT E. TEMMER

- - - - -
June 16, 1982
- - - - -

Appearances: William H. McEwan, Esq., Denver,
Colorado, and
Marvin L. Brown, Esq., Steamboat
Springs, Colorado, for Respondent
Yampa Valley Electric Association,
Inc.;

Daniel C. Kogovsek, Esq., Denver,
Colorado, for Citizens United
Against Higher Utility Rates and
the Colorado Office of Consumer
Services;

Steven H. Denman, Assistant Attorney
General, Denver, Colorado, for the
Staff of the Commission.

STATEMENT

Yampa Valley Electric Association, Inc., (Yampa or Respondent), filed its Advice Letter No. 51 with the Commission on August 24, 1981. The advice letter was accompanied by a number of tariff sheets, as more fully set forth in the advice letter. Yampa stated that the filing was made in accordance with the order contained in Decision No. R81-808, which decision and order required Yampa to file tariff sheets containing rates based upon a cost of service study. The rates and charges contained in the tariff sheets accompanying Advice Letter 51 went into effect pursuant to the appropriate statutory provisions.

The Commission issued its Decision No. C81-1570 on September 9, 1981. That decision noted that the customer service charges, the combination of rate classes, and the allocation of costs to various classes might not be proper. The decision established this case, and set the matter for a hearing to be held on November 17, 1981, in Steamboat Springs, Colorado.

An Entry of Appearance and notice that the Staff of the Commission (Staff) might participate in the hearing was filed by the attorney for the Staff on September 22, 1981. A petition to intervene was filed by Citizens United Against Higher Utility Rates and the Colorado Office of Consumer Services (Citizens United and OCS) on September 25, 1981. This petition was granted by ER No. 81-203, entered October 7, 1981.

Pursuant to a petition filed by Respondent on October 13, 1981, the hearing date of November 17, 1981, was vacated and the matter was reset for a hearing to be held on December 22, 1981, commencing at

9 a.m., in the County Courtroom, Routt County Courthouse, in Steamboat Springs, Colorado.

Yampa filed a motion requesting certain procedural relief on November 19, 1981. Citizens United and OCS and the Staff filed responses to that motion. The Commission issued its Decision No. C81-2026 on December 8, 1981, resetting certain prefiling dates and denying all other requests in the motion for procedural relief filed by Yampa.

The hearing was commenced on December 22, 1981, in Steamboat Springs. There was insufficient time to complete the hearing on that date. Decision No. R82-6-I was issued on January 7, 1982, setting the matter for further hearing to be held on January 28, 1982, at 10 a.m., in a hearing room of the Commission, Fifth Floor, 1525 Sherman Street, Denver, Colorado. The hearing was held on that date and on the 29th day of January, 1982, commencing at 9 a.m. The hearing was completed on January 29, 1982. During the course of the hearing, Exhibits 1 through 32 and 34 through 46 and A, B, and C and 22 Revised, were marked for identification. Exhibit No. 33 was reserved for a late-filed exhibit. All of the above-mentioned exhibits were admitted into evidence with the exception of Exhibits 19 and 21, which were rejected and Exhibit 24, which was not ruled upon as it was identical to Exhibit No. 39, which was admitted.

It was requested that official notice be taken of certain matters, and official notice be, and hereby is, taken of: Decision No. C79-1111, issued in Case 5693 by the Commission on July 27, 1979; Decision No. C80-413, issued in the same case on March 6, 1980; Decision No. C81-1198, issued in the same case on July 7, 1981; and of Decision Nos. C81-1185, R81-1701, C81-1911, and R81-1764.

At the conclusion of the hearing, the subject matter was taken under advisement.

The parties requested permission to submit statements of position 20 days after filing of the transcript, which request was granted. A joint motion was filed by the Staff and Yampa on March 29, 1982, requesting an additional 10 days within which to file statements of position. The parties were informed that this motion would be granted and that they would be allowed until April 12, 1982, within which to file statements of position.

Statements of position were filed by Citizens United and OCS on April 7, 1982, by Yampa on April 12, 1982, and by the Staff on April 12, 1982.

Pursuant to the provisions of 40-6-109, CRS 1973, the Examiner herewith transmits to the Commission the record and exhibits of this proceeding along with this written recommended decision.

FINDINGS OF FACT AND CONCLUSIONS THEREON

Based upon upon all the evidence of record the following facts are found and conclusions thereon are drawn:

1. Yampa is a certificated utility which purchases, transmits and distributes electric power and energy in its certificated service area in Colorado, and in an area in Wyoming. Only its Colorado operations are relevant in this proceeding.

