

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

PROCEEDING NO. 24A-0442E

IN THE MATTER OF THE APPLICATION OF PUBLIC SERVICE COMPANY OF COLORADO FOR APPROVAL OF ITS 2024 JUST TRANSITION SOLICITATION.

**INTERIM COMMISSION DECISION GRANTING
MOTION, IN PART, AND REQUIRING ADDITIONAL
SUPPLEMENTAL DIRECT TESTIMONY**

Issued Date: May 2, 2025
Adopted Date: April 30, 2025

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I. BY THE COMMISSION

A. Statement

1. Through this Decision we grant, in part, the Motion filed April 15, 2025, by Colorado Communities for Climate Action (“CC4CA”) requesting that Public Service Company of Colorado (“Public Service” or the “Company”) file supplemental testimony within seven days of the Commission’s ruling on the Motion explaining and supporting its Strategic Resilience

Reserve Fund (“SRRF”) proposed through Hearing Exhibit 115, among other procedural requests (“Motion”).

2. Consistent with the discussion below, the Company shall file supplemental testimony addressing the SRRF, and specifically the topics identified below, no later than May 9, 2025. Discovery is extended as requested by CC4CA regarding the SRRF proposal through the cross-answer testimony deadline, and parties are permitted to provide answer testimony addressing the SRRF direct testimony and proposal concurrent with their cross-answer testimony on May 23, 2025.

B. Background

3. On April 2, 2025, Public Service filed a Notice of Filing and Hearing Exhibit 115, which provides an overview of the SRRF concept. Public Service states the SRRF is directly responsive to discussion at the Joint Technical Conference, and avers the strategic reserve fund is designed to manage supply chain challenges and secure combustion turbines (“CTs”) and transformers during the Just Transition Solicitation (“JTS”) Resource Acquisition Period, which ends in 2031.

4. Public Service proposes that the strategic reserve fund would not exceed \$500 million in expenditures (for either physical equipment or production slots for eligible equipment) and that the Company would recover the costs associated with the strategic reserve fund through the Purchased Capacity Cost Adjustment. The Company proposes it would earn a return on the invested capital at the Company’s weighted average cost of capital, including the costs of any storage or handling costs associated with the equipment.

5. On April 15, 2025, CC4CA filed its Motion and seeks the following: (1) require Public Service to file testimony explaining and supporting its SRRF proposal, (2) waive

Rule 1405(d) to extend the deadline for discovery on the new SRRF proposal, and (3) permit intervenors to file supplemental Answer Testimony limited to the SRRF proposal within 18 days of the Company's testimony on the SRRF proposal.¹

6. CC4CA states the following parties support its Motion: the Colorado Office of the Utility Consumer Advocate; Western Resource Advocates and Southwest Energy Efficiency Project; the Conservation Coalition; the Environmental Justice Coalition; Healthy Air and Water Colorado; the Coalition for Community Solar Access; and the Colorado Solar and Storage Association/Solar Energy Industries Association/Advanced Energy United.

7. CC4CA further represents that the Colorado Independent Energy Association states it "supports filing supplemental direct but [] opposes the proposed supplemental answer and timeline of having only 18 days to conduct discovery and prepare supplemental answer while concurrently preparing for cross-answer."² CC4CA represents that Public Service agreed to a shortened response time to the motion, and that the rest of the parties to this Proceeding take no position, do not oppose, or have no objection to its Motion.

8. CC4CA contends that good cause exists for waiver since the strategic reserve fund proposal was filed only 16 days before Answer Testimony is due on April 18, 2025, and thus intervenors did not have sufficient time to review the proposal, propound discovery, receive discovery responses, and develop and incorporate recommendations into Answer Testimony. CC4CA asserts that to receive answers to discovery questions regarding the strategic reserve fund proposal and incorporate them into Answer Testimony, intervenors would have had to propound discovery the day after the strategic reserve fund proposal was filed.³

¹ The Motion also includes a request for shortened response time, which was granted through Decision No. C25-0320-I, issued April 23, 2025.

² Motion, p. 2.

³ Motion, p. 5.

9. CC4CA argues Public Service’s Hearing Exhibit 115, which is a two-page bulleted list, lacks sufficient detail and support for interveners to comprehensively evaluate the strategic reserve fund. As an example, CC4CA contends the strategic reserve fund proposal does not include any details on the “tightening supply chain” for transformers and CTs, such as the average historical or projected amount of time required to procure equipment or production slots.⁴ CC4CA further notes that the proposal does not detail the costs of CTs and transformers (or their associated production slots), such that it is impossible to gauge how many potential projects \$500 million could support.

