

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

PROCEEDING NO. 23AL-0636G

IN THE MATTER OF ADVICE LETTER NO. 1027 - GAS FILED BY PUBLIC SERVICE COMPANY OF COLORADO TO REVISE ITS COLORADO P.U.C. NO. 6 - GAS TARIFF TO UPDATE ELIGIBILITY REQUIREMENTS TO RECEIVE A CONSTRUCTION ALLOWANCE, TO REQUIRE FULL PAYMENT OF THE METER SET, AND TO ADDRESS VOLUNTARY PERMANENT TERMINATIONS OF GAS SERVICE, TO BECOME EFFECTIVE FEBRUARY 1, 2024.

**COMMISSION DECISION SUSPENDING EFFECTIVE
DATE OF TARIFF SHEETS, WAIVING DEADLINE IN
COMMISSION'S GAS RULES, ESTABLISHING NOTICE
AND INTERVENTION PERIOD, AND REFERRING
MATTER TO AN ADMINISTRATIVE LAW JUDGE**

Mailed Date: January 26, 2024
Adopted Date: January 24, 2024

IMPORTANT NOTICE: ANY PERSON DESIRING TO PARTICIPATE ONLY BY MAKING A STATEMENT MAY DO SO BY SUBMITTING A WRITTEN COMMENT THROUGH <https://puc.colorado.gov/> INDICATING PROCEEDING NO. 23AL-0579G. IF YOU DESIRE TO ASK QUESTIONS OF A WITNESS OR OTHERWISE PARTICIPATE AS A PARTY IN THIS MATTER, YOU MUST REQUEST PERMISSION FROM THE COMMISSION TO BE AN INTERVENOR (EVEN IF YOU HAVE ALREADY FILED AN OBJECTION). ANYONE DESIRING TO INTERVENE MUST CAREFULLY FOLLOW THE LAW AND COMMISSION RULES FOR BECOMING AN INTERVENOR. FOR FURTHER INFORMATION ON HOW TO INTERVENE, CALL (303) 894-2070 (PUC EXTERNAL AFFAIRS OFFICE).

I. BY THE COMMISSION

A. Statement

1. Senate Bill (SB) 23-291 includes provisions that require each of Colorado's four investor-owned gas utilities to file with the Commission, no later than December 31, 2023, an updated tariff to reflect the removal of any incentives for establishing gas service.

Specifically, § 40-3.2-104.3, C.R.S., states that a gas utility shall not provide “a person that requests natural gas service and that owns the real property requiring the service” an incentive, including a line extension allowance, to establish gas service to a property. SB 23-291 further defines a line extension allowance to mean: “a bundle of costs that includes construction allowances for new service lines, meters, and other infrastructure associated with the addition of a new customer to a gas utility's distribution system.”

2. On December 29, 2023, Public Service Company of Colorado (Public Service or Company) filed Advice Letter No. 1027-Gas with modified tariff sheets addressing the Distribution Extension Policy within its Rules and Regulations for Natural Gas Service for effect February 1, 2024. The proposed changes to the tariff sheets include: (1) the elimination of the construction allowance generally; (2) new provisions for the “grandfathering” of the construction allowance, such that the construction allowance would be available only to new customers with an approved plat, permit, or development plan by the authority having jurisdiction, which was approved or pending as of August 7, 2023, and if pending, approved on or before December 31, 2024; and (3) updates to reflect that applicants requesting initial service will now be required to pay 100 percent of the costs of a meter set instead of only 50 percent of those costs. The proposed changes to the tariff sheets further include new language within the general provisions of the Rules and Regulations for Natural Gas Service to clarify that customers who voluntarily and permanently terminate gas service will not incur a charge or fee, unless otherwise permitted by the Commission.

3. This Decision sets for hearing the tariff sheets filed under Advice Letter No. 1027 and suspends their effective date to **May 31, 2024**.

4. This Decision further waives, on the Commission's own motion, the December 31, 2024 deadline in paragraph 4210(d) of the Commission's Rules Regulating Gas Utilities, 4 *Code of Colorado Regulations* (CCR) 723-4 (Gas Rules), consistent with the discussion below.