2. Yampa filed Advice Letter No. 51 as result of directions contained in Decision No. R81-808, entered in I&S Docket No. 1488 on May 7, 1981. That decision granted Yampa a general increase in rates and distributed the increase on the basis of an equal increase per

kilowatt hour. It also ordered Yampa to submit revised rates based on a comprehensive cost of service study.

3. Advice Letter No. 51 and the tariffs accompanying it do not request an increase in rates. They were filed pursuant to the order specified above to restructure and redesign rate classes and rates in accordance with a cost of service study upon which the rates are based.

4. Yampa gave notice to its customers of the proposed filing. The rates have gone into effect.

5. The test period proposed in this proceeding by Yampa is the 12 months ended March 31, 1981. This is an appropriate test period for use in this proceeding.

6. Exhibit 3, as admitted in this proceeding, is the cost of service study that was prepared for Yampa, and which Yampa sponsored in this proceeding. It is the cost of service study that Yampa had prepared in response to the order in Decision No. R81-808. The Staff takes issue with this cost of service study, and contends that it is so flawed that it should be disregarded. Staff sponsored its own cost of service study, a copy of which was admitted into evidence as Exhibit 29. As might be expected, Yampa does not agree that its cost of service study is flawed, and does not agree that Exhibit 29 should be relied upon in place of Exhibit 3.

Each of these cost of service studies uses a version of the Average and Excess Demand Methodology. In Decision No. C79-1111 issued July 27, 1979, this Commission's "Generic Decision," the Commission noted that the Average and Excess Demand Method is the major allocation system used in Colorado, and stated that jurisdictional utilities should provide evidence to justify the use of the particular allocation system they have selected. It stated that the appropriate procedure depends in large measure on the operational and load characteristics of a given utility. Yampa has designed its cost of service study noting the specific conditions that Yampa faces, including the flat wholesale energy rate that is applicable from Yampa's supplier, Colorado-Ute Electric Association, Inc. One of the flaws that the Staff alleges is contained in Exhibit 3 is its use of monthly average load factors in the methodology. Staff contends that it is an industry practice to use annual load factors, and cites certain testimony offered in a Public Service Company of Colorado case in I&S Docket No. 1116. This Commission in Decision No. C80-413 issued March 6, 1980, which was one of its decisions upon reconsideration of its Generic Decision, at page 8 discusses the average and excess demand methodology used by Public Service Company. That method used monthly data and was approved by the Commission. The mere fact that monthly data was used by Yampa in its average and excess demand methodology is not a flaw. The Staff also contends that the load factors used by Yampa were manipulated. The cost of service study was prepared considering the load information available in the Yampa system and based upon the judgment of Yampa's expert was adjusted on the basis of his experience with REA distribution cooperatives. The Staff felt the load research data available from the Yampa system to be inadequate and substituted load research data available from Public Service Company of Colorado. Staff performed no studies to make sure this information was in fact applicable to or comparable to Yampa. The Staff witness simply picked the Public Service data that he would expect to be comparable to Yampa. Yampa contends that the use of the Public Service load research data is inappropriate because it is not transferrable from year to year for Public Service and that, therefore, it should not be transferred to an entirely different system.

Yampa's cost of service study uses a method for allocating administrative and general expenses as an overhead item to be shared on the same basis as other costs. Staff allocates the administrative and

general expenses as an operation and maintenance expense. Several other differences between the method employed by Yampa and Staff in the application of their Average and Excess Demand Methodology for performing the cost of service were pointed out by the evidence in this proceeding. The methodology employed by Yampa is tailored for its system and will be accepted in this proceeding. The Staff's methodology is not found to be inappropriate. However, the evidence does not establish that it should be given preference over the methodology selected by Yampa, and since it uses data from another utility without an express showing that the data can reasonably be applied to Yampa, the cost of service study sponsored by Yampa should be given preference and should be used for this proceeding.

