

(Decision No. C79-1821)

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. 1330
FILED BY PUBLIC SERVICE COMPANY	)	
OF COLORADO, 550 15TH STREET,	)	
DENVER, COLORADO, UNDER ADVICE	)	PHASE I DECISION AND ORDER
LETTER NO. 277-GAS, ADVICE LETTER	)	ESTABLISHING REVENUE REQUIREMENT
LETTER NO. 278-GAS, ADVICE LETTER	)	AND AUTHORIZING THE FILING OF
NO. 760-ELECTRIC, ADVICE LETTER NO.)	)	INTERIM RATES PENDING DECISION ON
761-ELECTRIC, ADVICE LETTER NO. 19-	)	PHASE II
STEAM, AND ADVICE LETTER NO. 20-	)	
STEAM.	)	

-----  
November 21, 1979  
-----

PUBLIC SERVICE COMPANY AUTHORIZED TO PLACE INTO EFFECT ON OR ABOUT NOVEMBER 26, 1979, REVENUE INCREASE IN THE AMOUNT OF \$40,391,348. THE INCREASE IN ELECTRIC RATES IS \$31,169,094 (7.65%); THE INCREASE IN GAS RATES IS \$8,771,360 (5.28%); THE INCREASE IN STEAM RATES IS \$450,894 (11.26%). THE FOREGOING RATES ARE BASED ON CURRENT RATE STRUCTURES AND ARE TO BE EFFECTIVE UNTIL FEBRUARY 15, 1980, OR UNTIL FURTHER ORDER OF THIS COMMISSION.

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

Gorsuch, Kirgis, Campbell, Walker & Grover  
by Leonard M. Campbell, Esq.,  
Clinton P. Swift, Esq., and  
Robert E. Warren, Esq., for  
AMAX, Inc., and The City of Lakewood;

John L. Mathews, Esq., San Francisco,  
California, Western Area Chief Counsel  
for Regulatory Law, General Services  
Administration for the Executive  
Agencies of the United States;

Jerold L. Schmidt, Esq.,  
Denver, Colorado, for  
Building Owners and Managers Association,  
Plaza Building Venture  
Energy Center I Venture  
Division of Urban Investment and Development Co.;

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

Rudolph Schware, Esq.  
Denver, Colorado, for  
Colorado Committee for Economic Survival and  
Concerned Citizens Congress of Northeast Denver;

D. Bruce Coles, Esq.  
Denver, Colorado, for  
Colorado Energy Advocacy Office and  
Colorado Association of Community Organizations  
for Reform Now;

Jacquelyn J. Higinbotham, Esq.,  
Henry G. Wright, Esq.,  
Fort Morgan, Colorado, for  
Jessie Acosta;

William E. Benjamin, Esq.,  
Denver, Colorado, for  
Ann Caldwell;

James M. Lyons, Esq., and  
Frederic L. Coldwell, Esq.,  
Denver, Colorado, for  
Home Builders Association of Metropolitan Denver;

Max P. Zall, Esq. and  
Geoffrey S. Wasson, Esq.,  
Denver, Colorado, for  
City and County of Denver;

Jane Roberts, Esq.,  
Wheat Ridge, Colorado, for  
Colorado Municipal League;

Roger W. Noonah, Esq.,  
Arvada, Colorado, for  
The City of Arvada;

David L. Nelson, Esq.,  
Denver, Colorado, for  
Ideal Basic Industries, Inc.;

Elbridge Burnham,  
Denver, Colorado, pro se;

David Milburn-Lauer,  
Fort Collins, Colorado,  
pro se;

Jeffrey G. Pearson, Esq.,  
Denver, Colorado, for  
The Staff of the Commission;

John E. Archibold, Esq.,  
Denver, Colorado,  
For the Commission.

## S T A T E M E N T

### BY THE COMMISSION:

Investigation and Suspension Docket No. 1330 involves the 1979 major rate case of Public Service Company of Colorado (hereinafter "Public Service" or "Company" or "Respondent"). On October 16, 1979, by Decision No. C79-1644-I, the Commission indicated that it would anticipate entering an interim decision with respect to Phase I (revenue requirements) on or about November 23, 1979. The instant decision is the interim decision with respect to Phase I referred to in Decision No. C79-1644-I.

