(Decision No. C87-10)

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

***

RE: INVESTIGATION AND SUSPENSION OF TARIFF SHEETS ACCOMPANYING ADVICE LETTER NO. 871 - ELECTRIC FILED BY PUBLIC SERVICE COMPANY OF COLORADO FOR REVISION OF TARIFF COLORADO P.U.C. NO. 6 - ELECTRIC.	INVESTIGATION AND SUSPENSION DOCKET NO. 1603-Reopened COMMISSION INITIAL ORDER, AND ORDER ON EXCEPTIONS
IN THE MATTER OF THE APPLICATION OF PUBLIC SERVICE COMPANY OF COLORADO FOR A TEMPORARY MORATORIUM ON OBLIGATION TO NEGOTIATE CONTRACTS AND/OR INTERCONNECT WITH POTENTIAL CATEGORY THREE AND FOUR IPP FACILITIES.	APPLICATION NO. 37320 NOTICE

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January 6, 1987

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STATEMENT AND FINDINGS

BY THE COMMISSION:

On May 30, 1984, the Commission issued Decision No. C84-635 which established the method for payment of avoided costs for Public Service Company of Colorado (Public Service) and Home Light and Power Company (Home Light) to be paid to small power producers and cogenerators (QFs).

On April 8, 1985, Public Service filed Advice Letter No. 935 pertaining to a power purchase agreement under the established methodology between Public Service and Cogeneration Technology and Development Company (Cogeneration). The proposed effective date of Advice Letter No. 935 was May 7, 1985. However, after review of Advice Letter No. 935, the Commission found in Decision No. C85-585 issued on April 23, 1985, that the avoided-cost payment to Cogeneration under the contract submitted with Advice Letter No. 935 would be $.158 per kwh, because Cogeneration's QF was proposed to operate only on-peak and the Commission's established method considered a QF which would operate at 70 percent capacity factor at all times.

The Commission concluded in Decision No. C85-585 that its avoided-cost method established in I&S Dockets No. 1603 and No. 1604, as

it applied to capacity payments for Categories 3 and 4 QFs which only provide peak power, may have the anomalous result of establishing payments which do not reflect the correct avoided capacity cost for QF peak power. The Commission further stated that it would reopen I&S Dockets No. 1603 and No. 1604 to address only the issue of the correct method for making capacity payments for Categories 3 and 4 QFs which operate only on-peak. The Commission also stated in Decision No. C85-585 that it would not address the issue of the use of Pawnee II as the appropriate avoided-cost unit of Public Service, nor did it intend to stay the effect of Decision No. C84-635 by the issuance of Decision No. C85-585.

On April 29, 1985, Commission Decision No. C85-585 was served on 41 persons, firms, or corporations. (See Commission Certificate of Service dated April 29, 1985, relating to Decision No. C85-585). On August 19, 1985, Hearings Examiner Arthur G. Staliwe issued Interim Decision No. R85-1054-I listing additional issues to be litigated in I&S Dockets No. 1603 and No. 1604. The issues identified for consideration in the reopened dockets in Decision No. R85-1054-I were:

> 1. . . . at issue is the appropriate methodology to pay capacity costs for Public Service Company's, as well as Home Light and Power Company's, category 3 and 4 qualifying facilities which only provide peak power.
>
> 2. Ancillary to the above question, is the appropriate definition of what constitutes peak hours for the two utilities.
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> 3. Should payments for energy from the various qualifying facilities remain a combination of capacity and energy payments, or should peak power be paid for on a unit cost basis, i.e. so much per kilowatt hour?
>
> 4. Should qualifying facilities above a certain size be dispatched by Public Service Company?
>
> 5. How should the capacity payment for power delivered during peak and off-peak hours be determined, i.e. how do we determine the 70 percent annual capacity factor? Or, should the capacity factor be some other figure?