7. Staff also contends that test year operating revenues and expenses should be weather normalized. In support of this contention it is argued that there is a significant load on the Yampa system that is temperature sensitive. It is urged that there is a large electric heating load which is sensitive to changes in temperature and which can be shown to be sensitive to changes in degree days. Yampa contends that its load is not simply subject to changes in temperature, but that since one of the major ski areas in the world is located in Yampa's service territory that snow fall is a major variable that affects consumption. If there is a "good snow year" more skiers are in the area and there is more consumption of electricity. Yampa also contends that Staff's proposal contains the assumption that there is a linear relationship between degree days and kilowatt hour usage and that the evidence shows that this assumption is incorrect. The evidence in this proceeding does establish that there is variation in usage that is weather related. The consumption is sensitive to both temperature and snowfall. Weather normalizing revenues for electric utilities has not been an accepted practice in the past, and has not been done by any electric utility in a rate case as of this date in this state. It appears that with a growing load that is weather sensitive, a weather normalization adjustment could be appropriate. The evidence in this proceeding does establish that there are some problems that need to be considered when arriving at such an adjustment. These problems are as contended by Yampa, and are all apparently related to the fact that temperature is not the only variable which causes changes in consumption. Because of these problems, a weather adjustment will not be used in this proceeding. However, Yampa should be on notice that because of an apparent growing load that is weather sensitive it should consider a weather normalization adjustment and should attempt to develop an appropriate methodology therefor for use in future proceedings.

8. Yampa has proposed that the three residential rates that were previously in effect be consolidated into one residential rate classification. Staff has proposed that there should be a conventional residential rate, and an electric heat residential or all-electric rate. In the past, Yampa had three residential rates, one was for rural residential, one was for urban residential, and one was for rural all-electric. The Staff's proposal was based upon its cost of service study which showed that there are different usage, load, and cost characteristics between conventional customers and space heating or all-electric customers. Yampa's cost of service study indicates that there are insignificant cost differences between the three old classes. Historically, the rural all-electric rate was established by Yampa as a "promotional" rate to get rural customers to use more electricity. They were given a preferential rate that was lower than the rural residential rate. Yampa Valley never established an urban all-electric rate, although there were numerous customers that were served under the urban residential rate that used electricity for all their needs.

The Commission in its Generic Decision, C79-1111, discussed all-electric customers and concluded that demand-energy rates would be appropriate for all-electric customers and stated at page 147 of that decision ". . . All affected utilities should note that the Commission

is of the opinion that it is appropriate to design demand-energy rates, as was done by Public Service Company, so that all-electric customers with a load factor greater than that built into the current rate schedules will be able to achieve savings." It was the idea of the Commission that through a means of controlling their load these customers would not only benefit themselves but the entire system. Staff's proposal does not coincide with the Generic Decision as it proposes a higher rate for the electric space heating or all-electric customer than it does for the "conventional" customer, and the rate proposed is not a demand-energy rate. Yampa contends that there are numerous problems with Staff's proposal. Yampa does not have records that would specifically identify all of the customers that should be included in the all-electric rate category. Yampa also contends that Staff has failed to present a workable definition so that it could determine who should be in that rate category. Yampa further notes that because of the current way that it is charged for wholesale power by its supplier, Colorado-Ute Electric Association, a flat charge per kilowatt hour without a demand charge, that the requirements of the Generic Decision for a demand-energy rate may not make sense in its case. The most appropriate way to treat all-electric customers would be as specified in the Commission's Generic Decision, even though at the present time, due to the current rate structure of Colorado-Ute Electric Association, a demand-energy rate for all electric customers may not work as well as desired by the Commission. The cost of service study sponsored by Yampa supports the position taken by Yampa to consolidate all three groups into one rate schedule. Doing this for the present will aid public understanding and acceptability. The Commission said, at page 132 of its Generic Decision " . . . Public understanding and acceptability of any utility rate is an essential factor that must be considered by regulators in designing and approving rates . . ." In the future, Yampa should design a demand-energy rate for all new all-electric customers and also make it available on a voluntary basis for existing customers who would qualify for it as outlined on page 147 of Decision No. C79-1111. It is noted that Yampa Valley has had a definition all-electric service in its tariff sheets in the past, and that some parameters are set forth in the Commission's Generic Decision. It is also noted that Yampa has in its power requirements study made certain predictions about all electric customers. It appears that even though there are certain practical problems in defining what an all-electric customer is that Yampa can, in fact, arrive at an appropriate definition at the appropriate time.

9. Yampa has proposed, and it has now gone into effect by operation of law, that its commercial fuel and municipal pumping rates be eliminated, and that those customers be assigned either to the commercial rate or large power rate. Staff has suggested that both the commercial fuel and municipal pumping rates be retained. The commercial fuel and municipal pumping rates were initially promotional rates, just as the rural residential all-electric rate was. The treatment of the commercial category should be the same as outlined above for the residential rates. In the future a commercial all-electric rate should be established as outlined in the Commission's Generic Decision. The appropriate treatment for these rate categories at this time is to accept the proposal of Yampa, and require that in the future a commercial all-electric demand-energy rate be established as outlined in the Generic Decision.