On November 9, 1979, Public Service Company, by motion, requested that the Commission enter an order directing Public Service to file promptly tariff sheets to be effective upon one day's notice providing for increased rates and charges consistent with the revenue requirements established in Phase I which tariff sheets are to remain in effect until rendition of the Commission's final decision in this docket. Public Service proposed that the Phase I interim rate increase be on a "rider" basis which would mean an across-the-board percentage increase reflecting current rate structures in effect. With respect to steam rates, however, Public Service proposes that the permanent across-the-board percentage increase be approved at this time.

The Commission, in the order hereinafter, will establish the revenue requirements for the electric, gas and steam departments, respectively, and will authorize across-the-board rate increases to become effective, on an interim basis, on or after November 26, 1979. Thus, we will grant Public Service's motion for interim rate relief, but will not grant its request that the steam rates become permanent at this time.

The background of Investigation and Suspension Docket No. 1330, to date, is as follows:

On June 20, 1979, Public Service Company of Colorado filed with the Commission six advice letters, two of which pertain to gas rates, two of which pertain to electric rates, and two of which pertain to steam rates. The six advice letters are as follows:

1. Advice Letter No. 277-Gas, which is accompanied by 78 tariff sheets pertaining to Colorado PUC No. 4 - Gas;
2. Advice Letter No. 278-Gas, which is accompanied by 2 tariff sheets pertaining to Colorado PUC No. 4 - Gas;
3. Advice Letter No. 760-Electric, which is accompanied by 100 tariff sheets pertaining to Colorado PUC No. 5 - Electric;
4. Advice Letter No. 761-Electric, which is accompanied by 2 tariff sheets pertaining to Colorado PUC No. 5 - Electric;
5. Advice Letter No. 19-Steam, which is accompanied by 2 tariff sheets pertaining to Colorado PUC No. 1 - Steam; and
6. Advice Letter No. 20-Steam, which is accompanied by 2 tariff sheets pertaining to Colorado PUC No. 1 - Steam.

With respect to the filing made pursuant to Advice Letter No. 278-Gas, 761-Electric and 20-Steam, Public Service requests that the filings accompanying said advice letters become effective upon thirty (30) days' notice, or on July 20, 1979. With respect to the filings accompanying Advice Letter No. 277-Gas, 760-Electric and 19-Steam, Public Service requested that the Commission immediately suspend the same and establish procedural and hearing dates in order that the rates resulting from these respective filings become effective at as early a date as possible, but not before thirty (30) days after the filing thereof.

In essence, Public Service, in Advice Letter No. 278-Gas, Advice Letter No. 761-Electric, and Advice Letter No. 20-Steam, states that the respective filings therein are to allow the Company the opportunity to earn a rate of return on test year conditions which the Company is lawfully entitled to in accordance with Commission Decision No. C78-1018 in Investigation and Suspension Docket No. 1200, which the Commission entered on August 1, 1978. Accordingly, Advice Letter No. 278-Gas filing seeks an increase in gas revenues in the amount of \$7,337,000, which Public Service states is an increase of 2.1 percent in the total base rate and gas cost adjustment (GCA) revenues at GCA levels in effect on June 20, 1979. Advice Letter No. 761-Electric seeks an increase in electric revenues in the amount of \$24,273,000 which is an increase of 6.4 percent in electric base rate revenues and an increase of 6.0 percent in total base rate, purchased power adjustment (PPA), and fuel cost adjustment (FCA) revenues at PPA and FCA levels in effect on June 20, 1979. Advice Letter No. 20-Steam seeks an increase in steam revenues of \$435,000 which is an increase of 10.9 percent in steam base rate revenues and an increase of 7.9 percent in total base rate and fuel cost adjustment (FCA) revenues at FCA levels in effect on June 20, 1979.

The Advice Letter No. 277-Gas filing seeks an increase in gas revenues in the amount of \$10,999,000 which amount includes and is not in addition to the increase in the amount of \$7,337,000 sought by Advice Letter No. 278-Gas filing. The \$10,999,000 increase sought by Advice Letter No. 277-Gas is an increase of 6.6 percent in gas base rate revenue and an increase of 3.1 percent in total base rate and GCA revenue at GCA levels in effect on June 20, 1979.

