

Decision No. C19-0634

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

PROCEEDING NO. 18AL-0852E

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IN THE MATTER OF ADVICE LETTER NO. 1785 FILED BY PUBLIC SERVICE COMPANY OF COLORADO TO IMPLEMENT A NEW DISTRIBUTION EXTENSION POLICY TO BECOME EFFECTIVE JANUARY 3, 2019.

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PROCEEDING NO. 18AL-0862G

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IN THE MATTER OF ADVICE LETTER NO. 938 FILED BY PUBLIC SERVICE COMPANY OF COLORADO TO IMPLEMENT A NEW DISTRIBUTION EXTENSION POLICY TO BECOME EFFECTIVE JANUARY 5, 2019.

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**DECISION ADDRESSING EXCEPTIONS  
TO RECOMMENDED DECISION NO. R19-0470**

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Mailed Date: July 26, 2019

Adopted Date: July 17, 2019

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**I. BY THE COMMISSION**

**A. Statement**

1. This Decision addresses the exceptions filed to the Administrative Law Judge’s (ALJ) Recommended Decision No. R19-0470 (Recommended Decision). The Recommended Decision approved with modifications, new distribution extension policies proposed by Public Service Company of Colorado (Public Service or Company) in Advice Letter Nos. 1785-Electric and 938-Gas for its electric and gas tariffs.

2. By this Decision, we deny the exceptions filed on June 26, 2019, by Public Service; Staff of the Public Utilities Commission (Staff); and The Home Builders Association of Metro Denver, the Colorado Association of Home Builders, and Colorado BUILDS (collectively, the Builders). We grant the exceptions filed by the Colorado Energy Office (CEO) on June 25, 2019.

3. The tariff sheets filed on December 3, 2018, with Advice Letter No. 1785-Electric in Proceeding No. 18AL-0852E, and on December 5, 2018, with Advice Letter No. 938-Gas in Proceeding No. 18AL-0862G, are permanently suspended. Public Service shall file, in a separate proceeding, new advice letters and tariffs consistent with the directives in this Decision.

#### **B. Background**

4. Public Service commenced this proceeding by filing Advice Letter No. 1785-Electric, on December 3, 2019, in Proceeding No. 18AL-0852E, and Advice Letter No. 938-Gas, on December 5, 2018, in Proceeding No. 18AL-0862G. The proposed effective date of the tariffs filed with Advice Letter No. 1785-Electric was January 3, 2019. The proposed effective date of the tariffs filed with Advice Letter No. 938-Gas was January 5, 2019.

5. Through these advice letter filings, Public Service proposes to implement new distribution extension policies for its electric and gas tariffs. The Company proposes, among other things, to unbundle its current construction and extension agreements into four separate agreements to align with the different types of service extension work it performs. The four types of service extension work are Off-Site Distribution Extensions, On-Site Distribution Extensions, On-Site Residential Service Lateral Extensions, and Commercial Service Lateral Extensions. Public Service states the proposed new distribution extension policies are intended to improve customer satisfaction and understanding as well as program functionality and to provide

administrative efficiencies for customers and the Company. Public Service states it proposes these changes to respond to legislative directives and stakeholder feedback.

6. Public Service contends there is an urgent need to implement its new policies. The Company explains that, due to concerns regarding existing utility distribution extension policies, Senate Bill (SB) 17-271 was signed into law on June 2, 2017. Codified at § 40-5-101.5, C.R.S., SB 17-271 reads as follows:

- (1) Within one hundred eighty days after August 9, 2017, the commission shall open a nonadjudicatory proceeding to evaluate investor-owned utilities' current service extension policies for serving new load applications; except that gas-only, investor-owned utilities are not subject to the commission's nonadjudicatory proceeding. Based on the commission's evaluation, the commission shall issue a decision containing recommendations to investor-owned utilities for potential implementation.
- (2) In the commission's nonadjudicatory proceeding, the commission shall consider, without limitation, the following information from investor-owned utilities:
  - (a) The utilities' general load extension procedures used by the utility and requesting customers, including:
    - (I) The use of construction agreements, revenue assurance agreements, assignment of estimated costs, predevelopment system investment protocols, and options for cost and schedule transparency; and
    - (II) Potential system automation benefits to enhance clarity of the requirements and process;
  - (b) Equitable allocation of costs associated with an extension of facilities and any other factors affecting the cost of an extension of facilities; and
  - (c) Variables that affect time lines for construction and implementation of an extension of facilities.
- (3) Within ninety days after the conclusion of the non-adjudicatory proceeding, the commission may promulgate rules consistent with the findings of the non-adjudicatory proceeding.

7. Following enactment of SB 17-271, the Commission opened a non-adjudicatory proceeding to solicit input from stakeholders in the areas identified in the statute. *See* Decision No. C18-0080, issued February 2, 2018, in Proceeding No. 18M-0082EG (opening repository proceeding to solicit comments from utilities and other interested participants about potential

updates to the Commission's rules, to serve as a repository for information regarding those suggestions, and, more generally, to explore opportunities to improve the line extension process). We directed Staff to work with investor-owned utilities and other interested participants to develop draft rule changes to present in a future Notice of Proposed Rulemaking. During this stakeholder process, Staff received numerous comments from interested participants responding to the areas of consideration set forth in SB 17-271. Staff also held two stakeholder workshops. *See* Decision No. C19-0063, issued January 17, 2019, in Proceeding No. 18M-0082EG (discussing results of the non-adjudicatory proceeding).

8. Prior to the commencement of a formal rulemaking, Public Service filed Advice Letter Nos. 1785-Electric and 938-Gas proposing to implement changes to its distribution extension policies through the advice letter process. Staff filed a protest and request for hearing on December 12, 2018. Staff concluded that proceeding with the proposed tariff changes was the most efficient course of action, even if it required interrupting the ongoing rulemaking efforts, but opposed the tariffs generally on grounds that they needed more evidentiary support. After consideration, we found it appropriate to close the non-adjudicatory proceeding and take up Public Service's proposed tariffs. *See* Decision No. C19-0063, issued January 17, 2019, Proceeding No. 18M-0082EG (closing non-adjudicatory proceeding). Our decision closing the non-adjudicatory proceeding includes an attachment that summarizes the comments received from participants, organized by each area of consideration identified in SB 17-271. *Id.*

9. By Decision No. C18-1174, issued December 26, 2018, we consolidated Proceeding Nos. 18AL-0852E and 18AL-0862G and referred them to an ALJ for decision.

10. By Decision No. C18-1174, pursuant to § 40-6-111(1)(b), C.R.S., the Commission suspended the tariff pages submitted with Advice Letter No. 1785-Electric through May 3, 2019,

and the tariff pages submitted with Advice Letter No. 938-Gas through May 5, 2019. At a February 4, 2019, prehearing conference, the ALJ further suspended the effective date for both tariffs for an additional 90 days.

11. The ALJ held an evidentiary hearing on May 7 and 8, 2019.

12. On June 6, 2019, the ALJ issued Recommended Decision No. R19-0470.

13. On June 26, 2019, Public Service, Staff, and the Builders filed exceptions to the Recommended Decision. CEO filed exceptions on June 25, 2019. On July 3, 2019, Public Service, Staff, and the Office of Consumer Counsel (OCC) filed responses to the exceptions.

### **C. Recommended Decision**

14. The Recommended Decision approves, with modifications, the new distribution extension policy tariffs proposed by Public Service. The ALJ permanently suspends the tariff sheets and orders the Company to file new advice letters and tariffs consistent with the directives in the Recommended Decision.

15. The ALJ concludes that the disputes in this proceeding center on whether to maintain a particular, existing, Commission-adopted method or to adopt a different approach. He states that, to resolve the issues presented, he used the existing Commission-adopted method as the baseline. He then assessed the evidence or policy rationale in support of adopting a new approach or modifying the existing method and presented that in support of continuing to apply the existing method.

