

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO**

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IN THE MATTER OF THE APPLICATION	
OF PUBLIC SERVICE COMPANY OF)	
COLORADO FOR AUTHORIZATION TO)	
IMPLEMENT A REVENUE DECOUPLING)	PROCEEDING NO. 16A-XXXXE
ADJUSTMENT MECHANISM AS A PART)	
OF ITS COLORADO P.U.C. NO. 7-)	
ELECTRIC TARIFF.)	

VERIFIED APPLICATION

In accordance with Rule 1303 of the Colorado Public Utilities Commission's ("Commission) Rules of Practice and Procedure, 4 *Code of Colorado Regulations* (C.C.R.) 723-1-1303 and Rule 3002 of the Commission's Rules Regulating Electric Utilities, 4 C.C.R. 723-3-3002, Public Service Company of Colorado ("Applicant", "Company" or "Public Service"), by and through its undersigned counsel, hereby respectfully requests that the Commission issue an order approving Public Service's implementation of a revenue decoupling mechanism that adjusts future base rate revenues for the period June 1, 2018 through May 31, 2023, in order to remove the economic incentives and disincentives associated with the Company's recovery of fixed costs through the energy component of its electric base rates. The Company's proposed Revenue Decoupling Adjustment ("RDA") tariff is reflected in the *pro forma* tariff sheets included in Appendix A hereto. Public Service is submitting in support of this Application the Direct Testimonies of Ms. Alice K. Jackson, Regional Vice President, Rates and Regulatory Affairs, for Xcel Energy Services Inc. ("XES"), Mr. Steven W. Wishart, Manager, Pricing and Planning for XES, and Ms. Jannell E. Marks,

Director, Sales, Energy and Demand Forecasting for XES. Also in support of this Application, Public Service states as follows:

I. BACKGROUND

1. In its last Phase I electric rate case in Proceeding No. 14AL-0660E ("2014 Phase I Rate Case"), Public Service proposed, among other things, to implement a revenue decoupling mechanism applicable to Residential (Schedule R) and small Commercial (Schedule C) customers. Under that proposed mechanism, annual adjustments to collect or return revenues would be made as necessary to assure the Company's recovery of fixed costs underlying its approved base energy charges calculated based on the change in the weather-normalized average use per customer applicable to residential and small commercial customer classes. Based on this change, the resulting under- or over-recovery of the approved level of fixed costs included in the energy component of the Company's base rates would be used to develop either a surcharge to collect the under-recovered amounts from customers or a credit to return the over-recovered amounts to customers. Under the particular decoupling mechanism proposed in that case, which was presented through the direct testimony of Company witness Mr. Scott B. Brockett, the decoupling adjustment surcharge or credit to base rates was to be made through the General Rate Schedule Adjustment ("GRSA"), rather than through a separate rate rider.

2. By Decision No. C14-1331-I in the 2014 Phase I Rate Case, mailed November 5, 2014, the Commission dismissed the Company's decoupling proposal from the rate case, finding as follows:

9. Therefore, we find that Public Service's suggestion of a separate proceeding to address decoupling is reasonable and efficient based on these circumstances, including the statements of the parties that implementing a decoupling mechanism will have broad policy implications. By considering decoupling in a separate proceeding, the Commission and interested parties will have an opportunity to address policy objectives for a decoupling mechanism before engaging in a discussion about the merits of the design of a particular decoupling mechanism. We find that, in this instance, considering a decoupling mechanism in a separate proceeding will serve the public interest and enable the Commission to consider the broad implications of a fundamental change for Colorado in rate regulation, including, without limitation, the effects of revenue decoupling on related proceedings.¹

3. On January 25, 2016, Public Service filed Advice Letter No. 1712-Electric proposing new and revised rates and services and completely replacing its existing Colorado PUC No. 7 electric tariff, thereby initiating its Phase II electric rate case in Proceeding No. 16AL-0048E ("2016 Phase II Rate Case"). The primary purposes of the 2016 Electric Phase II Rate Case was to: eliminate the currently effective General Rate Schedule Adjustment ("GRSA") and place into effect revised base rates for all electric rate schedules to collect the revenue requirement approved by the Commission in the 2014 Phase I Rate Case; and revise and replace the Company's currently effective P.U.C. No. 7–Electric Tariff with P.U.C. No. 8-Electric Tariff. The proposed base rates are based on a new Class Cost of Service Study and on rate-design principles explained by the Company in that proceeding. As part of the rate design proposals in the 2016 Phase II Rate Case, Public Service has proposed a new Residential Demand Time of Use ("RD-TOU") pilot rate that has the potential to save money for customers who are able to shift their usage to off-peak periods.