The Advice Letter No. 760-Electric filing seeks an increase in electric revenues in the amount of \$52,938,000 which amount includes and is not in addition to the increase in the amount of \$24,273,000 sought by the Advice Letter No. 761-Electric filing. The \$52,938,000 increase sought in Advice Letter No. 760-Electric is an increase of 14.0 percent in the electric base rate revenue and an increase of 13.1 percent in total base rate, PPA, and FCA revenues at PPA and FCA levels in effect on June 20, 1979.

The Advice Letter No. 19-Steam filing seeks an increase in steam revenues in the amount of \$508,000 which amount includes and is not in addition to the increase in the amount of \$435,000 sought by the Advice Letter No. 20-Steam filing. The \$508,000 increase sought in Advice Letter No. 19-Steam is an increase of 12.7 percent in steam base rate revenue and an increase of 9.2 percent in total base rate and FCA revenues at FCA levels in effect on June 20, 1979.

As a result of the six filings referred to above, Public Service seeks additional revenues of \$64,445,000 which consists of \$52,938,000 in electric revenues, \$10,999,000 in gas revenues and \$508,000 in steam revenues.

On June 27, 1979, the Commission entered Decision No. C79-1000 wherein it set the tariff revisions filed by Public Service with respect to its Advice Letters No. 277-Gas, 278-Gas, 760-Electric, 761-Electric, 19-Steam, and 20-Steam, for hearing to commence on September 5, 1979.



Pursuant to the provisions of CRS 1973, 40-6-111(1), the effective date of the tariffs filed with the above-mentioned advice letters was suspended until February 15, 1980, or until further order of the Commission.

Also by Decision No. C79-1000, the Commission determined that the proceedings would be conducted in two phases: Phase I would center on the revenue requirements and Phase II would center on the spread of the rates. For purposes of Phase I in this proceeding, the Commission determined that it would use the twelve-month period ended December 31, 1978 as a test period. The Commission also provided, in Decision No. C79-1000, that Public Service would file, on or before, August 1, 1979, ten copies of all its prepared written direct testimony and supporting exhibits. Ordering paragraph 10 in Decision No. C79-1000 further provided that said written direct testimony and supporting exhibits would include, but not be limited to, operating income, operating expenses, rate base, rate of return upon rate base, and rate of return to common equity, upon the basis of the 12-month period ended December 31, 1978. Ordering paragraphs 11, 12 and 13 contained in the Decision No. C79-1000 set forth further procedural requirements with respect to the prefiled written direct testimony and exhibits to be filed by Public Service.

Decision No. C79-1000 further provided that any person, firm, or corporation desiring to intervene as a party in the within proceeding would be required to file an appropriate pleading therefor with the Commission on or before July 16, 1979.

The following parties moved to intervene, and by various interim decisions of the Commission were granted status to participate as intervenors:

AMAX, Inc. (AMAX)  
The City of Lakewood (Lakewood)  
General Services Administration on behalf of  
The Executive Agencies of the United States (GSA)  
Building Owners and Managers Association (BOMA)  
Colorado Association of Community Organizations for Reform Now  
(ACORN)  
Ann Caldwell  
Home Builders Association of Metropolitan Denver (HBA)  
Colorado Energy Advocacy Office (CEAO)  
City and County of Denver (Denver)  
CF&I Steel Corporation (CF&I)  
Colorado Municipal League (League)  
City of Arvada (Arvada)  
Ideal Basic Industries, Inc. (Ideal)  
Concerned Citizens Congress of North East Denver  
Colorado Committee for Economic Survival  
Jessie Acosta  
The 17th & Lincoln Street Division of Urban  
Investment and Development Company (URBAN)  
The Plaza Building Venture (Plaza)  
The Energy Center I Venture (Energy Center)  
Elbridge Burnham  
David Milburn-Lauer (oral motion to intervene granted)

On August 1, 1979, Public Service filed the written direct testimony of eight witnesses; namely,

R. F. Walker  
D. D. Hock  
J. H. Price, Jr.  
J. H. Ranniger  
R. E. Kelly  
M. Andrew  
E. W. Meyer  
J. N. Bumpus.

On July 30, 1979, the Commission issued a Notice of Hearings which provided that public testimony would be heard in Pueblo, Colorado on August 20, 1979; Alamosa, Colorado on August 21, 1979; Grand Junction, Colorado on August 22, 1979; Rifle, Colorado on August 22, 1979; Greeley, Colorado on August 23, 1979; and in Denver, Colorado on August 30, 1979. The July 30, 1979, Notice set October 3, 1979 as the date upon which the summary of direct examination and cross-examination of Public Service's witnesses would commence. The Notice further stated that the dates of October 4, 5, 10, 11, 12, 1979, would be reserved on the Commission's calendar, if necessary.

