

Decision No. C24-0233

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

PROCEEDING NO. 23M-0234G

IN THE MATTER OF THE GAS INFRASTRUCTURE PLAN OF PUBLIC SERVICE COMPANY OF COLORADO FILED PURSUANT TO 4 CODE OF COLORADO REGULATIONS 723-4-4552 OF THE COMMISSION'S RULES REGULATING GAS UTILITIES.

COMMISSION DECISION GRANTING, IN PART, AND DENYING, IN PART, APPLICATION FOR REHEARING, REARGUMENT, OR RECONSIDERATION OF COMMISSION DECISION NO. C24-0092

Mailed Date: April 15, 2024
Adopted Date: April 3, 2024

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I. BY THE COMMISSION

A. Statement

1. Through this Decision, the Commission addresses the Application for Rehearing, Reargument, or Reconsideration of Decision No. C24-0092 (RRR or RRR Application) filed on March 14, 2024, by Public Service Company of Colorado (Public Service or Company).

B. Background

2. As discussed in Decision No. C24-0092, issued February 23, 2024 (GIP Decision), Public Service filed its Initial 2023-2028 Gas Infrastructure Plan (Initial GIP) on May 18, 2023, consistent with provisions in the Commission’s Rules Regulating Gas Utilities, 4 *Code of Colorado Regulations* (CCR) 723-4-4550 to 4555 (GIP Rules). The Initial GIP was filed in a miscellaneous proceeding, in accordance with the Commission’s expectation that initial informational GIPs would allow for additional understanding and refinement of newly required gas infrastructure planning processes and reporting.

3. In the GIP Decision the Commission addressed the adequacy of Public Service’s Initial GIP and provided guidance for the preparation of Public Service’s future adjudicated GIP filings, including Public Service’s next GIP which must be filed in 2025 (2025 GIP). The Commission’s guidance included various requests and directives concerning forecasting, Non Pipeline Alternatives (NPA) analysis, project cost reporting, and other issues.

C. Application for Rehearing, Reargument, or Reconsideration

4. On March 14, 2024, Public Service filed its RRR Application. In its RRR Application, the Company recognizes that the Commission seeks a rapid pace of change in system

planning. However, the Company contends that because the 2025 GIP will be filed in a little more than a year, its Clean Heat Plan remains in litigation in Proceeding No. 23A-0392EG, and additional miscellaneous proceedings will occur on related topics, expectations regarding what can realistically be accomplished in the 2025 GIP should be somewhat tempered.

1. Planned Projects Included in the GIP

5. Public Service requests clarification regarding Paragraph 85 of the GIP Decision, which notes that projects not reviewed via a GIP or CPCN process will be assessed, when cost recovery is sought, without the presumption of prudence available in the GIP and CPCN processes. Paragraph 85 also states the Commission's intention to investigate whether information similar to that required in a GIP or CPCN proceeding should be provided for projects identified in future rate case proceedings which have not undergone a GIP or CPCN review process. The Company seeks clarification that the references to GIP processes in this portion of the Decision apply beginning with the 2025 GIP and projects not reviewed therein, explaining that non-CPCN gas capital additions for the years 2022, 2023, and 2024 do not have the opportunity to go through an adjudicated GIP process.

6. The Commission denies this request for clarification. While we do not dispute Public Service's point about which projects will be included in the 2025 GIP, we find no clarification is necessary regarding Paragraph 85 or its application. The paragraph simply highlights that a presumption of prudence is available through GIP and CPCN processes and that cost recovery of infrastructure investment not presented in a planning proceeding is still subject to Commission oversight in base rate proceedings. The paragraph also states the Commission's intention to investigate whether additional information should be required in rate case proceedings for projects that should have undergone GIP or CPCN review but were not brought to the

Commission for such review, such that those projects still receive a meaningful review of alternatives. As an example of this, the Commission will invite comment in Proceeding No. 24R-0168EG on considerations for capital expenditures that should or could have been presented in prior planning proceedings, but instead appeared for the first time in a base rate proceeding, as the Commissioners discussed at the Commissioners' Weekly Meeting on March 27, 2024.