¹ Interim Decision Dismissing Public Service Company's Proposed Decoupling Mechanism From the Proceeding and Requiring Filing of Corrected Testimony, Decision No. C14-1331 (Nov. 4, 2015), Proceeding No. 14AL-0660E.

II. THE REVENUE DECOUPLING ADJUSTMENT (“RDA”) MECHANISM

4. The Company is proposing revenue decoupling to align our interests with the preference of our customers. Currently, we recover a substantial amount of our fixed costs through variable charges to customers. Under this economic model, new rate structures or customer programs that have the potential to reduce energy sales also have the effect of reducing the Company’s ability to recover all of its fixed costs.

5. Revenue decoupling will provide assurance that Public Service collects sufficient revenue to cover the level of fixed costs, on a per-customer basis, that was approved in the Company’s preceding Phase I rate case. With this assurance, we can offer new rate design initiatives, such as the RD-TOU pilot mentioned above, which provides customers with the opportunity to save on their monthly bills if they are able to shift some of their usage to off peak periods. Decoupling also removes the disincentive associated with rooftop solar installations. While solar technology has the potential to reduce the long-term costs of the Company’s electric system, in the short term our costs are fixed and the lost sales due to rooftop solar diminish our ability to recover those fixed costs. Finally, new programs, such as Integrated Volt Var Optimization (“IVVO”), have the potential to further reduce sales and revenue decoupling removes the economic disincentive to pursue such programs.

6. The Company’s proposed RDA tariff provides for revenue decoupling adjustments for two rate classes; one for the Residential class and a separate adjustment for the Small Commercial class. The proposed RDA Tariff would become effective in 2017, with the first adjustments to take effect beginning June 1, 2018. The RDA Tariff would sunset with the last adjustment expiring on May 31, 2023.

7. The Residential decoupling adjustment will have two components. The first accounts for changes in the weather-normalized average use per customer under our base Residential rate (Schedule R). The second component accounts for the RD-TOU pilot rate. This latter adjustment reconciles the revenues for fixed cost recovery collected through the new RD-TOU rate and what that fixed cost recovery would have been under the standard Residential (Schedule R) rate, as approved by the Commission in the 2014 Phase I Rate Case. These two adjustments are summed and a Demand-Side Management (“DSM”) disincentive offset amount, as awarded by the Commission in the Company’s DSM proceedings, is then subtracted from the total. The net adjustment amount is passed back through the Schedule R and RD-TOU rates in the form of a surcharge or credit that will be in effect for 12 months commencing June 1 of the subsequent year.

8. The Small Commercial (Schedule C) decoupling adjustment similarly accounts for changes in the class’s weather-normalized average use per customer and is reduced by the class’s share of the DSM disincentive offset amount. The resulting revenue decoupling surcharge or credit is applied only to the Small Commercial (Schedule C) class.

9. In its decision dismissing the Company’s decoupling proposal from the 2014 Phase I Rate Case, Decision No. C14-1331, the Commission directed that, if Public Service were to file a stand-alone application proposing to implement decoupling, certain information should be included in the Application, as follows:

12. We do not require Public Service to file an application to implement revenue decoupling by this Decision. However, an application must account for regulatory mechanisms and rate structures affected by revenue decoupling. By way of example,

Public Service should consider whether the application should be filed before the Company's next Electric Resource Plan filing. An application to implement a revenue decoupling mechanism must address how and whether the mechanism will affect current and upcoming proceedings.