10. Public Service filed a Response to CC4CA’s Motion on April 21, 2025. In its Response, Public Service argues CC4CA’s Motion should be denied claiming it introduces an inefficient and unnecessary process that will not benefit the record. The Company asserts that CC4CA fails to demonstrate that the existing procedural processes are insufficient and notes that certain parties have already responded to the strategic reserve fund in Answer Testimony that was filed on April 18, 2025. Public Service notes intervenors will have the opportunity to respond to one another in cross-answer testimony and to cross-examine witnesses during the evidentiary hearing. Public Service also argues a second round of supplemental direct testimony is unnecessary because the Company’s Hr. Ex. 115 sets forth the strategic reserve fund concept and additional supplemental testimony from Public Service would be duplicative.⁵

11. In the alternative, Public Service argues that if the Commission believes additional supplemental direct testimony is necessary, the Commission should order the Company to file limited supplemental direct testimony on the strategic reserve fund within seven days of a

⁴ Motion, p. 4.

⁵ Public Service’s Response, pp. 4-5.

Commission decision, to which parties can respond in their already-scheduled cross-answer testimony. Similarly, Public Service adds that if the Commission believes discovery on the supplemental direct testimony is appropriate, each party should be permitted 10 questions (including subparts) directed towards the SRRF. Under this alternative approach, the Company argues it would reserve its right to seek pre-filed surrebuttal testimony on this topic or seek the opportunity to offer live surrebuttal at hearing.⁶ While preferable to CC4CA's proposal for another round of supplemental direct and supplemental answer, the Company maintains that supplemental direct testimony is unnecessary given what Public Service has already provided in Hr. Ex. 115. Public Service argues the strategic reserve fund concept is narrow, targeted, and directly responsive to discussion at the March 13, 2025 joint technical conference.⁷

12. As the Company points out in its Response to the Motion, some party answer testimony filed April 18, 2025, addresses the proposed SRRF as submitted in Hr. Ex. 115. For example, in its Answer Testimony, CC4CA raises additional concerns with the strategic reserve fund. For instance, CC4CA argues the \$500 million strategic reserve fund could bias the Phase II competitive solicitation (*e.g.*, by giving the Company access to capital and allowing it to enter the queue for important equipment ahead of IPP competitors, by signaling that new Company-owned CTs will be preferentially treated in Phase II, and by creating an unlevel playing field for renewables and battery storage).⁸ CC4CA also asserts the strategic reserve fund places all financial risk on ratepayers with all of the financial benefits reserved for Xcel shareholders. CC4CA further asserts that the Company's proposal to split any profit from the sale of unused CTs 50-50 with customers is unfair given the capital invested is exclusively provided by ratepayers.

⁶ Public Service's Response, p. 5.

⁷ Public Service's Response, p. 5.

⁸ Hr. Ex. 2001, Lehrman Answer, pp. 56-58.

Given that the strategic reserve fund puts ratepayers in the position of acting as investors in resources that will bid into a competitive solicitation, CC4CA argues it would be reasonable to reduce the amount that will be added to rate base if SRRF-funded investments are approved in Phase II.⁹ Ultimately, however, CC4CA states that it “does not yet have enough information to make recommendations on the SRRF proposal without additional detail from Public Service and the opportunity to propound discovery.”¹⁰

13. Although asserting that Public Service does not have CTs reserved, the Office of the Utility Consumer Advocate states the strategic reserve fund is unnecessary for CTs, and the Company would have to specifically justify transformers.¹¹

14. Pueblo County argues the SRRF will facilitate the construction of a new gas generation facility within Pueblo and will place projects on a much faster track for commencement and completion and protect customers from cost increases.¹² The Pueblo Economic Development Corporation similarly states the strategic reserve fund could provide opportunities to construct new generation that would benefit the Pueblo community and encourage growth of supporting and ancillary industries.¹³

15. Through its Answer Testimony, Trail Staff of the Commission (“Staff”) opposes the strategic reserve fund concept. Staff argues the proposal is underdeveloped and that a serious strategic reserve fund proposal for approval in Phase I should have been further developed internally by the Company and filed as part of the Company’s direct testimony. Staff asserts the late filing of Hr. Ex. 115 filing did not provide sufficient time for proper discovery and a thorough

⁹ Hr. Ex. 2001, Lehrman Answer, pp. 58-60.

¹⁰ Hr. Ex. 2001, Lehrman Answer, p. 60.

¹¹ Hr. Ex. 305, Neil Answer, p. 7; *see also* Hr. Ex. 302, Hotaling Answer, p. 17.

¹² Hr. Ex. 1204, Arnold Answer, pp. 4-5.

¹³ Hr. Ex. 1200, Shaw Answer, p. 16.

review prior to answer testimony. Staff also argues the strategic reserve fund concept appears likely to circumvent competitive procurement, which could lead to acquiring assets at higher cost than they otherwise would in a competitive process.¹⁴ In addition, the strategic reserve fund proposal may not necessarily speed up the procurement of needed resources. Staff notes the strategic reserve fund would not help expedite the manufacturing lead times that exist in the market or guarantee earlier delivery of resources. Staff references a recent news article in which a senior level employee with Mitsubishi Power indicated that current orders for new gas turbines will likely not be fulfilled until between 2028 and 2030.¹⁵

16. If the Commission wants to develop the strategic reserve fund proposal, Staff suggests the Commission initiate a process to determine a strategic reserve target capacity. The target capacity could be a megawatt quantity of CTs and a defined number and type of high-voltage transformers.¹⁶ Rather than pre-approving cost recovery for a full fund, Staff proposes the Company be permitted to recover only the initial deposits necessary to secure early manufacturing slots for the identified strategic quantity of equipment. This first tranche of cost recovery would be subject to Commission review, and Public Service would be required to submit a milestone payment schedule. Prior to each subsequent milestone payment, Staff argues in Answer Testimony that the Company should be required to file an update explaining why the manufacturing slot is still necessary.¹⁷

¹⁴ Hr. Ex. 2600, Dahlke Answer, pp. 82-83.