Also, the July 30, 1979 Notice further provided that the summary of direct examination and the cross-examination of the Commission Staff and intervenors' witnesses would commence on October 31, 1979, and that the hearing dates of November 1, 2, 1979, were reserved on the Commission's calendar, if necessary.

The dates of November 7, 8 and 9, 1979 were further reserved, if necessary.

On September 19, 1979, the Commission convened a prehearing conference in the within matter for the purposes of:

1. Determining which issues possibly might be settled between or among the parties; and
2. Determining which issues remain to be heard in formal hearings.

On September 25, 1979, the Commission issued Decision No. C79-1502 which stated that no negotiated settlement of the issues had been achieved by any of the parties herein, and that it would be necessary to proceed with formal hearings on all issues which had been raised by the parties. Decision No. C79-1502 set forth further procedural directives with respect to the filing of written direct testimony and supporting exhibits by the Staff of the Commission and intervenors.

The summary of direct testimony and the cross-examination of Public Service witnesses commenced, as scheduled, on October 3, 1979 and was concluded on October 12, 1979.

On or before October 22, 1979, the Staff of the Commission and the certain intervening parties filed written direct testimony of witnesses as follows:

On behalf of General Services Administration --  
Dr. John W. Rittenmayer and Robert L. Marshall;

On behalf of Colorado Committee for Economic  
Survival and Concerned Citizens Congress of  
North East Denver -- Victor Perlo;

David Milburn-Lauer, pro se; (Neighbor to Neighbor)

On behalf of BOMA, Plaza, Energy Center, URBAN --  
David D. Charles

On behalf of Energy Advocacy Office and Colorado ACORN  
-- William Schroer

On behalf of AMAX, Inc. -- Thomas E. Knudsen and  
Matityahu Marcus

On behalf of the Staff of the Commission --  
Eric L. Jorgensen  
Anthony F. Karahalios  
Garrett Y. Fleming  
Craig Merrell  
James A. Richards

On October 31, 1979, November 1, 2, 7 and 8, 1979, the Commission heard cross-examination of all witnesses who had filed testimony on behalf of the Staff of the Commission and intervenors GSA, Colorado Committee for Economic Survival and Concerned Citizens Congress of North East Denver, David Milburn-Lauer, BOMA, CEAQ, ACORN, and AMAX, Inc.

On November 8, 1979, Public Service called as witnesses in its rebuttal case the following:

R. F. Walker  
D. D. Hock  
M. F. Hanzlick  
R. E. Kelley  
J. N. Bumpus  
J. H. Ranniger.

Intervenor AMAX called as a witness in its surrebuttal case Matityahu Marcus.

On November 9, 1979, Public Service filed "Motion of Public Service Company of Colorado for Order Directing Filing of Tariff Sheets Providing for Pro Rata Increases in Rates and Charges Immediately Upon the Rendition of the Commission's Order Concerning Revenue Requirements." In said Motion Public Service states that it desires that the Commission order it to file, to become effective upon one (1) day's notice, tariff sheets providing for permanent steam base rate increases and interim gas and electric base rate increases based upon the revenue requirements found to be appropriate by the Commission to be placed into effect pending the Commission's decision on cost allocation and rate design aspects with respect to electric and gas rates.

No formal responses to Public Service's aforesaid motion were filed by any of the parties, although certain parties stated their opposition to the granting of the interim rate relief in their Statements of Position.

Statements of Position with respect to Phase I were filed by the following parties: Building Owners and Managers Association of Denver; Jessie Acosta; Home Builders Association of Metropolitan Denver; The Colorado Committee for Economic Survival and The Concerned Citizens Congress of NorthEast Denver; Staff of the Public Utilities Commission; AMAX, Inc.; Colorado Energy Advocacy Office and Colorado Association of Community Organizations for Reform Now.

Certain parties also filed proposed findings of fact with their Statements of Position.