2. Non-Pipeline Alternatives Analysis for System Safety and Integrity Planned Projects

7. Public Service requests reconsideration of the Commission's direction in Paragraph 96 of the GIP Decision to include all system safety and integrity planned projects in the Company's alternatives analysis process for the 2025 GIP. The Company argues that the GIP Rules and newly adopted Rule 4102 addressing CPCN requirements do not subject safety projects to NPA analysis, that the Commission's direction to include safety projects is improper under Colorado's Administrative Procedures Act, and that the Commission must engage in a rulemaking proceeding to include safety projects in the projects subject to NPA analysis. The Company also contends safety projects should not be subject to alternatives analysis because NPAs for safety projects could result in increased risk to the system, because the delay of mitigating identified risks to do NPA analysis would expose the public to the risk for a longer time, and because the NPA process is new and should remain focused on capacity expansion and new business projects.

8. The Commission grants this request for reconsideration. Projects that must be subject to Public Service's alternatives analysis process for the 2025 GIP are all new business planned projects and all capacity expansion planned projects. To the extent certain system safety and integrity projects are suitable for NPA analysis, given the likelihood of successful alternatives and timing concerns, we strongly encourage the Company to include these projects in its alternatives analysis process. We believe, as potentially true for all project types, alternatives to

system safety and integrity projects could offer the potential for meaningful cost savings and other benefits. Customers should not miss out on cost savings available from implementation of an NPA simply because the project it replaces is a safety project. We intend to revisit this issue in a future rulemaking proceeding, which we anticipate initiating in 2025.

3. Proposal for Including Electrification of Gas-Only Customers in Alternatives Analysis

9. In the GIP Decision, the Commission addressed an argument made by the Natural Resources Defense Council, Sierra Club, Southwest Energy Efficiency Project, and Western Resource Advocates (together, the Conservation Advocates) and the City of Boulder that electrification should be offered to customers who do not also receive electric service from Public Service. The Commission directed Public Service to include in the 2025 GIP a proposal for how alternatives analysis could include electrification of gas-only customers.¹ In its Application for RRR, Public Service recognizes that this issue has a gas infrastructure planning facet, but suggests that this discussion occur in the context of clean heat planning because the issue is even more relevant to the Clean Heat Plan's objective of reducing GHG emissions. The Company requests that the Commission address this issue in a miscellaneous proceeding to follow the conclusion of Proceeding No. 23A-0392EG.

10. We agree that electrification of gas-only customers is relevant to both gas infrastructure planning and clean heat plan proceedings, but we disagree that the issue should be addressed only in the context of clean heat plans. Alternatives analysis in gas infrastructure planning is meant to reduce capital spending on infrastructure where the benefit of an NPA outweighs the cost of an infrastructure project. This focus on cost savings is a different

¹ GIP Decision, at ¶ 105.

fundamental objective than clean heat planning's goal of GHG emission reduction, and the issue of electrifying gas-only customers will likely play out differently. Therefore, we deny Public Service's request for reconsideration, in part, and maintain the requirement for the Company to include a proposal for how alternatives analysis could include electrification of gas-only customers in its 2025 GIP. If this issue is taken up in a miscellaneous proceeding following Proceeding No. 23A-0392EG, the miscellaneous proceeding can include consideration of electrification of gas-only customers for gas infrastructure planning purposes. Regardless of the outcome in Proceeding No. 23A-0392EG, the requirement for the 2025 GIP remains in order to further the debate on how to make available, and recover the costs of, the Company's electrification programs as they relate to gas-only customers.

4. Inclusion of Negative Net Salvage Value in Cost Benefit Analysis

11. In the GIP Decision, the Commission stated that a Cost Benefit Analysis (CBA) used in Public Service's consideration of an NPA should include infrastructure's negative net salvage value and noted that including negative net salvage value may fundamentally change the math for many NPAs.² In its Application for RRR, Public Service states that it is not opposed to the concept in general, but requests that the matter first be considered in the GIP miscellaneous proceeding ordered to follow the conclusion of this Proceeding. The Company contends that including negative net salvage value in the CBA requires careful consideration of many factors, including time value of money, translation of net salvage from Federal Energy Regulatory Commission accounts to the CBA tool, and whether application of negative net salvage should be done symmetrically to both the cost of gas infrastructure and electric infrastructure.

² GIP Decision, at ¶ 113.