Interim Decision No. R85-1054-I was served on August 29, 1985, on 43 persons, firms, or corporations. (See Commission Certificate of Service relating to Interim Decision No. R85-1054-I.) Eight persons, firms, or corporations served with Decision No. C85-585 were not served with Decision No. R85-1054-I. However, Interim Decision No. R85-753-I was issued on June 11, 1985, which stated:

This matter comes before the Examiner upon the motion of Public Service Company of Colorado filed May 14, 1985, to expand the subjects to be considered in this reopened docket. Specifically, Public Service Company lists seven items that it wishes to discuss in addition to that set forth in the Commission's order, and also notes that those seven items are not necessarily all inclusive.

In order that a meaningful decision can be made, the Examiner will grant all parties to this proceeding, to include parties intervenor, the opportunity to articulate in writing within 10 days all items they wish to have discussed in this reopened docket. At that time a pre-hearing conference and hearing date will be established. It is obvious that the current hearing date of June 21, 1985, will not be able to be used.

The Examiner ordered in Decision No. R85-753-I that Public Service and all other parties, within ten days of the date of the order, submit in writing a concise list of those items they wish discussed in this reopened docket. Decision No. R85-753-I was served upon 45 persons, firms, or corporations (see Commission Certificate of Service as to Decision R85-753-I), including all eight parties not served with Decision No. R85-1054-I. Moreover, on July 29, 1985, the City of Aspen (Aspen) and the Board of County Commissioners for Pitkin County (Pitkin) filed a motion to withdraw from I&S Dockets No. 1603 and No. 1604. These parties stated in their motion that Aspen and Pitkin received mailings in this matter under the names of: Musick and Cope, P.C.; City of Aspen, Attn.: Wayne Chapman, City Manager; Richard M. Foster, Esq.; Paul Taddune, City Attorney; Board of County Commissioners of the County of Pitkin, Attn.: Curt Stewart, County Manager; and Wesley A. Light, County Attorney. These six parties were among the eight parties not included on the Certificate of Service of Decision No. R85-1054-I. The Commission's official file reflects that its mailing of June 20, 1986, to "Clyde W. La Grone, Pres., TransComm, Inc., 2104 Stonecrest Drive, Fort Collins, CO 80524," was returned to the Commission on June 22, 1986, by the United States Post Office with the notation: "Return to Sender-No Forwarding Order on File-Unable to Forward." Commission Decision No. R85-753-I was then remailed to Clyde W. La Grone, President, COGENCO INTERNATIONAL, INC., 1535 Grant Street, Denver, CO 80203.

In a separate proceeding, I&S Docket No. 1604 involving Home Light was rendered moot, and this docket was closed on October 23, 1985. Hearing on I&S Docket No. 1603 was held before Hearings Examiner Arthur G. Staliwe on October 23, 1985. At the conclusion of the hearing, the subject matter was taken under advisement.

On August 8, 1986, Hearings Examiner Arthur G. Staliwe issued Recommended Decision No. R86-1008 recommending that the Commission determine and order that Public Service change its current tariffs:

- To use an 80 percent availability/capacity factor in Category 3 and 4 of its QF tariff.
- To continue Categories 4A, 4B, 4C, and 3, as set forth in the reopened docket, but use the established 15-year contract periods.
- To use a 1.413884231 differential for payments to on-peak and off-peak cogenerators.
- To retain peak hours of 8 a.m. to 10 p.m. weekdays, with off-peak hours being 10 p.m. to 8 a.m. weekdays, and all hours on weekends and holidays.
- To retain cogenerator payments as a combination of availability/capacity and energy, but to use a capacity payment limit check factor to ensure no overpayments to cogenerators.
- To change Category 1 from 5 kw to 10 kw.