#### FINDINGS OF FACT

##### THE COMMISSION FINDS THAT:

1. Public Service Company is a public utility operating within the State of Colorado engaged principally in the generation, transmission, purchase, distribution and sale of electricity and in the purchase, distribution and sale of natural gas throughout a number of areas in the State of Colorado.



2. Public Service is also engaged in rendering steam service within a limited area in the downtown business district of the City and County of Denver.

3. Public Service's wholesale electric rates and service are under the jurisdiction of the Federal Energy Regulatory Commission (FERC). In the findings below, adjustments have been made to various items and amounts resulting in changes in net operating earnings. Said changes have been taken into account as they affect the amount allocated to FERC Jurisdictional Sales so that only those items and amounts under Commission jurisdiction have been considered.

4. The Commission has jurisdiction over the rates charged by Public Service Company for its retail sales of electricity, gas and steam.

5. The total revenue requirement of the electric department of Respondent to be derived from its retail sales of electricity on the basis of test-year conditions, is \$ 438,603,076.

6. The difference between required net operating earnings for Respondent's electric operations for the test year and the actual net operating earnings, as adjusted for the same period, amounts to an earnings deficiency of \$15,989,743. In order to produce \$1.00 of net operating earnings, a revenue increase of \$1,949,318, is required considering the applicable franchise and corporate income tax rates. Therefore, an increase in electric revenues in the amount of \$31,169,094 is required to offset the net operating earnings deficiency.

7. The above findings with respect to the revenue requirement of the electric department (Finding No. 5) is based upon the following 1978 year end rate base and 1978 test year net operating earnings as follows:

<u>1978 Year End Rate Base</u>	
Utility Plant in Service	\$1,198,061,194
Utility Plant Held for Future Use	1,508,616
Construction Work in Progress	236,875,777
Common Utility Plant in Service Allocated	38,554,668
Prepayments	2,188,584
Utility Materials and Supplies	56,653,836
Customer Advances for Construction	<u>(9,185,556)</u>
Year-End Gross Original Cost Rate Base	\$1,524,657,119
Reserve for Depreciation and Amortization	(339,531,097)
Rate Base Allocated to FERC Jurisdictional Sales	(87,277,911)
Year-End Net Original Cost Rate Base	<u><u>\$1,097,848,111</u></u>



### 1978 Net Operating Earnings

1.	Operating Revenues	
2.	Sales of Electric Energy	\$404,903,674
3.	Other Electric Revenues	2,530,308
4.	Total Operating Revenues	<u>407,433,982</u>
5.	Operating Revenue Deductions	
6.	Production Expense	
7.	Purchased Fuel	\$ 76,822,919
8.	Purchased & Interchange Power	17,331,111
9.	Other Production Expense	56,594,668
10.	Transmission Expense	2,876,282
11.	Distribution Expense	20,512,635
12.	Customer Accounting Expense	11,527,663
13.	Customer Service Expense	2,079,988
14.	Sales Expense	318,607
15.	Administrative and General Expense	37,056,536
16.	Depreciation & Amortization Expense	37,647,655
17.	Taxes - Other Than Income	26,437,039
18.	Federal Income Taxes	14,203,227
19.	Investment Credit - Generated	14,760,900
20.	Investment Credit - Amortized	(1,500,864)
21.	State Income Taxes	3,316,141
22.	Deferred Income Taxes - Accel. Amort.	593,911
23.	Deferred Income Taxes - Accel. Depre.	<u>3,387,859</u>
24.	Total Operating Revenue Deductions	<u>\$323,966,277</u>
25.	Net Operating Revenue	83,467,705
26.	Add: Allowance for Funds Used During Const.	10,725,740
27.	Less: NOE Alloc. to FERC Juris. Sales	5,968,331
28.	Net Operating Earnings	<u><u>\$ 88,225,114</u></u>

8. The total revenue requirement of the gas department of Respondent to be derived from its retail sales of gas on the basis of test-year conditions is \$174,842,244.

9. The difference between required net operating earnings for Respondent's gas operations for the test year and the actual net operating earnings, as adjusted for the same period, amounts to an earnings deficiency of \$4,622,785. In order to produce \$1.00 of net operating earnings, a revenue increase of \$1.897419 is required considering the applicable franchise and corporate income tax rates. Therefore, an increase in gas revenues in the amount of \$8,771,360 is required to offset the net operating earnings deficiency.