12. This request for reconsideration is denied. We recognize that the inclusion of negative net salvage value in the CBA for NPAs may be complex and is also a suitable issue to discuss in the development of the CBA handbook, but this value is essential to increasing the accuracy of alternatives analyses that must be completed for the 2025 GIP. We therefore maintain the directive to Public Service to include the negative net salvage value of gas infrastructure in the Company's NPA evaluations to be submitted with its next GIP. The Commission recognizes there may be multiple complexities involved with including negative net salvage value. We encourage Public Service to consider and support an approach it determines appropriate and accurate, and to support its approach with relevant expert testimony. Additionally, if the Company believes applying negative net salvage symmetrically and including negative net salvage value for electric infrastructure will result in more realistic and accurate CBA for required NPAs, the Company is free to do so. The Commission will fully weigh the merits of the Company's approach in the 2025 GIP proceeding.

5. Competitive Requests for Proposals

13. In the GIP Decision, the Commission directed Public Service to complete at least one competitive solicitation process for an NPA in the preparation of the 2025 GIP, focused on the largest expenditure in the 2025 GIP that has sufficient lead time to implement and NPA. The Commission included that the Company should provide a sample contract and request for proposal (RFP) for the competitive solicitation(s), as well as a proposed timeline and Independent Evaluator role. In its Application for RRR, the Company seeks a modification of this directive, requesting that it instead be permitted to present the project for which it would seek a competitive solicitation in the 2025 GIP, along with the other requirements set out in the GIP Decision, with any solicitation to occur consistent with the final order in the 2025 GIP. Public Service explains

that through this modification, the Company would not move forward unilaterally, and the Commission would have full consideration of the project selected, contract and RFP terms, and the general acquisition process.

14. The Commission grants this requested modification. We agree with Public Service that the modified process is consistent with the intent of the GIP rules and resembles other competitive solicitation processes in the Commission's purview. With its 2025 GIP, the Company should present the project(s) that are candidates for competitive solicitation and narratives explaining why the project(s) are candidates, sample contract and request for proposal terms, proposed timelines, and an Independent Evaluator role to ensure a fair, open and efficient process.

6. Rule 4553(b) and 4731(a)(I) Forecasts

15. In the GIP Decision, the Commission directed Public Service to file a forecast that fully complies with Rules 4553(b) and 4731(a)(I) with its 2025 GIP application, subject to any specific direction on forecasting methods and filings given in Proceeding No. 23A-0392EG. In its Application for RRR, the Company states that under the gas rules, the Clean Heat Plan proceeding is the proper forum in which to address Clean Heat Plan forecasts, and the GIP proceeding is the appropriate forum in which to address GIP forecasts. The Company asks the Commission to confirm: (a) an updated Clean Heat Plan forecast per Rule 4733(a)(VII), subject to specific direction in forecasting ordered in Proceeding No. 23A-0392EG, is required to be filed with the Company's Interim Clean Heat Plan report due on March 31, 2025; and (b) a forecast required by Rule 4553(b) will be included in the 2025 GIP that must be filed by May 1, 2025. We grant this request for clarification and confirm Public Service's understanding of the required forecasts, again subject to any additional direction that the Commission may give in Proceeding No. 23A-0392EG.

7. Supply Curve and Potential Study

16. In the GIP Decision, the Commission directed Public Service to analyze, develop and support a “supply curve” for demand side management (DSM) and beneficial electrification (BE) measures in future GIP filings, and stated that the supply curve analysis should be logically consistent with the new or updated potential study required by Decision No. C23-0413 in Proceeding No. 22A-0309EG, the Company’s 2024-2026 DSM and BE Strategic Issues Application proceeding. The Commission also directed that the Company’s 2025 Strategic Issues Application should be filed simultaneously with the 2025 GIP, or that the supply curve and potential studies should be submitted with whatever application is submitted first, such that consistent information is filed in both proceedings.

17. Public Service requests reconsideration of these requirements. It states that the supply curve and potential study requirements should be considered in strategic issues proceedings or other appropriate forums and should not be tied to the GIP. The Company also states it is not likely the Company and its consultants will be able to complete all required components prior to the May 1, 2025, filing deadline for the 2025 GIP, particularly given that the Commission’s directed supply curve concept includes non-standard elements that would considerably expand the scope and add to the cost of the potential study.

