

FT. St. Vrain
Settlement

PUBLIC UTILITIES COMMISSION
MAILED

(Decision No. C88-256)

MAR -9 88

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

IN THE MATTER OF THE JOINT)
APPLICATION OF THE PUBLIC SERVICE)
COMPANY OF COLORADO, THE STAFF)
OF THE PUBLIC UTILITIES COMMISSION)
OF THE STATE OF COLORADO AND THE)
COLORADO OFFICE OF CONSUMER)
COUNSEL FOR AN ORDER APPROVING A)
CERTAIN AGREEMENT WHEREBY,)
INTER ALIA, PROVISIONS ARE MADE)
FOR CERTAIN REDUCTIONS AND POTENTIAL)
REDUCTIONS FOR SPECIFIED PERIODS IN)
THE ELECTRIC BASE RATES OF THE)
TARIFFS OF PUBLIC SERVICE COMPANY)
(AND HOME LIGHT AND POWER DIVISION).)

APPLICATION NO. 38808

DECISION AND ORDER GRANTING
APPLICATION

March 9, 1988

STATEMENT

BY THE COMMISSION:

On February 16, 1980, Public Service Company of Colorado (Public Service), the Staff of the Public Utilities Commission of the State of Colorado (Commission Staff), and the Colorado Office of Consumer Counsel (OCC) filed a joint application which requests that the Commission enter an order granting approval of an agreement, which was attached to the application as Exhibit No. 1, and authorizing Public Service to make any tariff filings necessary to implement that agreement. The agreement was signed by Public Service, the Commission Staff, and the OCC on February 4, 1988, and generally provides for certain reductions and potential reductions in electric base rates between April 1, 1988, and March 31, 1990, in Public Services PUC No. 6-Electric and the Home Light Division PUC No. 10 tariffs. It is stated that if the agreement is approved by the Commission, Public Service will file a request that all electric base rates initially be reduced by 2.75 percent, effective April 1, 1988.

Notice of Application No. 38808 was given on February 18, 1988 providing that anyone desiring to intervene or participate as a party was to file an appropriate pleading on or before March 4, 1988. In addition, Public Service published in the Denver Post, the Rocky Mountain News, and the Greeley Tribune notice of the application, stating that anyone who desires to object or intervene should file those pleadings with the Colorado Public Utilities Commission no later than March 7, 1988. No

protests or requests to intervene in Application No. 38808 have been received by the Commission. Accordingly, the Commission may determine this application as an unopposed application pursuant to the provisions of § 40-6-109(5), C.R.S., and Rule 24 of the Commission's Rules of Practice and Procedure.

FINDINGS OF FACT

1. The rates and charges of Public Service for gas and electric service subject to the jurisdiction of this Commission currently are made up of the following: base rates established in Investigation & Suspension Docket No. 1640 (I&S 1640); the electric cost adjustment and gas cost adjustment provisions authorized by prior Commission decisions; and a negative rider in the amount of 3.15 percent on all electric rates. The latter was provided for in the Ft. St. Vrain settlement agreement entered into by Public Service, the OCC, Emma Young, Green, et. al. and this Commission on September 24, 1986, and approved by this Commission in Decision No. C86-1626 dated November 25, 1986.

2. Discussions were held among Public Service, the OCC, and the Commission Staff during the last several months resulting in an agreement (the Agreement) signed on February 4, 1988. This agreement, which was attached to the application as Exhibit No. 1, provides for certain reductions and potential reductions in Public Service's electric rates for the period from April 1, 1988, through March 31, 1990, and also provides that, except for those reductions, none of the parties to the agreement will seek a change in Public Service's gas or electric base rates to be effective prior to April 1, 1990. The Agreement also contains other terms and conditions which are reflected in subsequent findings of fact in this decision and order.

3. Paragraph No. 2 of the Agreement addresses one or more negative electric riders to be effective from April 1, 1988, through March 31, 1989. Public Service, according to the Agreement, will file upon not less than one day's notice, a negative rider to all of its electric base rates in the amount of 2.75 percent to be effective on April 1, 1988. This negative rider reflects an annual electric rate reduction in the amount of \$27 million.

4. The Agreement further provides that if the pro forma excess net operating revenues for the gas and electric departments of Public Service for the calendar year 1987, based upon the principles including the rate-of-return determination used by the Commission in I&S 1640, are greater than \$36 million, an adjustment effective of July 1, 1988, to the 2.75 percent negative rider will be necessary. Paragraph 2 of the Agreement provides that if the excess revenues based on I&S 1640 principles is greater than \$36 million and less than or equal to \$40 million, the 2.75 percent negative rider will be adjusted, effective July 1, 1988, to provide for an additional reduction equivalent to the amount (rounded to the nearest \$100,000), by which the excess revenues exceed \$36 million. In the event that the excess revenue is between \$40 million and \$50 million, there will be no further adjustment to the rider, but if

the excess is greater than \$50 million, the rider will be further adjusted to provide for an additional revenue reduction equivalent to the amount, (rounded to the nearest \$100,000), by which the excess is greater than \$50 million. It is the intent of the parties that these adjustments, if any, will increase the revenue reduction on a dollar-for-dollar basis (rounded to the nearest \$100,000). Any adjusted negative rider on Public Services electric base rates, (or the rider effect of April 1, 1988, if no adjustment is appropriate) will remain in effect through March 31, 1989.