The following parties filed exceptions and responses to exceptions on the following dates:

PLEADINGS	PARTY FILING	DATE FILED
Exceptions	Waste Management of Colorado, Inc.	10-1-86
Exceptions and/or Request for Clarification	Public Service	10-1-86
Exceptions	Staff of the Commission (Staff)	10-1-86
Exceptions	Colorado Office of Consumer Counsel (OCC)	10-1-86
Amicus Curiae Exceptions	Metropolitan Denver Sewage Disposal District No. 1	10-1-86
Exceptions	City of Boulder	10-1-86
Amicus Curiae Brief on Exceptions	Pueblo Chemical, Inc., and its subsidiary Cimmarron Chemical, Inc.	10-1-86
Response to Exceptions	Public Service	10-14-86

Reply to Exceptions	Pueblo Chemical, Inc.	10-14-86
Reply to Exceptions	City of Boulder and Metropolitan Denver Sewage Disposal District No. 1	10-14-86
Reply to Exceptions	OCC	10-14-86
Reply to Exceptions	Staff	10-14-86
Response to Staff's Exceptions	Public Service	10-20-86

Public Service's response to Staff's exceptions was untimely filed on October 20, 1986, but will be considered because of the circumstances it notes in its motion.

The exceptions filed by certain of the parties to Recommended Decision No. R86-1008 and responses argue that the Hearings Examiner entered an order which exceeded the scope of the issue remanded to him by Decision No. C85-585, and this order should therefore be reversed. In summary, the issues raised on exceptions are:

- Should Public Service's Category 4 QF be divided into Categories 4A, 4B, and 4C, and should full capacity payments to Categories 4B and 4C be reduced by 5 and 10 percent, respectively, because of reduced dispatchability or non-dispatchability?

- Should capacity payment limits on Categories 4A and 4B be removed?

- Should the capacity factor for Categories 4C and 3 be increased from 70 percent to 80 percent?

- If capacity factors on Categories 4C and 3 are computed on a 12-month rolling average, should the capacity payment limits for these same categories be calculated in a consistent manner?

- How should capacity payments be computed on contract renewal?

- Should dispatchability be a factor in the calculation of payments at all?

- Should there be discounts for non-dispatchability or a bonus for dispatchability?

- Should Category 3 QF be able to upgrade to Category 4A?
- Would Category 3 QF be unable to meet PURPA requirements if they become dispatchable?
- Should there be a range of automatic generation control of 40 percent of capacity or 15 mw, whichever is greater, for all Categories 3 and 4 QFs?
- Should capacity payments be split between peak and off-peak?
- Should any changes which are adopted apply prospectively, and only to existing contracts if both parties agree?
- Should the method proposed by the OCC be adopted?
- Should a schedule be established for the enlisting of QFs?
- Should full capacity payments to Category 3 QF be reduced by 10 percent because of non-dispatchability?
- Was the Examiner prohibited by law from extending the scope of the reopened proceedings beyond the Commission's limited delegation?

Pueblo Chemical, Inc.; Metropolitan Denver Sewage Disposal District No. 1; and Waste Management of Colorado, Inc., further object to being limited to appearing in the capacity of amicus curiae and contend that they should have been accorded the status of intervenors in the proceedings. The Commission finds that while the amicus parties have provided valuable insight into this proceeding, their late interventions properly warranted their participation in that capacity, and thus the above contentions will be rejected.

By here including Application No. 37320, relating to the temporary moratorium, the Commission gives notice to all parties in I&S Dockets No. 1603 and No. 1604, and Application No. 37320 that the temporary moratorium entered on February 6, 1986, by Decision No. C86-149 will expire upon the issuance of a final Commission decision in I&S Docket No. 1603-Reopened.

The Commission finds, after examination of the record of this proceeding, that it will enter its decision and order without regard to the findings of fact and conclusions of Hearings Examiner Arthur G. Staliwe in Recommended Decision No. R86-1008. The Commission also finds

that the filed exceptions will be granted to the extent consistent with this decision and order, and otherwise will be denied.