18. The Commission is persuaded by Public Service that our directives to develop a supply curve and to file a supply curve and potential study with or prior to the next GIP may not be feasible given the timing of the 2025 GIP. Therefore, the request for reconsideration of these directives is granted. However, we remain convinced that additional quantitative analysis and support of the foundational elements of DSM/BE programs is warranted and relevant for consideration of GIPs and NPAs. We encourage the Company to consider incorporating the supply

curve concept set forth in the GIP Decision in its potential study as appropriate. We also encourage the Company to prepare its potential study, with or without a supply curve, so that the information is available and consistent in both the Company's next Strategic Issues proceeding and its next GIP proceeding, to the extent feasible.

8. Cost Recovery

19. In the GIP Decision, the Commission encouraged Public Service to pursue the Pearl Street Mall and F-3 Reinforcement NPA portfolios and directed the Company to file a proposal for cost recovery and reporting requirements. In its Application for RRR, Public Service requests reconsideration of the Commission's directive to make a separate cost recovery filing. The Company states its proposals for a Clean Heat Support Electric Adjustment and Clean Heat Support Gas Adjustment, and its proposal that these mechanisms be made available for NPAs such as the Pearl Street Mall and F-3 Reinforcement portfolios, are pending in Proceeding No. 23A-0392EG. The Company requests that for regulatory efficiency, the GIP Decision requirement to file a cost recovery proposal be delayed until the Commission decides the rider requests in the Clean Heat Plan proceeding. Alternatively, should Commission not adopt the Company's proposals in Proceeding No. 23A-0392EG, the Company states it would make the cost recovery filing outlined in the GIP Decision within 60 days from a final decision in Proceeding No. 23A-0392EG.

20. We agree with Public Service that the requirement to file a cost recovery proposal should be delayed pending the outcome of the rider requests in the Clean Heat Plan proceeding. We grant the Company's request for reconsideration on this matter, and its requested alternative filing timeline.

9. Construction Industry Surveys

21. Public Service requests reconsideration of the directive in the GIP Decision to survey the home construction industry on awareness and interest in electrification technologies and the Company's DSM and BE programs, and to include this information in the 2025 GIP.³ The Company explains that it already completes similar surveys as part of its DSM Product Impact and Process Evaluation process and posts evaluations on its publicly accessible website. The Commission agrees that the directive in the GIP Decision would be duplicative, and we grant this request for reconsideration.

10. Actual and Projected Planned Project Cost Comparison

22. Public Service requests reconsideration of the GIP Decision's requirement to include with the 2025 GIP data comparing actual costs and projected costs for projects completed within the prior three years. The Company notes that the scope of the 2025 GIP is already broad and requests the reporting requirement be limited to planned projects placed in service in 2024, and be further limited to capacity expansion projects because capacity expansion projects are subject to discrete, robust planning processes. While the Commission encourages Public Service to include data for additional prior years, we agree that limiting the required reporting to planned projects placed in service in 2024 is reasonable given the timing of this Proceeding, the 2025 GIP, and other relevant proceedings. But we do not agree that the reporting should be limited to capacity expansion projects. The reporting requirement to compare actual and projected planned project costs continues to apply to all planned project types, as this data will assist the Commission and stakeholders in understanding the Company's gas infrastructure planning processes. Therefore, this request for reconsideration is granted, in part, and denied, in part.

³ GIP Decision, at ¶ 168.

II. ORDER

A. The Commission Orders That:

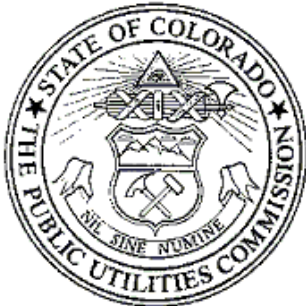
1. The Application for Rehearing, Reargument, or Reconsideration of Decision No. C24-0092 filed by Public Service Company of Colorado on March 14, 2024, is granted, in part, and denied, in part, consistent with the discussion above.

2. The 20-day period provided for in § 40-6-114, C.R.S., within which to file applications for rehearing, reargument, or reconsideration, begins on the first day following the effective date of this Decision.

3. This Decision is effective upon its Mailed Date.

**B. ADOPTED IN COMMISSIONERS' WEEKLY MEETING
April 3, 2024.**

(S E A L)



ATTEST: A TRUE COPY

Rebecca E. White,
Director

THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

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MEGAN M. GILMAN

TOM PLANT

Commissioners