10. Ms Jackson and Mr. Wishart provide the information required by the Commission in their direct testimonies filed in support of this Application. Ms. Jackson describes in her testimony how the proposed RDA mechanism will affect and is affected by the Company's current and upcoming proceedings. In his supporting Direct Testimony, Mr. Wishart explains how the proposed RDA mechanism interplays with the Company's DSM programs and incorporates a DSM disincentive offset designed to reduce any under-recoveries or increase and over-recoveries by the amount authorized to be recovered by the Commission in the DSM strategic issues proceeding in Proceeding No. 13A-0686E and any subsequent DSM proceedings. Mr. Wishart also addresses how the proposed RDA mechanism will interplay with the RD-TOU tariff and Grid Use charge proposed by the Company in the 2016 Phase II Rate Case.

III. WAIVERS

11. While Public Service does not believe that the relief requested in this Application is inconsistent with any Commission rule or regulation, the Company hereby requests that the Commission grant it any all waivers that the Commission may deem necessary in order to grant this Application and for Public Service to implement the rates, terms and conditions of its proposed RDA tariff.

IV. NOTICE

12. In addition to the formal notice of this Application provided by the Commission pursuant to Colo. Rev. Stat. § 40-6-108(2) and Rule 1206 of the Commission's Rules of Practice and Procedure, Public Service will provide additional

notice of this Application as follows:

a. Electronic service of this Application, together with supporting testimony and attachments, on all parties to Proceeding No. 14AL-0660E, the Company's 2014 Phase I Rate Case in which decoupling was originally proposed by the Company; and

b. Posting the Application and supporting testimony on the Xcel Energy internet website.

V. INFORMATION REQUIRED BY RULE 3002(b) AND (c)

1. **Name and Address of Applicant.** The Applicant is Public Service Company of Colorado. Public Service's principal office is located at 1800 Larimer Street, Suite 1400, Denver, Colorado 80202. Public Service is a Colorado corporation.

2. **Name Under Which Applicant Will Provide Service in Colorado.** All operations conducted by Public Service in Colorado shall be conducted under the name of Public Service Company of Colorado d/b/a Xcel Energy.

3. **Representatives to Whom Inquiries Concerning the Application Should Be Made.** Copies of all notices, other correspondence, and all inquiries concerning this Application should be sent to:

Steven. W. Wishart
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4. **Agreement to Comply with 4 CCR 723-3-3002(b)(IV)-(VI).** Public Service has read, and agrees to abide by, the provisions of 4 CCR 723-3-3002(b)(IV)-(VI).

5. **Description of Existing Operations and General Colorado Service Area.** Public Service provides electric and gas public utility service in numerous areas throughout the State of Colorado. The Company also provides steam utility service within the downtown area of Denver. A full listing of Public Service's existing operations and service area is set forth in Public Service's tariffs on file with the Commission.

6. **Location of Hearing.** If a hearing is held on this Application, Public Service prefers that the hearing be held at the Commission's offices in Denver, Colorado.

7. **Acknowledgment.** Public Service has read and agrees to abide by the provisions of 4 CCR 723-3002(b)(XI)(A)-(C).

8. **Statement Under Oath.** Attached is a Verification signed by a person authorized to act on behalf of Public Service, affirming that the contents of this Application and the supporting documents are true, accurate and correct.. This Verification contains the name, title, and the complete address of the Company's authorized agent, as required by Commission rules.

9. **Information Required by Rule 3002(c).** Public Service hereby incorporates by reference the following information, which is on file with the Commission in Proceeding No. 06M-525EG:

a. A copy of Public Service's Amended Articles of Incorporation, which was last filed on October 3, 2006;

b. The name, business address and title of each of Public Service's officers and directors, which was last filed on June 13, 2016.

c. The names and addresses of affiliated companies that conduct business with Public Service, which was last filed on June 13, 2016;

d. The name and address of Public Service's agent for service of process, which was last filed on October 3, 2006.

IV. CONCLUSION

WHEREFORE, based on the foregoing, Public Service Company of Colorado respectfully requests that the Colorado Public Utilities Commission issue an order granting this Application and directing the Company to file tariff sheets to implement its proposed Revenue Decoupling Adjustment ("RDA") tariff, on not less than one business day's notice, in substantially the same form as the *pro forma* tariff sheets included in Appendix A hereto.

DATED this 11th day of July, 2016.

Respectfully submitted,

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**ATTORNEYS FOR PUBLIC SERVICE
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