

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

PROCEEDING NO. 24AL-0049G

IN THE MATTER OF ADVICE LETTER NO. 1029 - GAS FILED BY PUBLIC SERVICE COMPANY OF COLORADO TO REVISE ITS COLORADO P.U.C. NO. 6 - GAS TARIFF TO INCREASE JURISDICTIONAL BASE RATE REVENUES, IMPLEMENT NEW BASE RATES FOR ALL GAS RATE SCHEDULES, AND MAKE OTHER PROPOSED TARIFF CHANGES, TO BECOME EFFECTIVE FEBRUARY 29, 2024.

**COMMISSION DECISION
SUSPENDING EFFECTIVE DATE OF TARIFF SHEETS,
CERTIFYING THE FILING AS COMPLETE, AND
ESTABLISHING NOTICE AND INTERVENTION PERIOD**

Mailed Date: February 28, 2024

Adopted Date: February 28, 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. 24AL-0049G. 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. On January 29, 2024, Public Service Company of Colorado (Public Service or Company) filed Advice Letter No. 1029-Gas with tariff sheets to revise base rate revenue for all natural gas sales and transportation services in the Company's Colorado P.U.C. No. 6 – Gas Tariff along with certain other changes to this tariff. By this Decision, the Commission certifies the completeness of Public Service's initial filing in this Proceeding for purposes of

§ 40-3-102.5(1)(b), C.R.S., sets the tariff sheets for hearing and suspends their effective date to June 28, 2024, and establishes a 30-day notice and intervention period from the mailing date of this Decision. The Commission will establish additional procedures by separate decision.

2. 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 March 29, 2024.

B. Discussion

1. Rate Case Filing

3. Public Service states that, through Advice Letter No. 1029-Gas, the Company requests recovery of the costs of its recent investments in the safety, reliability, and integrity of the natural gas system, as well as the necessary additional expenses associated with providing service to customers, made through the 2023 Test Year that it proposes in this Proceeding. Public Service seeks a net annual increase in base rate revenue; the proposed General Rate Schedule Adjustment (GRSA) would generate an approximate \$171 million increase in the Company's base rate revenues as compared to the revenue requirement calculated in Company's last gas rate case in Proceeding No. 22AL-0046G.

4. Advice Letter No. 1029-Gas is accompanied by the Direct Testimony and attachments of 17 Public Service witnesses supporting the proposed rate increase.

5. As explained in Advice Letter No. 1029-Gas and the Company's Direct Testimony, Public Service states the majority of the requested increase in revenues is driven by investments to enhance the safety and integrity of the Company's gas system, to connect new customers, and to relocate facilities in accordance with local government requirements. Public Service states that other drivers of the increase include investments in information technology and increases in

operations and maintenance (O&M) expenses due to inflation, new labor agreements, and other market factors.

6. Public Service calculates its revenue requirement with a cost of service study (COSS) based on a 2023 Test Year, with nine months (January–September) “per books” and three months (October–December) forecast. The COSS calculation is also premised on an authorized return on equity (ROE) of 10.25 percent, a cost of long-term debt of 4.05 percent, a short-term cost of debt of 5.81 percent, and a capital structure of 55.0 percent equity, 43.18 percent long-term debt, and 1.82 percent short-term debt, which results in an overall weighted average cost of capital (WACC) of 7.50 percent.

7. Public Service proposes to make its new base rates effective November 1, 2024, but to delay billing customers on this new rate until after the Extraordinary Gas Cost Recovery Rider (EGCRR) expires in February 2025. (The EGCRR is recovering the costs incurred during Winter Storm Uri.) In essence, Public Service proposes to create a regulatory asset to defer recovery of its approved revenue increase for the period November 1, 2024, through February 14, 2025. The GRSA established in this Proceeding would appear on customer bills on and after February 14, 2025, and a separate charge, the Revenue Deferral Surcharge (RDS), would also appear on customer bills at that time to collect, over a 12-month period, the uncollected revenue from November 1, 2024, through February 14, 2025. The deferred revenue amount is estimated to be \$73.8 million because the new GRSA will not be used in the winter months November 2024 through January 2025 and the first two weeks of February 2025.

8. In terms of bill impacts, Public Service states that average residential customer bills would increase by 9.5 percent if the proposed GRSA took effect immediately at the end of February 2024. Likewise, small commercial customer bills would rise 8.5 percent. If, however,

the Company's deferral proposal is accepted, residential customers would experience no bill impacts from a base rate change in November 2024, but would instead experience a 7.5 percent increase in February 2025. The comparable increase for small commercial customers would be no increase in November 2024 and an increase of 4.7 percent in February 2025.