#### **1. Off-Site Distribution Extensions**

16. The Recommended Decision approves Public Service's proposal to replace the existing ten-year open extension period for off-site distribution extensions with upfront credits of 35 percent for electric and 28 percent for gas. These percentages are based on the net present

value of actual refunds issued from 2001 through 2008. This replaces the existing policy, under which applicants receive a refund of their construction payment for up to ten years whenever another applicant connects downstream. The ALJ finds this requires Public Service and the applicant to keep records and keep track of downstream applicants. He concludes the new upfront payment addresses the issues of timelines and cost transparency that concerned the Colorado Legislature (Legislature) and led to adoption of SB 17-271. He finds Staff's "supposition" that Public Service will inflate construction costs is outweighed by the ease and transparency of the upfront credit approach. Recommended Decision at ¶ 89.

## **2. On-Site Distribution Extensions**

17. The Recommended Decision rejects Public Service's proposal to move to a times-revenue method using a 2.75 subsequent revenue multiplier to calculate construction allowances for on-site distribution extensions. The new times-revenue method replaces the existing average embedded cost method, which applies the gross embedded distribution plant investment taken from the Company's Class Cost of Service Study to calculate the construction allowance.

18. The ALJ concludes that for "such a drastic change" in ratepayers' contribution for line extensions there must be a basis for the change and not just a desire to change the system. The ALJ finds Public Service had the burden to show not only that the new tariff is transparent, but also that any such "extreme reallocation of costs" is just and reasonable. He concludes the Company's "thin" initial direct testimony and "still incomplete" rebuttal testimony fails to meet this burden. Recommended Decision at ¶ 102.

## **3. On-Site Residential Service Lateral Extensions**

19. The Recommended Decision approves, in concept, Public Service's proposal to provide a fixed length and fixed cost per foot on-site residential service lateral allowance. This

replaces the existing policy under which the Company individually estimates the cost of each service lateral and then the applicant may deduct a service lateral construction allowance. The ALJ agrees this simplified approach supports the intent of SB 17-271 and is consistent with stakeholder comments during the non-adjudicatory proceeding regarding a need for clarity, consistency, and predictability.

20. The Recommended Decision does not approve Public Service's specific proposed 100-foot allowance at no charge to the applicant and per-foot charge for any length over 100 feet. The ALJ finds Public Service failed to demonstrate the increased level of funding associated with the times-revenue method is justified. He directs the Company to make a compliance filing with service lateral terms that result in the same overall costs that would result from the current average embedded cost method. He notes it may be necessary to adjust the proposed 100-foot length to meet the overall embedded cost requirements.

#### **4. Standardized Per Lot Costs**

21. The Recommended Decision approves Public Service's proposal to move to a standardized per lot cost for lots with an average of 60 feet or less frontage or based upon the Company's estimate of the cost to construct and install facilities for larger lots. Again, however, he finds Public Service failed to demonstrate the increased level of funding associated with the times-revenue method is justified. The ALJ directed the Company to make a compliance filing with construction allowance terms that result in the same overall costs that would result from the current average embedded cost method.

#### **5. On-Site Versus Off-Site Delineation**

22. The Recommended Decision notes that CEO and Public Service agreed to clarify the distinguishing characteristics between an Off-Site Distribution Line Extension and On-Site

Distribution Line Extension. The ALJ states that he agrees with the clarifying language provided by CEO in Attachment A to its Statement of Position, with revisions to tariff sheets R208 and R209.

#### **6. Electric Vehicle (EV) Charging Stations**

23. The Recommended Decision approves Public Service's proposal to treat future EV charging station applicants like any other customers. Under this new approach, the costs, credits, and allowances for EV charging stations depends on the service requested rather than on special EV terms. The ALJ agrees with the parties that these changes result in a reasonable qualification for a construction allowance and receipt of a full construction allowance upfront rather than a partial allowance over time. He also agrees with the parties that the upfront allowance brings simplicity, transparency, and predictability to this customer group.