10. The above findings with respect to the revenue requirement of the gas department (Finding No. 8) is based upon the following 1978 year end rate base and 1978 test year net operating earnings as follows:

1978 Year End Rate Base

Utility Plant in Service	\$268,639,187
Utility Plant Held for Future Use	138,639
Construction Work in Progress	196,580
Common Utility Plant in Service Allocated	26,792,227
Prepayments	420,214
Utility Materials and Supplies	3,507,026
Cash Working Capital Requirements	4,964,440
Customer Advances for Construction	<u>(4,645,938)</u>
Year-End Gross Original Cost Rate Base	\$300,012,375
Reserve for Depreciation and Amortization	(94,978,076)
Year-End Net Original Cost Rate Base	<u><u>\$205,034,299</u></u>

1978 Net Operating Earnings

1. Operating Revenues	
2. Sales of Natural Gas	\$165,731,353
3. Other Gas Revenues	339,531
4. Total Operating Revenues	<u>\$166,070,884</u>
5. Operating Revenue Deductions	
6. Gas Purchased for Resale	88,546,676
7. Other Gas Supply and Storage Expense	697,848
8. Distribution Expense	14,326,312
9. Customer Accounting Expense	10,677,938
10. Customer Service Expense	1,840,445
11. Sales Expense	251,678
12. Administrative and General Expense	14,126,152
13. Depreciation & Amortization Expense	8,499,826
14. Taxes Other Than Income	5,699,598
15. Federal Income Taxes	3,187,725
16. Investment Credit - Net	1,672,450
17. State Income Taxes	592,379
18. Deferred Income Taxes - Accel. Depre.	858,901
19. Total Operating Revenue Deductions	<u>\$150,977,928</u>
20. Net Operating Revenue	15,092,956
21. Add: Allowance for Funds Used During Const.	234,096
22. Net Operating Earnings	<u><u>\$ 15,327,052</u></u>

11. The total revenue requirement of the steam department of Respondent to be derived from its retail sales of steam on the basis of test-year conditions is \$4,456,938.

12. The difference between required net operating earnings for Respondent's steam operations for the test year and the actual net operating earnings, as adjusted for the same period, amounts to an earnings deficiency of \$232,304. In order to produce \$1.00 of net operating earnings, a revenue increase of \$1.940967 is required considering

the applicable franchise and corporate income tax rates. Therefore, an increase in steam revenues in the amount of \$450,894 is required to offset the net operating earnings deficiency.

13. The above Findings with respect to the revenue requirement of the steam department (Finding No. 11) is based upon the following 1978 year end rate base and 1978 test year net operating earnings as follows:

1978 Year End Rate Base

Utility Plant in Service	\$9,383,796
Construction Work in Progress	16,894
Common Utility Plant in Service Allocated	15,510
Prepayments	12,877
Materials and Supplies	144,062
Cash Working Capital	131,590
Customer Advances for Construction	<u>(24,029)</u>
Year-End Gross Original Cost Rate Base	\$9,680,700
Reserve for Depreciation and Amortization	<u>(3,783,434)</u>
Year-End Net Original Cost Rate Base	<u>\$5,897,266</u>

1978 Net Operating Earnings

1. Operating Revenues	\$3,994,205
2. Sales of Steam	12,839
3. Other Steam Revenues	4,007,044
4. Total Operating Revenues	
5. Operating Revenue Deductions	
6. Production Fuel Expense	1,942,783
7. Purchased Steam	259,671
8. Other Production Expense	709,173
9. Steam Distribution Expense	106,149
10. Customer Accounting Expense	2,880
11. Administrative and General Expense	143,405
12. Depreciation Expense	265,850
13. Taxes Other Than Income	245,704
14. Income Taxes - Federal	34,278
15. Income Taxes - State	514
16. Deferred Income Taxes - Accel. Depre.	5,197
17. Investment Tax Credit - Net	<u>(36,573)</u>
18. Total Operating Revenue Deductions	<u>3,679,031</u>
19. Net Operating Revenue	328,013
20. Add: Allowance for Funds Used During Construction	<u>1,692</u>
21. Net Operating Earnings	<u>329,705</u>

14. The combined 1978 year end rate base and the net operating earnings for the twelve months ending December 31, 1978 are:

1978 Year End Rate Base

Utility Plant in Service	\$1,476,084,177
Utility Plant Held for Future Use	1,647,255
Construction Work in Progress	237,089,251
Common Utility Plant in Service Allocated	65,362,405
Prepayments	2,621,675
Utility Materials and Supplies	60,304,924
Cash Working Capital Requirements	5,096,030
Customer Advances for Construction	<u>(13,855,523)</u>
Year-End Gross Original Cost Rate Base	\$1,834,350,194
Reserve for Depreciation and Amortization	(438,292,607)
Rate Base Allocated to FERC Jurisdictional Sales	<u>87,277,911</u>
Year-End Net Original Cost Rate Base	<u>\$1,308,779,676</u>

1978 Net Operating Earnings

1. Operating Revenues	\$577,511,910
2. Operating Revenue Deductions	
3. Operating Expense	358,751,519
4. Depreciation & Amortization Expense	46,413,331
5. Taxes Other Than Income	32,382,341
6. Federal Income Taxes	17,425,230
7. Investment Credit - Net	14,895,913
8. State Income Taxes	3,909,034
9. Deferred Income Taxes - Accel. Amort.	593,911
10. Deferred Income Taxes - Accel. Depre.	4,251,957
11. Total Operating Revenue Deductions	<u>\$478,623,236</u>
12. Net Operating Revenue	98,888,674
13. Add: Allowance for Funds Used During Construction	10,961,528
14. Less: Net Operating Earnings Allocated to FERC Jurisdictional Sales	5,968,331
15. Net Operating Earnings	<u>\$103,881,871</u>

15. Rate of return on rate base and rate of return on equity with respect to the electric, gas and steam departments is as follows:

	<u>Rate of Return on rate base</u>	<u>Rate of Return on equity</u>
Electric Department	9.49	14.6
Gas Department	9.73	14.6
Steam Department	9.53	14.6
Combined	9.53	14.6

16. The current net operating earnings of Public Service are lower than the declared dividend rate of the Company.



### CONCLUSIONS ON FINDINGS OF FACT

Based upon the foregoing findings of fact, the Commission concludes that:

1. The Public Utilities Commission of the State of Colorado has jurisdiction over the Colorado retail electric, gas and steam rates of Public Service, and has jurisdiction over the subject matter of this proceeding.

2. The revenue requirement of Public Service, for its jurisdictional electric department, on the basis of the conditions experienced in the test year ended December 31, 1978, is \$438,603,076.

3. The revenue requirement of Public Service, for its jurisdictional gas department, on the basis of the conditions experienced in the test year ended December 31, 1978, is \$174,842,244.

4. The revenue requirement of Public Service, for its jurisdictional steam department, on the basis of the conditions experienced in the test year ended December 31, 1978, is \$4,457,938.

5. The electric, gas and steam rates that are presently in effect, in the aggregate, are not just and reasonable, and based on the test year ended December 31, 1978, result in a net operating earnings deficiency on the test-year basis of \$20,844,832.

6. A total revenue increase of \$40,391,348 is required in Public Service's Colorado retail electric, gas and steam rates to offset the \$20,844,832 net operating earnings deficiency.

7. Public Service should be authorized to place into effect rates which will enable it to produce the revenue requirement herein found to be reasonable for the electric, gas and steam departments, respectively, on an interim basis in accordance with currently effective rate structures.

### Interim Rate Relief

We believe that Public Service, in its motion for interim rate relief filed on November 9, 1979, has demonstrated the legal and factual basis for the granting of its motion for interim rate relief to become effective at this time. We note that current earnings are below the presently effective annual dividend rate and the current authorized rate of return of 8.3% on common equity is less than 60% of the rate of return which the Commission authorized a year ago in Investigation and Suspension Docket No. 1200.

We agree that the Commission cannot be oblivious to the urgent financial need of the Company and that we are obligated to follow the mandate enunciated by the Colorado Supreme Court in Public Utilities Commission v. District Court, 527 P.2d 233, 235 (Col., 1974), wherein the Court stated:

The PUC must also consider the reasonableness and fairness of rates so far as the public utility is concerned. It must have adequate revenues for operating expenses and to cover the capital costs of doing business. The revenues must be sufficient to assure confidence in the financial integrity of the enterprise, so as to maintain its credit and to attract capital.