FINDINGS OF FACT AND CONCLUSIONS THEREON:

Based upon the evidence of record, the following findings of fact and conclusions thereon are made:

1. The Commission established a method for payment of avoided plant costs to be paid to QFs interconnecting with the electrical system of Public Service and Home Light in Decision No. C84-635 entered on May 30, 1984. This method contains a rolling 12-month average capacity factor test which the Commission will continue to apply to the capacity and availability factor tests here established. Subsequently, the Commission became aware that payments to certain cogeneration plants under its method did not reflect the correct avoided capacity costs. Instead, the method resulted in higher-than-justified payments to QFs operating only during peak periods of the day, and then at 70 percent of that time period. For these reasons, the Commission entered its order on April 23, 1985, reopening I&S Dockets No. 1603 and No. 1604, to correct its previously established payment method, and to bring that method into conformance with the Commission's existing rules.

2. To establish a correct method for making capacity payments to Categories 3 and 4 QFs which operate only on-peak, it is necessary to reexamine the method being used for QFs operating both on- and off-peak so that a rational distinction can be made for those who elect to operate on-peak only. Those who operate on-peak only will have their payments measured by the difference in performance from full-time QF generators. It should be noted that active participation in the reopened docket was only taken by Public Service and its Home Light affiliate, Staff, the OCC, and AMOCO Production Company.

3. By the service of Decision No. R85-753-I on all parties of record, notice was given that the Commission would consider issues beyond the issue of the correct method to pay avoided capacity costs for Categories 3 and 4 QFs which only provide peak power. Moreover, the withdrawal of the Aspen and Pitkin, coupled with additional service upon Clyde W. LaGrone, establishes that all parties to this proceeding were on notice that additional issues, other than the single issue for which this matter was remanded, would be considered. Accordingly, the Commission rejects the contentions that the Examiner unlawfully exceeded the scope of the Commission's remand and was prohibited by §§ 40-6-101, 40-3-102, and 40-3-111, C.R.S., from lawfully considering issues other than that delineated by Decision No. C85-585.

4. In the period of time between the reopening of these proceedings and the hearing, the Commission addressed the operating characteristics and rate design of Public Service. In Decision No. C85-1032 dated August 13, 1985, the Commission pertinently found:

34. Peak hours should be 8 a.m. to 10 p.m. on weekdays.

35. Off-peak hours should be 10 p.m. to 8 a.m. on weekdays and all hours on weekends and holidays.

36. The differential and demand charges between on-peak and off-peak of 1.64 is reasonable and proper.

This differential is not appropriate for establishing avoided cost rates, and Staff's proposed differential of 1.413884231 (1.4 rounded) shall be adopted. The Commission determination in Decision No. C85-1032 of Public Service's peak hours as 8 a.m. to 10 p.m. on weekdays combined what was previously called peak and shoulder hours. In this proceeding, Public Service seeks to add to the definition of peak hours the period 8 a.m. to 10 p.m. on Saturdays. Public Service contends that the electricity demand during Saturday hours is similar to the demand experienced during the weekday peak period and the Commission should therefore extend peak hours to Saturdays. The Commission finds that it should adhere to its determination of peak period in Decision No. C85-1032, and Public Service's contention in this regard will thus be rejected.

5. Testimony was presented by Public Service on other suggested modifications to the existing method to correct the problem of overpayment of Categories 3 and 4 QFs which provide only peak power, and on the other issues presented. In part, Public Service suggested that:

- Category 4 should be redefined as Categories 4A, 4B, and 4C, with Category 4A being fully dispatchable, 4B manually dispatchable, and 4C non-dispatchable.

- Category 4B should receive a 5 percent full capacity payment reduction because it is manually dispatchable, and Category 4C should receive a 10 percent full capacity payment reduction because it is non-dispatchable.

- Capacity payments should be split for peak and off-peak periods with a 1.64 differential between these periods.

- Categories 4C and 3 QFs should maintain an 80 percent capacity factor for full capacity payment, on a rolling 12-month annual basis.

- Categories 4A and 4B QFs maintain an 80 percent equivalent availability factor for full capacity payment, on a rolling month annual basis.

