

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

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RE: THE INVESTIGATION AND)	DOCKET NO. 93S-151E
SUSPENSION OF TARIFF SHEETS)	
FILED BY PUBLIC SERVICE COMPANY)	DECISION GRANTING EXCEPTIONS
OF COLORADO WITH ADVICE LETTER)	IN PART AND DENYING IN
NO. 1197-ELECTRIC.)	PART

Mailed Date: December 1, 1993
Adopted Date: December 1, 1993

STATEMENT

BY THE COMMISSION:

This matter comes before the Commission on a number of motions and exceptions by Commission Staff ("Staff"), Public Service Company of Colorado ("Public Service"), and the Colorado Office of Consumer Counsel ("OCC").

DISCUSSION

A. Motions for Extensions of Time to File Exceptions.

On October 25, 1993, the Commission Staff and OCC filed a motion for an extension of time to October 29, 1993, to file exceptions to Recommended Decision No. R93-1214. The Staff and OCC cite as grounds for the motion the unavailability of transcripts and the press of other cases. This motion was followed by another motion for extension of time by the Staff requesting until November 3, 1993, to file exceptions. The later motion was prompted by a medical emergency of Staff counsel. No objections to the motions were filed. The Commission finds that the motions state good cause and should be granted.

B. Motion for Leave to File Amended Advice Letter and Tariffs.

On October 29, 1993, Public Service filed a motion requesting leave to file an amended advice letter and tariffs which change the effective date of the tariffs as originally filed. The 210-day suspension period for the tariffs as originally filed would have expired November 1, 1993. The amended advice letter and tariffs, with their new effective dates, now cause the 210-day suspension period to expire on December 1, 1993. No objections to the motion were filed.

The Commission will grant the motion for leave to file the amended advice letter and tariffs. This allows the Commission the opportunity to consider within the 210-day suspension period the exceptions filed in this case.

C. Exceptions.

Staff, Public Service, and OCC filed exceptions to Recommended Decision No. R93-1214. Having reviewed the exceptions, we will grant the exceptions and deny the exceptions to the extent set forth below.

The threshold question concerns whether a Qualifying Facility Capacity Cost Adjustment ("QFCCA") clause for recovery of Public Service's capacity payments to Qualifying Facilities ("QF") should be created. The Commission concurs with Administrative Law Judge John B. Stuelpnagel's finding that the QFCCA is justified for the following reasons. First, the dollar amounts to be paid by Public Service to QFs currently under contract but not yet on line are significant. The record in this case indicates that the annual costs of capacity payments to such QFs is expected to exceed \$90 million. Second, these capacity costs are largely beyond the control of the company because Public Service was not allowed to force the QFs to negotiate the capacity price to be paid. Finally, these costs are volatile since the precise date that the QFs will begin operation (and, thus, begin to receive payments from Public Service) is uncertain. Therefore, the Commission will deny the exceptions filed by OCC and Staff that take issue with the Administrative Law Judge's applications of the standards for the establishment of a cost adjustment clause for capacity costs sought to be recovered in the proposed QFCCA.

While the Commission determines that the QFCCA is appropriate, the Commission agrees with Staff that the QFCCA should be limited. For the reasons set forth in Staff's exceptions, the QFCCA shall apply only to those existing QFs under contract whose costs are not yet included in base rates. This will allow Public Service to recover costs of QFs coming on line in the next few years without creating an excessively broad mechanism which may result in unforeseen ramifications.

The Commission also agrees with the Staff recommendation to limit the duration of the QFCCA. The record indicates that Public Service proposed the QFCCA in order to solve a short-term problem concerning QFs coming on line over the next two years. The Commission finds that QFCCA should expire when the next rate case following the inclusion of all QF capacity costs is filed.

The combined effects of this limitation with the limitation concerning the scope of the QFCCA is that after the last capacity payments to QFs that are currently under contract are reflected in the QFCCA, the amount of money collected in this clause will remain

constant, until the next rate case. At that time, capacity costs will be reflected in base rates and the QFCCA will be abolished.

The Commission will reverse Recommended Decision No. R93-124 with respect to the choice of test year to base the calculation of the QFCCA. The Commission finds that an historic test period with *pro forma* adjustments will suffice for recovery of the QF capacity costs and will reduce the possibility of substantial over or under recovery. In addition, the use of an historical test year places the QFCCA on a consistent basis with fuel clauses and the recently completed Public Service rate case. The *pro forma* adjustments shall be for a 12-month period beginning October 1 of each year. The initial rates shall have *pro forma* adjustments for the period of December 2, 1993, through September 30, 1994.

Since the Commission has allowed the use of *pro forma* adjustments to an historical test year, the Commission will adopt the interest rate treatment set forth in the Recommended Decision. This will provide Public Service with an incentive to make accurate estimates concerning the calculation of the *pro forma* adjustments.

The OCC requested that the Commission adopt an earnings test if the Commission should adopt the QFCCA. The Commission will adopt an earnings test. The QFCCA is being created for the substantial benefit of Public Service because it allows more rapid recovery of capacity costs compared to recovery of these costs in a rate case. To balance this substantial benefit, the Commission finds that an earnings test is appropriate.

The record is sparse on what precisely the earning test should be. Therefore, we will order that Public Service file by January 1, 1994, a tariff effective on 30-days' notice which proposes an earnings test and a review process. This January 1, 1994, filing shall incorporate a proposed earnings test and review process with the tariffs approved here today.

Finally, Staff has raised significant issues concerning the utilization of QFs and the operations and maintenance costs of the Pawnee I power plant. The Commission is concerned about these issues because they have the potential to increase the efficiency of the utilization of QFs. The Commission finds that these issues should be taken up in a separate docket with proper notice to all parties.

THEREFORE THE COMMISSION ORDERS THAT:

1. The motions for extensions to file exceptions are granted.
2. Public Service Company of Colorado's motion for leave to file an amended advice letter and tariffs is granted.

3. Except as otherwise noted in this Decision, the exceptions of the parties are denied.


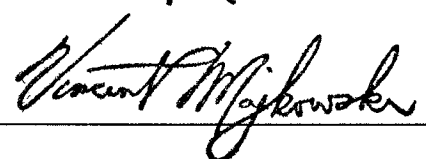
4. The tariffs as originally filed by Public Service Company of Colorado are hereby permanently suspended. Except as noted in paragraph 5 below, Public Service Company of Colorado shall file on not less than one-day's notice tariffs that comply with this Decision. The tariffs that are to be filed on not less than one-day's notice shall not include an earnings test or review process.

5. Public Service Company of Colorado shall file by January 1, 1994, an advice letter and tariffs to be effective on 30-days' notice which incorporate an earnings test, review process into the tariffs approved by ordering paragraph 4, and which otherwise complies with this Decision.

This Order is effective on its Mailed Date.

ADOPTED IN OPEN MEETING December 1, 1993.

THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

COMMISSIONER CHRISTINE E. M. ALVAREZ
ABSENT