#### **7. Indeterminate Service**

24. The Recommended Decision approves Public Service's proposal to change the criterion for Indeterminate Service to remove real estate subdivisions, development of land for sale, and changing the definition of High Density load to remove the reference to data centers in its electric distribution extension policy. The Recommended Decision approves Public Service's proposal to provide a construction allowance for non-LDC gas compressor stations for its gas distribution policies. The ALJ finds these changes are reasonable and give the Company more flexibility in responding to service requests.

#### **8. Additional Operational Enhancements**

25. The Recommended Decision approves several operational enhancements both within and outside the context of the proposed tariffs in response to SB 17-271, customer feedback, and the issues raised in the non-adjudicatory proceeding.

**D. Compliance Filing**

26. On June 26, 2019, Public Service filed a set of construction allowance terms that result in the same overall costs that would result from the current embedded cost approach to meet the requirements in the Recommended Decision (Compliance Filing). Public Service states it will file new advice letters and tariffs after a final decision by the Commission.

27. In the Compliance Filing, the Company states that it accepts the ALJ's decision to approve the standardized cost methodology for on-site distribution extensions including the requirement that Public Service use construction allowance terms that result in the same overall costs that would result from the current average embedded cost method. Public Service states it will use the standardized cost per lot in its initial tariff filings. This gross cost is then offset by the average embedded cost-based construction allowances in the Company's existing tariffs. The net customer responsibility is \$1,441 for electric service and \$1,397 for gas service.

28. In the Compliance Filing, the Company also states that it filed exceptions to the ALJ's decision to reject its proposed Residential Service Lateral Allowance. The Company indicates it provides the Compliance Filing to ensure it meets its obligations while these exceptions are pending. The Company states its Compliance Filing eliminates the proposed Residential Service Lateral Allowance and instead charges a standardized cost for the first 100 feet of residential service laterals and a cost per foot thereafter. This gross cost is then offset by average embedded cost-based construction allowances in the Company's existing tariffs. The net customer responsibility for residential service laterals that are 100 feet in length or less is \$367 for electric and \$716 for gas. The per foot cost thereafter is \$5.87 for electric and \$8.37 for gas.

## **E. Exceptions and Responses**

### **1. Public Service's Exceptions**

29. Public Service requests that the Commission approve its proposed Residential Service Lateral Allowance, which the ALJ rejected.

30. Public Service believes the ALJ rejected its fixed length and cost per foot values in error. Public Service states that intervenors during hearing misunderstood its proposal, believing the times-revenue method served as the basis for its proposed Residential Service Lateral Allowance. Public Service clarifies its proposed values were **not** calculated using the times-revenue method. Public Service states the 100-foot allowance was calculated based on actual historical residential service lateral lengths. Public Service contends the ALJ thus erred when he reasoned the Company did not meet its burden to justify the proposed allowance because it did not demonstrate the increased level of funding associated with the times-revenue method is justified.

31. The Company maintains that it provided substantial evidence to justify its proposed Residential Service Lateral Allowance values as just and reasonable. Public Service calculates that residential service lateral extension work at 100 feet or less comprises 95 percent of its distribution extension requests, thus the new policy would benefit a significant percentage of customers and provide a streamlined process for estimation, construction, and billing. Public Service argues its no-cost footage allowance of 100 feet will allow applicants to more accurately and transparently predict and understand the costs of their requests. Public Service explains that, in contrast, the existing process requires the Company, for each request, to make a site visit; engineer a project-specific design; generate a cost estimate; process, distribute, and track an invoice; collect payment; and settle any disputes—all before construction. Public Service

explains these processes require time and result in delay. Public Service contends its proposal would streamline the process by eliminating the need for most initial site visits, designed cost estimation, and invoicing and payment. Public Service contends it presented evidence that the higher initial capital costs of extending service to new customers are offset by the new sales revenue.