10. Yampa has proposed a customer charge component of \$3.10. The Staff proposed a customer charge component of \$1.80 based on the amounts in Accounts 901 through 905. Yampa suggested, as an alternate to its \$3.10 customer charge proposal, a residential rate eliminating the customer charge and only containing a flat energy charge. Yampa points out that in the Generic Decision that the Commission said " . . . The customer cost component is independent of usage and has been attributable to the cost of reading meters and preparing bills, as well as customer-related plant costs. . ." Decision No. C79-1111, page 133. It

should be noted that was stated by the Commission in its discussion concerning declining block rates. On page 136 of Decision No. C79-1111, the Commission said: "In essence, the Commission believes that a rate should be designed to recover each of the three herein described cost components separately. For example, customer costs, defined to include expenses of billing and meter reading only, should be recovered from every customer as a flat monthly charge without regard to usage. . . ." Footnote 29 provides: "The Commission believes that any fixed costs previously recovered through the customer component of the declining block rate more properly are recovered through the demand component of the proposed rate." This is the theory that the Commission has followed in the Home Light case and several other cases of which official notice has been taken. Yampa points out that for a cooperative distribution utility it would make sense to include a margin in the customer charge. The reason advanced is that every charge should take into account margins so that when capital is rotated, it will be done fairly, because everyone will have contributed through each charge. This has merit. However, the policy of the Commission as first set forth in the Generic Decision (C79-1111, at page 136), and more recently in other decisions including decisions affecting rural electric cooperatives, does not include that theory. Citizens United and OCS suggest that the flat charge per kilowatt hour rate should be used. They contend it would be more understandable for the customers.

Staff's proposal for the customer charge should be accepted in this proceeding. It follows established Commission policy.

Staff has also proposed that a minimum bill could be established. The Generic Decision does not provide for a minimum bill and one should not be adopted. In essence, the establishment of a minimum bill would increase the customer charge, and would depart from a two or three part rate structure.

11. Yampa contends that it should be exempted from some of the requirements in the Generic Decision. This contention is based on the current wholesale rate of Colorado-Ute Electric Association, which Yampa alleges makes it impractical to apply portions of the Generic Decision to Yampa. Staff contends that Yampa should not be exempted from the requirements of the Generic Decision. It does appear that the current wholesale rate structure of Colorado-Ute may make the requirements of the Generic Decision less beneficial, as applied to Yampa, but it does appear that load research and the other requirements of the Generic Decision will still be of some benefit to Yampa and its consumers.

12. Yampa pointed out that certain corrections need to be made to the large power rate that was filed and which is now in effect. This will be authorized in the Order to follow. The rates proposed by Yampa with the modifications noted in this Decision and to be ordered in the Order to follow will be just and reasonable and not unduly discriminatory.

13. Pursuant to the provisions of 40-6-109, CRS 1973, it is recommended that the following Order be entered.

O R D E R

THE COMMISSION ORDERS THAT:

1. Yampa Valley Electric Association, Inc., shall file new tariff sheets for the large power rate to account for the customer owning their own transformer facilities and for the residential rate with a \$1.80 customer charge and an energy charge modified accordingly.

2. With the exception of those tariff sheets mentioned in Ordering Paragraph No. 1 hereof, those tariff sheets accompanying Advice

Letter No. 51 shall remain the rates and charges of Yampa Valley Electric Association, Inc.

3. Yampa Valley Electric Association, Inc., shall remain subject to the requirements of the Commission's Generic Decision.

4. Yampa Valley Electric Association, Inc., shall submit a new advice letter accompanied by the new tariff sheets required by Ordering Paragraph No. 1 hereof. Such filing may be made on one (1) day's notice, and shall refer to the authority of this Decision.

5. The "Joint Motion for Extension of Time Within Which to File Statements of Position," filed on March 29, 1982, be, and hereby is, granted.

6. Case No. 6045 be, and hereby is, closed.

7. This Recommended Decision shall be effective on the day it becomes the Decision of the Commission, if such be the case, and is entered as of the date hereinabove set out.

8. As provided by 40-6-109, CRS 1973, copies of this Recommended Decision shall be served upon the parties, who may file exceptions thereto; but if no exceptions are filed within twenty (20) days after service upon the parties or within such extended period of time as the Commission may authorize in writing (copies of any such extension to be served upon the parties), or unless such Decision is stayed within such time by the Commission upon its own motion, such Recommended Decision shall become the Decision of the Commission and subject to the provisions of 40-6-114, CRS 1973.

THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO


Examiner

vc