9. In addition to raising base rates, Public Service also seeks: (1) authority to implement a separate Revenue Deferral Surcharge (RDS) tariff; (2) authority to implement a decoupling mechanism called the Revenue Stability Mechanism (RSM), which would be intended to support the Company's financial health while removing any barriers to the gas utility promoting electrification or conservation; (3) extension of the existing Gas Quality of Service Plan (QSP) tariff through 2026; (4) approval of an updated schedule of charges for rendering service; (5) approval of updates to standardized costs for gas line extensions; (6) approval of changes to the Company's Gas Storage Inventory Cost to allow for a return at the Company's weighted average cost of capital; (7) extension of the Company's current trackers and deferrals; and (8) approval of the Company's proposed amortizations for deferred amounts.

2. Protest Letters

a. UCA

10. On February 2, 2024, the Colorado Office of the Utility Consumer Advocate (UCA) submitted a Protest Letter asking the Commission to suspend the tariff sheets and set the matter for hearing. UCA states that it is concerned about the continuing pressure on the Company's customers and the continuing significant increases in rate base.

11. UCA cites the following areas of specific concern: Public Service's ROE request; the Company's recommended capital structure; the Company's proposed cost of long- and short-term debt; the use of a year-end rate base methodology for the proposed 2023 Test Year; the

proposed recovery of base wages, annual incentive programs, long-term incentive programs, recognition programs, and board equity compensation programs; the reliability of the Company's 2023 test year amounts for O&M expenses; the increase in bad debt expenses of about \$5 million; the Company's alternative rate implementation proposal to defer collection; the continuation of the QSP; the proposed decoupling proposal; the Company's use of outside consultants for its ROE testimony and decoupling proposal; the use of outside legal counsel; the Company's proposal to collect rate case expenses; the sale of the Company's remaining gas gathering assets in 2023 and why the loss differed from previous accounts; and the Company's proposals for depreciation.

12. In addition, UCA requests the Commission direct Public Service to provide an informational 2023 Historical Test Year for the 12 months ending December 31, 2023, using a 13-month average rate base approach instead of the year-end rate base approach. UCA further states that it seeks to examine whether Public Service has reflected in its filing all direction provided by the Commission in its decisions in Proceeding No. 22AL-0046G.

13. Finally, UCA objects to Public Service's request for the Commission to revisit its decision in Proceeding No. 22AL-0046G regarding the carrying charge for its stored gas component.

b. Staff

14. On February 6, 2024, Trial Staff of the Commission (Staff) submitted a Protest Letter asking the Commission to suspend the tariff sheets and set the matter for hearing.

15. Staff explains that Public Service last requested an increase to gas base rates about two years ago in Proceeding No. 22AL-0046G. Staff states that Public Service initially sought a total increase in its base rate revenues of approximately \$214.6 million, which included \$107.5 million for transferring Pipeline System Integrity Adjustment (PSIA) rider costs into base

rates and additional capital step increases of approximately \$81 million for 2023 and 2024. Staff also states the Commission ultimately approved a total base rate revenue requirement of approximately \$774.3 million with the PSIA transfer into base rates, an increase of 26 percent from the base revenues of \$610.5 million at that time. Staff also states the Commission established a range for the authorized ROE from 9.2 percent to 9.5 percent and a WACC of 6.7 percent.

16. Staff cites the following areas of specific concern: the Company's proposed increase in base rate revenue of \$170.7 million; the proposed 2023 Test Year that is based on actuals through September 30, 2023, and forecasts/adjustments through December 31, 2023; the Company's proposed ROE and WACC; the Company's proposed capital structure; the Company's proposed short- and long-term cost of debt; the Company's capital and O&M costs; the new revenue deferral surcharge tariff; the proposed revenue decoupling mechanism; the proposal to extend the Company's QSP; the proposed updates to standardized costs for gas line extensions; the proposed changes to the Gas Cost Adjustment (GCA) for gas storage inventory cost to allow a return at the Company's weighted average cost of capital; the proposed extensions of the Company's current trackers and deferrals; and the Company's projected rate case expenses of \$1.6 million proposed to be amortized over 36 months.