32. Public Service states that, in the alternative, its June 26th Compliance Filing includes a standardized cost and construction allowance based on embedded costs, as ordered by the ALJ. Public Service allows that, while this approach presents some improvements over existing policies, it does not address all the issues its Residential Service Lateral Allowance would. Public Service states the Compliance Filing approach mitigates the need for site visits, project engineering, and cost estimation, but would still require upfront invoicing and payment before construction could begin.

*a. Staff Response*

33. Staff responds that the Commission should deny Public Service's request to approve its 100-foot residential service lateral proposal. Staff contends this would increase ratepayer costs by over \$9.2 million per year, resulting in a 136 percent increase over current costs. Staff argues that, despite the Company's claim that administrative cost savings will make up for costs, the Company can only document \$1.4 million in annual operations and maintenance savings. Staff contends the cost of a typical service lateral of less than 100 feet greatly exceeds the current construction allowance.

34. Staff supports the Company's approach in its June 26th Compliance Filing. Staff contends that it is clear from the ALJ's decision that he instructed the Company to provide a compliance filing designed to incorporate the average embedded cost method. Staff states that

standardizing cost estimates in this matter provides the Company with many of the administrative efficiencies it seeks without a cost shift to ratepayers.

***b. OCC Response***

35. The OCC seeks clarification regarding the compliance filing ordered by the ALJ. The OCC supports rejection of the times-revenue method but raises concerns about the construction allowance proposed in Public Service's Compliance Filing. The OCC contends the ALJ did not direct the Company to retain the proposed 100-foot provision and even expressly stated the Company may need to adjust this length to meet the overall embedded cost requirements. The OCC asserts it would be unfair to charge all customers the same for a service lateral when the actual cost per foot results in a lower number depending on the extension length.

**2. Staff's Exceptions**

36. Staff recommends the Commission reverse the ALJ's decision to approve the move from the ten-year open extension period for off-site distribution extensions to an upfront credit. Staff recommends rejecting the upfront credit on four grounds.

37. First, Staff argues the upfront credit shifts costs from applicants to ratepayers. Staff indicates the Company expects to pay \$5,471,250 in annual capital expenditures to applicants to fund the upfront 35 percent electric and 28 percent gas credits. Staff argues that, in contrast, the Company pays \$0 under the existing ten-year open extension period because refund amounts derive from new applicants and not the Company.

38. Staff contends the upfront credit also shifts to ratepayers the business risk of the real estate market slowing, stalling, or reversing. Staff explains, under the new policy, ratepayers pay the upfront credit irrespective of business conditions during the ensuing ten years. In

contrast, under the old policy, the applicant would only receive refund payments over the ten years if settlement activity occurs as expected.

39. Staff argues the new upfront credit incents the Company to inflate construction cost estimates. Staff asserts that because Public Service pays the upfront credit, it will collect more from ratepayers and thereby grow its rate base the higher the estimate.

40. Finally, Staff questions the administrative advantages of the upfront credit as compared to current practice. Staff contends any administrative advantages of the upfront credit come with a price and the Commission must include those costs in its calculus.

*a. Public Service Response*

41. Public Service responds that the Commission should uphold the ALJ's findings approving the move to an upfront credit to replace the existing ten-year open extension period.

42. Public Service contends that Staff overlooks the net benefit from new customer revenue, which eventually offsets the capital expenditures paid by the Company. Public Service maintains this overall net benefit counters Staff's concerns and contends that customer growth will continue to more than pay its own way. Public Service maintains the ALJ correctly found any cost shift is more about timing than a redistribution of costs. The Company adds the upfront credit responds to identified challenges under the current process, addressing both the customer experience and the Company's administrative burdens.

43. Public Service acknowledges that a transition to a standardized upfront credit means some customers will pay more and some will pay less under the new policy. Public Service reasons it is not possible to move away from individualized approaches to more efficient standardized processes without using averages. Public Service adds that it established these

credit percentages based on historical refund amounts, will track the data and project costs under the new policy, and the tariffs include a mechanism to modify credits with Commission approval.