5. A pleading to intervene in this matter may be filed by any person, firm, or corporation desiring to be a party and fully participate in this Proceeding no later than **February 23, 2024**.

6. This matter is referred to an Administrative Law Judge (ALJ) for a recommended decision pursuant to § 40-6-109(2), C.R.S.

B. Discussion

1. Public Service's Advice Letter No. 1027

7. Public Service's Advice Letter No. 1027 seeks to update the eligibility requirements for a new customer to receive a construction allowance and to reflect that all new customers requesting initial service to a premise will now be required to pay 100 percent of the "Meter Set" defined elsewhere in the Company's tariff as the "Gas meter, Meter Piping, meter regulator and materials necessary to facilitate installation of gas meter from the end of a Service Lateral Extension to Customer owned equipment as determined by Company."

8. Throughout the Distribution Extension Policy, Public Service proposes redlines to the tariff sheets to generally eliminate construction allowances for new customers. However, Public Service also proposes to add a set of provisions that provide construction allowances to customers who meet certain eligibility requirements. For example, the construction allowance set forth in the Distribution Extension Policy would be available to certain new

customers with an approved plat, permit, or development plan by the authority having jurisdiction, which was approved or pending as of August 7, 2023, and if pending, approved on or before December 31, 2024.

9. In the proposed redline changes to its the general provisions of the Rules and Regulations for Natural Gas Service, Public Service further adds language to its tariff clarifying that there are no charges for voluntarily and permanently terminating gas service to properties, consistent with § 40-3.2-104.5, C.R.S.

10. No protest has been filed to Advice Letter No. 1027.

2. Commission Rules Addressing Line Extension Policies

11. The Commission recently examined gas utility line extension policies in its comprehensive rulemaking in Proceeding No. 21R-0449G.

12. By Decision Nos. C22-0760, issued on December 1, 2022, and C23-0117, issued on February 24, 2023, the Commission modified its Gas Rules by adding two new paragraphs under Rule 4210 Line Extensions. Paragraph 4210(c) states: “Line extension policies, procedures, and conditions shall be based on the principle that the connecting customer pays its share of the estimated full incremental cost of growth, including any costs associated with increases in design day peak demand.” Paragraph 4210(d) states: “Line extension allowances shall be updated pursuant to paragraph 4210(c) in a base rate proceeding, or in a separately filed application, as required, but should be implemented no later than December 31, 2024. If a utility utilizes standardized costs in calculating one or more portions of its line extension policies, the standardized costs must be updated in a base rate proceeding, utilizing the average actual cost across the applicable customer class and line extension type for the most recent consecutive 12-month period for which compiled cost data is available. Exemptions from updated line

extension allowances and standardized costs shall not extend to applications for line extensions submitted after May 1, 2023.”

13. The Commission explained that these new rules were not intended to result in the immediate elimination of construction allowances for line extensions or for the imposition of any barriers to the installation of gas service lines to any new structure. The Commission further stated that a utility’s line extension policies, procedures, and conditions would continue to be administered through tariff filings and that such tariff filings will now be considered as Colorado progresses towards meeting its greenhouse gas reduction goals.¹

14. With respect to the new provision in paragraph 4210(c), the Commission explained that the intent was to ensure that when the Commission reviews for approval the utility’s tariffs for their line extension policies, procedures, and conditions—most likely in a base rate proceedings—the Commission will base its review, in part, on the principle that new customers will be responsible for covering their contribution towards the cost of growth and in a way that also incorporates the additional net revenues associated with new customer growth with appropriate consideration of the impacts of policy and efficiency on those projections. The Commission further explained that when line extension policies are examined in a rate proceeding, the presentation of incremental costs of growth will include the additional net revenues as well as all the costs of new services, meters, and certain other distribution system costs. The Commission concluded that limiting the scope of costs to only the most locationally or temporally adjacent infrastructure upgrades likely obscures the total costs of growth, which

¹ Decision No. C22-0760, issued December 1, 2022, ¶ 101, p. 45.

cumulatively lead to system capacity expansions and drive investments that may not have previously been included in the calculations but should rightfully be considered.²