5. Paragraph 3 of the Agreement addresses the negative electric rider, if any, to be effective from April 1, 1989, through March 31, 1990. The Agreement provides that if Public Service has no pro forma excess revenues for the calendar year 1988, based on I&S 1640 principles, there will be no rider for the period April 1, 1989, through March 31, 1990. If Public Service has calendar year 1988 pro forma excess revenues, based upon the Application of I&S 1640 principles, greater than \$0 and less than or equal to \$10 million, then the rider which will be in effect between April 1, 1989, and March 31, 1990 will be in an amount necessary to reflect an annual electric revenue reduction equal to one-half of the excess revenues. If the excess revenues exceed \$10 million, the negative rider to be in effect from April 1, 1989, through March 31, 1990, will be in an amount to reflect an annual electric revenue reduction in the amount of \$5 million plus 75 percent of the excess revenues above \$10 million. The foregoing negative rider, if any, will be in effect from April 1, 1989, through March 31, 1990, and thereafter will cease to be effective.

6. Paragraph 4 of the Agreement provides that Public Service will contribute \$1 million to the Energy Assistance Foundation on or before December 1, 1988, and an additional \$1 million on or before December 1, 1989. The parties agree that this contribution is made from stockholder-supplied funds, rather than funds supplied by ratepayers.

7. Paragraph 5 of the Agreement provides that Public Service will not file a rate case seeking an increase in its electric or gas base rates with an effective date prior to April 1, 1990, with one exception. The one exception reserved relates to the right of Public Service to make a filing with the Commission seeking an increase in pro forma base rate gas revenues) and a corresponding decrease in the pro forma base rate electric revenues (in order to reduce the difference in levels of pro forma rates-of-return on equity between the gas and electric departments. In the event Public Service makes that filing, the Commission Staff and the OCC are free to take any position they deem advisable on that filing. It is also agreed by the OCC and the Commission Staff that they will not make any filing with the Commission seeking to reduce Public Service's electric or gas base rates, with an effective date prior to April 1 1990.

8. Other provisions of the Agreement provide for its becoming effective upon issuance by the Commission of a decision, no longer

subject to judicial review, approving the Agreement without modification. The Agreement also provides that the various provisions of the Agreement are not severable and unless the Agreement becomes effective in accordance with its paragraph 7 it shall be privileged and shall not be admissible into evidence or in any way described or discussed in any proceeding over the objection of any of the parties.

9. Home Light and Power Company (Home Light) was merged into Public Service effective November 1, 1986, pursuant to Decision No. C86-1135, and is now known as the Home Light and Power Division of Public Service. In accordance with Decision No. C86-1135, Home Light's tariffs are maintained separately. Therefore, for purposes of the Agreement entered into among the parties and to provide clarification, it is stated that the terms and provisions of the agreement are also applicable to service in Home Light's service territory.

DISCUSSION

For several years, this Commission has encouraged the settlement of existing and potential rate cases by parties who are usually involved in rate case litigation. Rate case litigation is expensive, and its cost is ultimately borne by utility rate-payers as well as other parties to the litigation. The Agreement entered into by Public Service, the Commission Staff and the OCC is a reasonable one, and the parties are commended for their initiative in reaching an agreement which is not only timely, but also financially beneficial to Public Service's ratepayers in the significant amount of \$27 million initially.

It further avoids the expense of a general rate case for a two-year period. The effect of the agreement will be to encourage efficiency on Public Service's part and a further effect will be the sharing of efficiency gains with its ratepayers. Reaching an agreement to effect rate reductions while avoiding rate case litigation is an achievement of which these parties can be proud. The achievement of such an agreement reflects both hard work and an effective working relationship founded on mutual trust, and it represents a fine example to be emulated in the future. The Commission appreciates the fact that its encouragement of settlements has borne significant fruit which will redound to the benefit of all of the shareholders as well as for the Colorado ratepayers of Public Service. Accordingly, the Commission will enter its order granting the joint application together with the Agreement appended to that application.

THEREFORE THE COMMISSION ORDERS THAT:

1. Application No. 38808, being the joint application of Public Service Company of Colorado, the Staff of the Public Utilities Commission of the State of Colorado and the Colorado Office of Consumer Counsel, is granted, and the Agreement appended to that application, bearing the date of February 4, 1988, is approved.

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

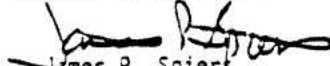
3. This Decision and Order, unless otherwise ordered by the Commission, shall be effective March 31, 1988.

DONE IN OPEN MEETING the 9th day of March 1988.

(S E A L)



ATTEST: A TRUE COPY


James P. Spiers
Executive Secretary

THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

ARNOLD H. COOK

ANDRA SCHMIDT

RONALD L. LEHR

Commissioners

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