44. Public Service denies Staff's contention that the upfront credit creates an incentive to inflate cost estimates in order to build rate base. Public Service states such incentive is theoretical as well as counter to its customer service goals and its obligation to support the prudence of construction costs in rate reviews.

45. Public Service argues that Staff's positions offer no solutions to the issues that prompted SB 17-271 and drew extensive comments in the non-adjudicatory proceeding. Public Service states that, in contrast, it has demonstrated new and existing customers will benefit from its proposed improvements.

### **3. Builders' Exceptions**

46. The Builders argue the Commission should adopt the proposed times-revenue method. They contend the evidence shows the current system is not equitable because it requires developers to pay virtually the entire cost of extensions while the Company owns the new infrastructure, and along with its customers, benefits from the increased revenues from new customers. The Builders argue that existing customers benefit from growth and this benefit should be recognized in calculating construction allowances. They contend the ALJ improperly required a showing of "windfall" to existing customers rather than whether the current system is equitable (as that term is used in SB 17-271) and whether the proposed rates are just and reasonable. They contend that setting the multiplier at 2.75 is a just and reasonable balance between developers and existing customers that would not decrease construction allowances.

47. The Builders also argue the Commission should open a rulemaking, as contemplated prior to the filing of Public Service's advice letters. The Builders note other

utilities have not yet filed advice letters to address SB 17-271 concerns. They suggest the evidence in this case shows construction allowances are not equitable and that rulemaking is an alternate path to adopt by rule the principles coming from the non-adjudicatory proceeding and ensure equitable allowances are implemented.

*a. Public Service Response*

48. Public Service responds that, although it did not file exceptions to the ALJ's rejection of the proposed times-revenue method for calculating construction allowances for on-site distribution extensions, it agrees the record is sufficient to adopt this methodology. The Company contends it demonstrated this method does not shift costs too heavily onto existing customers because it showed new customers would continue to pay their incremental costs of connecting to the system while also contributing to an aggregate decrease in the Company's overall revenue requirement.

49. Public Service opposes the Builders' request to open a rulemaking. Public Service maintains this tariff proceeding is not an appropriate forum from which to initiate a rulemaking for all utilities. Public Service states it initiated this proceeding because it supports a utility-specific approach to distribution extension policies. Public Service argues that a rulemaking is suited to address general concerns but not to resolve tariff- and construction-specific programs unique to each utility. The Company explains each utility has different customers, territories and topologies, and internal processes and capabilities. Consequently, Public Service argues each utility must have the flexibility to adopt policies that meet its and its customers' needs. Public Service cautions that rulemaking could destabilize and delay implementation of the changes from this tariff proceeding. Public Service requests the Commission not undermine or delay the progress already made.

***b. Staff Response***

50. Staff responds the Recommended Decision correctly characterized the Company's proposal to alter its method for calculating construction allowance as an "extreme reallocation of costs" and found the Company's "thin direct testimony" and "still incomplete rebuttal testimony" inadequate. Staff points out that even the Company does not attempt to revive this issue in its exceptions.

51. Staff responds, to the extent the Builders argue current policies are inequitable, Public Service admitted during hearing the average embedded cost methodology is just and reasonable, and this proceeding contains no evidence to the contrary. Staff suggests that, while the Recommended Decision may not have resulted in the wholesale changes the Builders sought to achieve, this proceeding satisfied the spirit of SB 17-271 by bringing all stakeholders together to air their perspective extension policies.

***c. OCC Response***

52. The OCC responds that SB 17-271 does not mandate specific results or state the current methods of establishing construction allowances are inequitable and need change. The OCC argues that, instead, the statute directs the Commission make recommendations for potential implementation concerning, among other things, equitable allocation of costs associated with an extension of facilities and any other factors affecting the cost of an extension.