3. Certification of Filing

17. Section 40-3-102.5(1)(b), C.R.S., and Rule 4109(f)¹ of the Commission's Rules Regulating Gas Utilities, 4 *Code of Colorado Regulations* (CCR) 723-4, require the Commission to certify that a filing from an electric or gas utility to modify its base rates is complete. To make this certification, the Commission must determine whether the base rate tariff filing includes

¹ In Proceeding No. 23R-0408EG, the Commission adopted temporary administrative rules to implement the rate case filing requirements enacted in Senate Bill 23-291, effective August 7, 2023. The applicable "certification rule" for gas utilities is Rule 4109(f).

sufficient information both to compare test years presented by the utility and prospective parties in the case to what is commonly called a “historic test year” and whether the filing includes sufficient information to satisfy other purposes as established by the Commission. At a minimum, the base rate tariff filing must include a comprehensive cost and revenue requirement analysis based on actual, auditable, historic data, or, in other words, a historic test year. Such analysis also must be accompanied by workpapers and other supporting materials. Rule 4109(f)(III)(C), 4 CCR 723-4, provides that the Commission will address the certification of the utility’s base rate tariff filing at a regular weekly meeting prior to the effective date of the base rate tariffs.

18. In accordance with the Commission’s certification rules, Public Service explains that it included the following items in its Advice Letter No. 1029-Gas filing:

- a) *A COSS that calculates the utility’s base rate revenue requirement for a 12-month period concluding no later than six months prior to the date of the utility’s base rate tariff filing.*

Public Service states it has filed a COSSS for both a 2023 “Informational Historical Test Year” ended September 30, 2023, as well as its COSS for the 2023 Test Year, and the Informational Historical Test Year includes actual capital, O&M, revenue, and capital structure data through September 30, 2023, along with certain known and measurable adjustments.

- b) *Detailed explanations of all adjustments made to the auditable historical data used in each COSS presented in the utility’s filing.*

Public Service states it satisfied this requirement by providing this information in its Direct Testimony.

- c) *An executable copy of each COSS presented in the utility’s filing, with links and formulas intact.*

Public Service states it has provided a COSS that is fully executable and that parties are able to change inputs to the model and the model will recalculate the revenue requirement.

- d) Workpapers, in executable format, to which the executable copies of the COSS are linked.*

Public Service states it provided workpapers with all links and formulas intact, either in the form of electronic links wherever possible, or “directional links” when electronic links within a spreadsheet are not possible.

19. In Direct Testimony, Public Service states that this is the first rate case in which a Colorado public utility is attempting to meet all the new requirements with the initial filing of its case. Public Service states this is a challenge because the legislation and rules do not necessarily detail how to comply with or interpret each requirement, and any utility must determine how best to meet the requirements while working within existing systems and procedures. Public Service concludes that it has worked to meet these requirements to the best of its ability and, in Advice Letter No. 1029-Gas, has asked the Commission to certify its filing as complete, accordingly.

20. In its protest letter, UCA makes no statements regarding the Commission’s pending certification of the base rate tariff filing. In its protest letter, Staff includes in its list of identified issues that may become disputed before the Commission, the Company’s compliance with Senate Bill 23-291 and the Commission’s temporary rules for rate case filing procedures adopted in Proceeding No. 23R-0408EG, but identifies no specific concerns as to certification.

C. Conclusions and Findings

21. Upon our review of the filing and the protests submitted by UCA and Staff, in accordance with § 40-3-102.5(1)(b), C.R.S., the Commission certifies the completeness of Public Service’s initial filing in this Proceeding.

22. Pursuant to § 40-6-111(1), C.R.S., the Commission may suspend tariff sheets for 120 days. Based on the foregoing, we find good cause to suspend the tariff sheets submitted

with Advice Letter No. 1029-Gas for 120 days through June 28, 2024,² and to set the matter for hearing. UCA and Trial Staff provide a reasonable list of issues that are necessary for us to further examine regarding Public Service's proposed tariff changes.

23. 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.

24. The Commission will hear this matter *en banc*. Further procedures for this matter will be addressed by separate decision.

II. ORDER

A. The Commission Orders That:

1. The proposed February 29, 2024, effective date of the tariff sheets filed with Advice Letter No. 1029-Gas, filed by Public Service Company of Colorado (Public Service) January 29, 2024, is suspended until June 28, 2024, or until further order of the Commission.

2. In accordance with § 40-3-102.5(1)(b), C.R.S., the Commission certifies the completeness of Public Service's initial filing in this Proceeding.

3. 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 **March 29, 2024**, and shall serve a copy of the notice or motion on Public Service's attorney of record.

² Under § 40-6-111(1)(b), C.R.S., the Commission may by separate order extend the suspension period for an additional 130 days, for a total of 250 days, through November 5, 2024.

4. This Decision is effective on its Mailed Date.

**B. ADOPTED IN COMMISSIONERS' WEEKLY MEETING
February 28, 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