- Categories 4A and 4B should be subject to a range of automatic generation control of 40 percent of capacity or 15 mw, whichever is greater, for full capacity payment.

6. A major issue in this reopened proceeding was the difference between electric plant equivalent availability and electric plant capacity factor. Equivalent availability may be defined as that portion of the time that an electric generating station is available to have its rated capacity used, whether or not that capacity is fully used. Capacity factor may be defined as the percentage of time that the rated output of the electric generating station is actually used. The above distinction is important, as revealed in the record, because there are times when it is necessary to curtail electricity production so that the amount of electricity in the system does not exceed the system demand. A company could have the phenomenon of a 100 mw plant being reduced to only 50 mws of production to match that plant's production to the system need at a given time. Nevertheless, the 100 mws of capacity at that QF were available, although not fully used. As shown by the record, 1984 capacity factors for all coal-fired steam-driven electric plants on Public Service's system were less than equivalent availability with Public Service's newest plant, Pawnee I, being available in excess of 90 percent of the time.

7. The issues discussed above have potential impact upon the compensation structure for QFs, since current QFs are being paid for capacity plus energy, and arguably would suffer economic loss if it became necessary to reduce their capacity to avoid adverse impact on the electric system. Accordingly, QFs would not be paid full avoided plant costs, since their payments are predicated in part upon capacity factors, rather than equivalent availability. Accordingly, Public Service's Categories 4A and 4B will receive full capacity payments when maintaining an 80 percent equivalent availability factor on a 12-month rolling average basis, rather than when maintaining a capacity factor. Categories 4C and 3 will continue to receive full capacity payments when maintaining an 80 percent capacity factor, on a 12-month rolling average basis. Since Categories 4C and 3 are not dispatchable, these QFs may operate at any time that they are available. Consequently, the capacity factor test for Categories 4C and 3 will be synonomous with an equivalent availability factor test.

8. The question of dispatchability arose in this proceeding, i.e., the ability of Public Service to automatically or manually direct the electrical output of a given plant so that its output would correspond to system needs, particularly if it were necessary to increase or decrease electrical production on short notice. Since the surrogate

plant being used to measure avoided costs will itself be automatically dispatchable, Public Service, Staff, and the OCC contend that recognition by way of financial incentive should be provided to those QFs in Category 4 which will make their QFs fully automatic (i.e., controllable by Public Service's central computer), with a 5 percent reduction for those who can be manually dispatched, i.e., require Public Service to make a phone call to a QF who must then manually adjust the facility, and a 10 percent reduction for non-dispatchable QFs. In summary, Public Service contends that existing Category 4 should be redefined as Categories 4A, 4B, and 4C, with Category 4A being fully dispatchable, Category 4B manually dispatchable, and Category 4C non-dispatchable. Public Service further contends that Category 4B should receive a 5 percent reduction in full capacity payments because they are manually dispatched, and Category 4C should receive a 10 percent reduction in full capacity payments because they are non-dispatchable. The Commission finds that the criteria outlined for Categories 4A, 4B, and 4C by Public Service should be adopted.

9. Public Service also contends that Categories 4A and 4B should receive full capacity payments when maintaining a 90 percent equivalent availability factor on the basis of a 12-month rolling average, and Categories 4C and 3 should be paid full capacity payment when maintaining a 90 percent capacity factor on a 12-month rolling average basis. As noted, both the capacity and availability of the plants used as models show an availability in excess of the 70 percent capacity factor currently used by the Commission. The current 70 percent capacity factor is premised upon a national average of coal-fired, steam-driven electrical plants. Public Service, Staff, and the OCC contend that since avoided plant costs are premised in part upon certain specific plants in existence, the capacity and/or equivalent availability factor should mirror the performance of those actual plants being used. These parties further contend that it would skew results to mix avoided plant costs for a specific given facility with a general national average, the result of which is to give full payments to QFs while they produce proportionately less power, and for shorter periods of time, than the actual plants being used as models.