15. With respect to the new provision in paragraph 4210(d), the Commission concluded that, as a general matter, each gas utility must update its line extension policies in accordance with all of the provisions in Rule 4210 through a tariff filing submitted for effect no later than January 1, 2025. The Commission further concluded that standardized costs used in a line extension policy also must be updated in each base rate proceeding and should be calculated using the most recent consecutive 12 months of data that is available to the utility at the time of the calculation.³

C. Conclusions and Findings

16. Pursuant to § 40-6-111(1), C.R.S., the Commission may suspend tariff sheets for 120 days. We find good cause to suspend the tariff sheets submitted with Advice Letter No. 1027 for 120 days through **May 31, 2024**, and set the matter for hearing. The principal purpose of the suspension is so that the Commission has sufficient time to review the advice letter filing further to ensure that the tariffs fully implement the statutory requirement that new gas utility customers no longer receive an “incentive” as specifically defined by the term “line extension allowance” in SB 23-291.

17. Due to the passage and enactment of SB 23-291 following the promulgation of the new provisions governing line extensions in the Gas Rules, we also find good cause to waive the December 1, 2024 deadline in 4 CCR 723-4-4210(d) pursuant to Commission Rule 4 CCR 723-4-1003(a). The statutory requirement for gas utilities to eliminate incentives for establishing

² Decision No. C22-0760, issued December 1, 2022, ¶¶ 110-112, pp. 50-51.

³ Decision No. C22-0760, issued December 1, 2022, ¶¶ 120-121, pp. 53-54.

gas service is a continual process best examined in base rate proceedings, and certain provisions related to new gas services in SB 23-291 do not neatly match the December 31, 2024 deadline contemplated in paragraph 4210(d) of the Commission's Gas Rules. The Commission therefore finds good cause to waive the December 1, 2024 deadline because it will allow for more effective implementation of the policies found in Rule 4 CCR 723-4-4210(d) and in SB 23-291.

18. We clarify, however, that the waiver of the December 31, 2024 deadline does not affect the purpose of or other requirements in paragraphs 4210(c) and (d) such that a complete review Public Service's Distribution Extension Policy remains a requirement in any base rate proceeding in accordance with both the Gas Rules and the requirements in SB 23-291.

19. We refer this matter to an ALJ for a recommended decision pursuant to § 40-6-109(2), C.R.S. We encourage the assigned ALJ to adopt procedures that support the issuance of a recommended decision that addresses whether the Advice Letter No. 1027 filing fully implements the statutory requirement that new gas utility customers no longer receive an incentive relative to the costs of new service lines, meters, and other infrastructure when establishing gas service pursuant to the Company's Distribution Extension Policy. Except for the "grandfathering" provisions in § 40-3.2-104.3(2)(d), C.R.S., the December 31, 2023 filing deadline in SB 23-291 reflects an expectation that incentives that offset the costs of new service lines, meters, and other infrastructure are removed from Public Service's Distribution Extension Policy as promptly as possible.

20. A pleading to intervene may be filed by any person, firm, or corporation desiring to be a party and fully participate in this proceeding, as ordered below. The filing of any other document protesting the tariff sheets shall not allow participation as an intervenor in this matter.

II. ORDER

A. The Commission Orders That:

1. The proposed February 1, 2024 effective date of the tariff sheet filed with Advice Letter No. 1027-Gas by Public Service Company of Colorado (Public Service) on December 29, 2023, is suspended until **May 31, 2024**, or until further order of the Commission.

2. Any person, firm, or corporation, including any who have previously filed a document protesting the proposed tariff pages, who desire to intervene and participate as a party in this proceeding shall file a motion to intervene with the Commission no later than **February 23, 2024**, and shall serve a copy of the notice or motion on Public Service's Attorney of Record.

3. Consistent with the discussion above, the December 1, 2024 deadline in 4 *Code of Colorado Regulations* 723-4-4210(d) is waived with respect to Public Service.

4. This matter is referred to an Administrative Law Judge, consistent with the discussion above.

5. This Decision is effective on its Mailed Date.

**B. ADOPTED IN COMMISSIONERS' WEEKLY MEETING
January 24, 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