The Commission's authority to grant interim rate relief is clear. See Colorado Municipal League v. Public Utilities Commission, 591 P.2d 577 (Col. 1979) and State ex rel. Laclede Gas Co. v. Public Service Commission, 535 S.W.2d 561 (Mo.App., 1976); State ex rel. Utilities Commission v. Morgan, 192 S.E.2d 842 (1972). Article XXV of the Colorado Constitution, as interpreted by the case of Miller Brothers, Inc., et al v. Public Utilities Commission, et al, 125 Col. 414, 525 P.2d 443 (1974), gives the Commission broad legislative authority to carry out its ratemaking functions unless specifically restricted by the General Assembly.

An appropriate order will be entered.

#### O R D E R

##### THE COMMISSION ORDERS THAT:

1. The revenue requirement of Public Service Company of Colorado in this rate proceeding for its jurisdictional electric department, on the basis of conditions in the test year ended December 31, 1978, is \$438,603,076.
2. The revenue requirement of Public Service Company of Colorado in this rate proceeding for its jurisdictional gas department, on the basis of conditions in the test year ended December 31, 1978, is \$174,842,244.
3. The revenue requirement of Public Service Company of Colorado in this rate proceeding for its jurisdictional steam department, on the basis of conditions in the test year ended December 31, 1978, is \$4,457,938.
4. An increase in revenue in the amount of \$40,319,348 is required to offset the \$20,844,832 net operating earnings deficiency.
5. The rates and charges as proposed by Public Service Company of Colorado in Advice Letter No. 760-Electric and Advice Letter No. 761-Electric, under investigation herein, would under the test year conditions produce additional electric revenues of not more than \$52,938,239 or a total annual revenue of \$460,372,221. To the extent that revenue produced by such proposed electric rates and charges would exceed a \$31,169,094 gross increase in revenue required to offset the net operating earnings deficiency and exceed the \$438,603,076 electric revenue requirement, respectively, such proposed electric rates and charges are not just and reasonable and are hereby rejected.
6. The rates and charges as proposed by Public Service Company of Colorado in Advice Letter No. 277-Gas and Advice Letter No. 278-Gas, under investigation herein, would under the test-year conditions produce additional gas revenues of not more than \$10,999,162 or a total annual revenue of \$177,070,046. To the extent that revenue produced by such proposed gas rates and charges would exceed a \$8,771,360 gross increase in revenue required to offset the net operating earnings deficiency and exceed the \$174,842,244 gas revenue requirement, respectively, such proposed gas rates and charges are not just and reasonable and are hereby rejected.
7. The rates and charges as proposed by Public Service Company of Colorado in Advice Letter No. 19-Steam and Advice Letter No. 20-Steam, under investigation herein, would under the test-year conditions produce additional steam revenues of not more than \$507,433, or a total annual revenue of \$4,514,477. To the extent that revenue produced by such proposed steam rates and charges would exceed a \$450,894 gross increase in revenue required to offset the net operating earnings deficiency and exceed the \$4,457,938 steam revenue requirement, respectively, such proposed steam rates and charges are not just and reasonable and are hereby rejected.

8. The "Motion of Public Service Company of Colorado for Order Directing Filing of Tariff Sheets Providing for Pro Rata Increases in Rates and Charges Immediately Upon the Rendition of the Commission's Order Concerning Revenue Requirements" filed by Public Service Company on November 9, 1979, be, and hereby is, granted to the extent that it is consistent with the Decision and Order herein; and in all other respects, the said Motion be, and hereby is, denied.

9. Public Service Company of Colorado be, and hereby is, authorized to file on not less than one (1) day's notice tariffs to be effective no earlier than November 26, 1979, for electricity, gas, and steam sold on or after said date, which will produce the revenues found to be required for the electric department, gas department and steam department, respectively. Said tariffs shall increase present electric, gas and steam rates, respectively, on a uniform percentage basis based upon rate structures currently in effect. Said tariffs shall be in effect until February 15, 1980, or until further order of the Commission.

10. All motions presently pending and not disposed of heretofore are denied.

This Decision shall be effective on November 23, 1979.

DONE IN OPEN MEETING the 21st day of November, 1979.

(S E A L)



THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF COLORADO

EDYTHE S. MILLER

SANDERS G. ARNOLD

DANIEL E. MUSE

Commissioners

ATTEST: A TRUE COPY

*Harry A. Galligan, Jr.*  
Harry A. Galligan, Jr.  
Executive Secretary