10. Staff contends that the equivalent availability and/or capacity factors should be raised to 89 percent. The Commission finds that it should raise the 70 percent capacity factor test to an 80 percent equivalent availability/capacity factor test and maintain it at that level over the life of all contracts, to include subsequent renewals. It should be noted that the 80 percent equivalent availability or capacity factors recognize times for scheduled or unscheduled maintenance.

11. The Commission will not abandon the 15-year requirement for QF contracts currently in effect, nor substitute a longer 30-year minimum period as requested by Public Service. The purpose of the current 15-year limit is to allow a QF to realize not only the avoided cost of a new plant, but also the subsequent capital additions to that same plant

over its 30- to 40-year life by renewing the contract once or twice. Accordingly, the 30-year minimum contract length proposed by Public Service is rejected.

12. As stated above, the Commission previously determined that a retail rate differential between on-peak and off-peak hours of 1.64 was reasonable. However, as Staff Witness Wendling points out in Exhibit F, the differential for those plants used to model QF avoided costs is only 1.413884231 (1.4 rounded) between on-peak and off-peak using the base-intermediate-peak methodology required by the Commission. This does not include elements such as purchase power, run-of-the-river hydro power, and similar elements that were considered in the 1.64 differential in the retail rate. Accordingly, the Staff proposed a differential of 1.4 as the correct differential to be used for QF energy provided between peak and off-peak periods. This differential is consistent with using the operating characteristics and costs of the same plants used to determine other compensation to QFs.

13. Regarding the issue of payments to QFs who operate on-peak only, the record reveals the following rates, based upon 1985 data:

Category 4A

	Capacity kw/mo	Equivalent Availability Payment Limit
On-Peak	$11.78	4.95¢
Off-Peak	$ 8.33	2.408¢

Category 4B

	Capacity kw/mo.	Equivalent Availability Payment Limit
On-Peak	$11.19	4.702¢
Off-Peak	$ 7.91	2.287¢

Category 4C

	Capacity kw/mo.	Capacity Payment Limit
On-Peak	$10.60	4.4558¢
Off-Peak	$ 7.497	2.1668¢

Category 3

	Capacity kw/mo.	Capacity Payment Limit
On-Peak	$10.600	4.4538¢
Off-Peak	$ 7.497	2.1668¢

To this must be added the 1.567¢/kwh for energy payment. It should be noted that the capacity-payment-limit figure represents the value of equivalent availability or capacity factors at 80 percent. Should a QF exceed 80 percent, the cents-per-kwh for capacity would drop, although the energy would continue unabated. Should a QF only perform 60 percent on-peak, it would receive six-eights (i.e., 75 percent) of the full on-peak rate; the same would obtain for off-peak hours. This should eliminate the problem of partial performers obtaining full payments, which gave rise to this reopened case.

14. Staff proposed a schedule or timetable for the enlisting of QFs, so that investors or builders would know in what year their project would come on line to meet Public Service's system needs. Presumably, if a facility were built before its due date, it would only be paid for energy, but not capacity (which is three-fourths of the total payment) until the year it was due. This proposal is interesting, but it is found that it should not be adopted. Even though evidence was presented on this issue, the Commission is not persuaded to make the suggested change because this issue was raised late in the proceeding and was not fully explored. However, the Commission suggests that this issue may be raised in a new proceeding where it can be considered completely. Staff also proposed that Category 3 QF receive a 10 percent full capacity reduction for non-dispatchability. This proposal will be rejected because it was first raised on redirect testimony.

15. The OCC's method proposes substantial changes to the existing method and is partly based on short-run incremental costing. For these reasons, the Commission will reject the OCC's proposal.

16. The Commission concludes that the current method regarding Public Service's avoided costs has resulted in higher payments than avoided costs for its Categories 3 and 4 QFs which only provide peak power, and should be changed as set forth above. Moreover, the above changes shall apply prospectively, and existing QF contracts shall only be changed if both Public Service and the affected cogenerator agree.