¹⁵ Hr. Ex. 2600, Dahlke Answer, pp. 85-86.

¹⁶ Staff asserts that high-voltage transformers are application-specific assets that must be precisely configured to the voltage, power flow, and physical constraints of the substation or transmission system where they are to be installed. (Hr. Ex. 2600, Dahlke Answer, pp. 86-87).

¹⁷ Hr. Ex. 2600, Dahlke Answer, pp. 87-89.

C. Findings and Conclusion

17. We grant, in part, the Motion, balancing the remaining schedule that moves towards the evidentiary hearing scheduled to begin June 10, 2025. We agree with CC4CA that extending discovery on the limited issue of the SRRF benefits future filings and the Proceeding overall. Particularly where the Company characterizes this issue as targeted and narrow, we do not agree to limit the questions to a specific number of permitted questions and encourage all parties to be efficient and mindful of the remaining timelines prior to hearing. We therefore grant the request for extended discovery on this limited topic through the currently established cross-answer testimony deadline.

18. We also agree that supplemental direct testimony regarding the SRRF is appropriate to clarify the proposal provided in Hr. Ex. 115. To add efficiency, we further identify specific questions the Company must address in its supplemental direct. Specifically, the Company shall address at least the following:

- How will the SRRF speed up the procurement of needed resources given the claim that it would not help expedite the manufacturing lead times that exist in the market or guarantee earlier delivery of resources?
- How does Public Service respond to Staff's concern that high-voltage transformers are application-specific assets and that procuring them in advance without a specific end-use site and design in mind, risks costly retrofits, delays, or unused assets?
- How does the Company respond to Staff's proposal to determine a strategic reserve target capacity (*e.g.*, a megawatt quantity of combustion turbines and a defined number and type of high-voltage transformers) instead of setting the reserve fund at \$500 million?
- How does the Company respond to Staff's proposal for the Company to recover only the initial deposits necessary to secure early manufacturing slots for the identified strategic quantity of equipment?
- Could the Company submit a milestone payment schedule and, prior to each milestone payment, file an update with the Commission explaining why the manufacturing slot is still necessary?

- How does the Company respond to CC4CA's concern that the \$500 million strategic reserve fund could bias the Phase II competitive solicitation in several ways, including by giving Public Service the capital and authorization to enter the queue for important equipment, by uniquely reducing the cost and risk for the Company relative to other bidders to advance development concepts or by signaling to independent power producers that Company-owned CTs will be given preferential treatment or have a distinct advantage?
- How does the Company respond to CC4CA's assertion that the Company's proposal to split any profit from the sale of unused CTs 50-50 with customers is unfair given the capital invested is exclusively provided by ratepayers?
- How does Public Service respond to CC4CA's suggestion that, for assets funded by the strategic reserve fund, the amount added to rate base should be reduced because the SRRF puts ratepayers in the position of acting as investors in resources that will bid into a competitive solicitation?

19. While we anticipate that the Company's remaining testimony filings will address answer testimony further, given the Company's late addition of its SRRF proposal, which included only bulleted explanation and was filed shortly before the answer testimony deadline, the Proceeding will benefit from further supplemental direct on this limited topic. Given the Company's ongoing assertion that this issue remains targeted and narrow, supplemental direct regarding the SRRF shall be provided no later than May 9, 2025, and shall include at a minimum responses to the above questions.

20. While we find that targeted supplemental direct is appropriate in these circumstances, we agree with the Company that, rather than setting a separate supplemental answer deadline, intervenors may provide responsive testimony to the SRRF concurrent with their cross-answer testimony due May 23, 2025. Maintaining these timelines better ensures that the subsequent deadlines, including potential settlement filings, are maintained in advance of the scheduled hearing.

II. ORDER

A. It Is Ordered That:

1. The Motion to Require Supplemental Direct Testimony on the Strategic Resilience Reserve Fund (“SRRF”) filed April 15, 2025, by Colorado Communities for Climate Action is granted in part, and denied in part, consistent with the discussion above.

2. Public Service Company of Colorado shall file supplemental direct testimony regarding the SRRF, consistent with the discussion above, no later than May 9, 2025.

3. Discovery deadlines are extended with regard to the SRRF through May 23, 2025, consistent with the discussion above.

4. Parties may file testimony responsive to the SRRF direct testimony and supplemental direct testimony concurrent with their cross-answer testimony filings on May 23, 2025.

5. This Decision is effective immediately upon its Issued Date.

**B. ADOPTED IN COMMISSIONERS' WEEKLY MEETING
April 30, 2025.**

(SEAL)



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