53. The OCC argues that Public Service had the burden of proving with substantial and competent evidence that changing from the current average embedded cost method to a times-revenue method will produce just and reasonable rates and be in the public interest. The OCC contends Public Service failed to meet this burden. The OCC further argues the Builders, in

their exceptions, ignore the evidence presented opposing use of the times-revenue method and the rationale for establishing this long-standing policy as enunciated by earlier Commissions.

#### **4. CEO's Exceptions and Parties' Responses**

54. CEO requests clarification that the Commission approves its recommended revisions to Public Service's proposed tariff sheet R216, filed as Attachment B to CEO's Statement of Position, and require Public Service to include these changes in its compliance filing. In their responses to exceptions, both Public Service and Staff state they do not object to CEO's proposed language revision.

#### **F. Findings and Conclusions**

##### **1. On-Site Residential Service Lateral Extensions**

55. We uphold the ALJ's approval of a fixed length, and fixed cost per foot allowance and the requirement that Public Service re-file this proposal with service lateral terms using the same overall costs that would result from the current average embedded cost method. We agree with the ALJ, that a fixed length and fixed cost per foot allowance will balance functionality, reasonable rates, and equitable cost recovery and supports the intent of SB 17-271.

56. We deny Public Service's request to approve the Residential Service Lateral Allowance. We agree with the ALJ that Public Service failed to meet its burden to demonstrate the increased level of funding associated with its proposal is justified due to its potential impact on ratepayers. We therefore uphold the Recommended Decision's requirement that Public Service make a compliance filing with service lateral terms that allow the simplified approach of a specific length of line at no cost and fixed cost per foot but use the same overall costs that would result from the current average embedded cost methodology. We believe this ensures

existing customers do not improperly subsidize new customers' construction allowance while also implementing the efficiency and transparency improvements claimed by Public Service.

57. We are not persuaded by the OCC's concerns with charging a fixed fee for all customers for the first 100 feet. As Public Service explains this fixed fee approach eliminates the current requirement for a detailed cost estimate for each service line, which requires a site visit, engineering cost estimate, and tracking for each house. While OCC is correct that houses with shorter service laterals would be paying the same amount as houses with longer laterals, we agree with Public Service that the cost and time required to estimate and track the cost of the individual service lines is not warranted. We find the simpler, standardized approach will help alleviate builder concerns about timing and complexity of the extension process and eliminate the time required to estimate and track costs for individual service.

58. Public Service shall file, in a separate advice letter proceeding, compliance tariffs in accordance with the findings and directives in this Decision.

## **2. Off-Site Distribution Extensions**

59. We deny Staff's request to reject the proposed off-site distribution line and main extension credit. We therefore uphold the ALJ's approval of the proposed upfront credit.

60. We agree with the ALJ that moving to an upfront credit, to replace the existing ten-year open extension period, addresses issues that concerned the Legislature such as timelines and cost transparency for builders. As Public Service notes in its response to Staff's exceptions, the ALJ specifically noted the existing ten-year open extension period and refund process was a main factor that led to enactment of SB 17-271. Recommended Decision at ¶ 84. In addition, the OCC, the Builders, CEO, and Western Resource Advocates all endorsed implementation of the new upfront credit because it streamlines an otherwise burdensome process, is simpler to

understand, and provides greater certainty and transparency to customers while balancing overall rate impacts.

61. We also agree with the ALJ that, contrary to Staff's arguments, the shift of costs from applicants to ratepayers is more about timing than redistribution. We also agree with Public Service that a standardized approach to the credit is better than speculating about a change in real estate market conditions. Further, we believe Public Service has proposed a forward-looking approach to potential adjustments to the credit. Public Service states that if it observes these credit percentages need revision to better align with market or growth trends, the tariffs include a mechanism to modify the credits subject to our approval.

### **3. Construction Allowance Methodology**

62. We uphold the Recommended Decision's rejection of the times-revenue method and therefore deny the Builders' exceptions on this issue.