THEREFORE THE COMMISSION ORDERS THAT:

1. Public Service Company of Colorado shall change its current qualifying facility tariffs to conform to this Decision. Specifically, Public Service Company of Colorado shall:

a. Redefine Category 4 qualifying facilities as Categories 4A fully dispatchable, 4B manually dispatchable, and 4C non-dispatchable.

b. Category 4B shall receive a 5 percent full capacity payment reduction and Category 4C shall receive a 10 percent full capacity payment reduction.

c. Capacity payments shall be split for peak and off-peak periods with a 1.4 differential between these periods.

d. Categories 4C and 3 qualifying facilities shall maintain an 80 percent capacity factor for full capacity payment on the basis of a 12-month rolling average. Payment limits shall be computed on a consistent basis.

e. Categories 4A and 4B qualifying facilities shall maintain an 80 percent equivalent availability factor for full capacity payment, on a rolling annual monthly basis. Payment limits shall be computed on a consistent basis.

f. Categories 4A and 4B shall be subject to a range of automatic generation control of 40 percent of capacity or 15 mws, whichever is greater, for full capacity payments.

2. Payments to qualifying facilities under the method established by the Public Utilities Commission by Decision No. C84-635 shall remain at a combination of capacity and energy, with a rolling 12-month average capacity/availability factor test. Peak hours shall be 8 a.m. to 10 p.m. weekdays, with off-peak hours being 10 p.m. to 8 a.m. weekdays, and all hours on weekends and holidays.

3. All modifications provided in this Decision and Order to the method established by the Public Utilities Commission by Decision No. C84-635 for payment of avoided costs shall apply prospectively from the final effective date of this Decision and Order. Existing qualifying facility contracts shall only be changed if both Public Service Company of Colorado and the affected cogenerator agree.

4. All exceptions to Recommended Decision No. R86-1008 filed by parties named in this Decision are granted to the extent consistent with this Decision and Order, and otherwise are denied.

5. The 20-day time period provided by § 40-6-114(1), C.R.S., to file an application for rehearing, reargument, or reconsideration begins on the first day after the mailing or serving of this Decision.

This Order shall be effective 30 days from the date of its issuance.

DONE IN OPEN MEETING the 6th day of January 1987.

THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

Edythe S. Miller

Commissioners

CHAIRMAN RONALD L. LEHR SPECIAL CONCURRENCE

CHAIRMAN RONALD L. LEHR SPECIAL CONCURRENCE:

Staff proposed a schedule or timetable for the enlisting of QFs, so that investors or builders would know in what year their project would come on line to meet Public Service's system needs. Presumably, if such a facility were built before the due date, it would only be paid for energy but not capacity (which is three-fourths of the total payment) until the year it was due. Staff Exhibits WLW-4 and WLW-5 show, respectively, first, Public Service's cogeneration summer capacity additions from 1985 to 1994 and Public Service's summer capabilities analyzed first by including the cogeneration additions Public Service projects from 1985 through 1994, and, second, its summer capabilities without additional purchases from cogenerators. The second page of Staff Exhibit WLW-5 clearly shows that Public Service will be carrying a substantial reserve surplus over the minimum reserve criteria it projects.

I believe that Public Service should propose to the Commission a process for scheduling capacity payments to cogenerators and those proposing other resources including efficiency and load management projects which should take into account Public Service's reserve surplus over minimum reserve criteria. It should also match the capacity needed by the company with its addition of cogenerated and other resources on the basis of explicit criteria which might include, but need not be limited to, the following:

i. price
ii. reliability
iii. dispatchability
iv. management and finacial capacity of the cogeneration or other resource project team

v. location of the proposed cogeneration or other facility or project
vi. diversity of resources
vii. other factors

THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

Ronald L. Lehr

Chairman

MRH:nrg:1079G/1679P/lm/lg/nrg