63. We agree with the ALJ that Public Service failed to meet its burden to demonstrate that the increased level of funding associated with the times-revenue method is justified. We also agree with Public Service, the OCC, and the Builders themselves, who state in their exceptions that the Recommended Decision adopts significant revisions that will provide greater accountability, ease administrative burden, and provide greater certainty to purchasers of new homes. We note that, in particular, the new off-site distribution line and main extension credit approved in the Recommended Decision, even if calculated using the existing average embedded cost method, will result in immediate upfront credits for these extensions rather than refunds over a ten-year period, thus greatly reducing uncertainty and complexity for applicants.

64. Finally, we agree with Staff, who point out the Builders base their argument on the concept of equitable allocation of costs in SB 17-271, yet Public Service's times-revenue

method for calculating construction allowance has not been shown to present an equitable allocation of costs. We agree with the ALJ that the Company's proposal is an "extreme reallocation of costs" backed by "thin direct testimony and incomplete rebuttal testimony." Recommended Decision at ¶ 102.

#### **4. Request to Open Rulemaking Proceeding**

65. We deny the Builders' request to open a rulemaking. We agree with Public Service that because this proceeding is limited to one utility it is not the appropriate forum from which to initiate a rulemaking applicable to all utilities. In addition, because of the differences in utility size and customer base, we conclude that a utility-specific approach to major distribution extension policy tariff changes is appropriate in order to timely meet the goals in SB 17-271.

#### **5. Revisions to Proposed Tariff Sheet R216**

66. We grant CEO's request to approve its recommended revisions to Public Service's proposed tariff sheet R216 pertaining to EV charging station applicants. We require Public Service to include the changes in Attachment B of CEO's Statement of Position in its compliance filing following this Decision.

67. We agree with CEO that under the existing tariffs, EV charging station line extension applicants face policy and process confusion as well as additional upfront costs. The language in CEO's Attachment B clarifies the change in line extension policies for new EV charging station applicants and distinguishes the line extension policy for grandfathered EV charging station applicants.

**II. ORDER**

**A. The Commission Orders That:**

1. The Exceptions to Decision No. R19-0470, filed by Public Service Company of Colorado (Public Service) on June 26, 2019, are denied, consistent with the discussion above.

2. The Exceptions to Decision No. R19-0470, filed by Staff of the Public Utilities Commission on June 26, 2019, are denied, consistent with the discussion above.

3. The Exceptions to Decision No. R19-0470, filed by the Home Builders Association of Metro Denver, the Colorado Association of Home Builders, and Colorado BUILDS on June 26, 2019, are denied, consistent with the discussion above.

4. The Exceptions to Decision No. R19-0470, filed by the Colorado Energy Office on June 25, 2019, are granted, consistent with the discussion above.

5. Decision No. R19-0470 shall become the decision of the Commission as modified by this Decision.

6. The tariff sheets filed by Public Service on December 3, 2018, with Advice Letter No. 1785-Electric in Proceeding No. 18AL-0852E, and on December 5, 2018, with Advice Letter No. 938-Gas in Proceeding No. 18AL-0862G, are permanently suspended.

7. Public Service shall file, in a separate proceeding, new advice letters and tariffs in compliance with Decision No. R19-0470 as modified by this Decision on not less than two business days' notice.

8. The 20-day time period provided pursuant to § 40-6-114, C.R.S., to file an application for rehearing, reargument, or reconsideration shall begin on the first day after the effective date of this Decision.

9. This Decision is effective upon its Mailed Date.

**B. ADOPTED IN COMMISSIONERS' WEEKLY MEETING  
July 17, 2019.**

( S E A L )



ATTEST: A TRUE COPY

A handwritten signature in cursive script that reads "Doug Dean".

Doug Dean,  
Director

THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF COLORADO

JEFFREY P. ACKERMANN

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FRANCES A. KONCILJA

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JOHN GAVAN

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Commissioners