

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

PROCEEDING NO. 22AL-0530E

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IN THE MATTER OF ADVICE LETTER NO. 1906 - ELECTRIC FILED BY PUBLIC SERVICE COMPANY OF COLORADO TO REVISE ITS COLORADO P.U.C. NO. 8 - ELECTRIC TARIFF TO INCREASE BASE RATE REVENUES, IMPLEMENT NEW BASE RATES FOR ALL ELECTRIC RATE SCHEDULES, AND MAKE OTHER TARIFF CHANGES, TO BECOME EFFECTIVE DECEMBER 31, 2022.

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PROCEEDING NO. 22AL-0478E

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IN THE MATTER OF ADVICE LETTER NO. 1902 - ELECTRIC FILED BY PUBLIC SERVICE COMPANY OF COLORADO TO REVISE ITS COLORADO P.U.C. NO. 8 - ELECTRIC TARIFF TO INCREASE THE TRANSMISSION COST ADJUSTMENT RIDER, TO BECOME EFFECTIVE JANUARY 1, 2023.

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**COMMISSION DECISION GRANTING APPLICATIONS  
FOR REHEARING, REARGUMENT, OR  
RECONSIDERATION OF DECISION NO. C23-0592**

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Mailed Date: October 18, 2023

Adopted Date: October 11, 2023

**I. BY THE COMMISSION**

**A. Statement**

1. By this Decision, the Commission grants the Applications for Rehearing, Reargument, or Reconsideration to Decision No.C23-0592 (RRR Applications) filed by Public Service Company of Colorado (Public Service or Company) and the Colorado Office of the Utility Consumer Advocate (UCA).

**B. Rate Case Decision (Decision No. C3-0592)**

2. Decision No. C23-0592 (Rate Case Decision) approved the Settlement Agreement filed on June 20, 2023, between Public Service and intervenors Staff of the Colorado Public Utilities Commission (Trial Staff); UCA; Colorado Energy Consumers (CEC); the Colorado Energy Office (CEO); Molson Coors Beverage Company (Molson Coors); Federal Executive Agencies (FEA); and Walmart Inc. (Walmart) (collectively, the Settling Parties) as part of a comprehensive package that also modifies the Company's Transmission Cost Adjustment (TCA).

3. By approving the revenue requirement portions of the Settlement Agreement as part of a larger package, the Rate Case Decision established new base rates for Public Service.<sup>1</sup> Specifically, the Commission authorized Public Service to increase its base rate revenues through a modified General Rate Schedule Adjustment (GRSA), for incremental base rate cost recovery on an energy basis from residential and small commercial rate classes, or through a combination of a traditional GRSA, expressed as a percentage increase to all existing base rate components, and a General Rate Schedule Adjustment-Energy (GRSA-E), expressed on an energy basis, for incremental base rate cost recovery from all other customer rate classes. The increase in base rate revenues was net of the transfer of certain costs recovered through separate rate adjustment mechanisms.

4. The Settlement Agreement approved by the Rate Case Decision resolved all issues that have been or could have been raised in this Proceeding, except for two: a proposal to defer costs, generally depreciation expenses, associated with Public Service's coal-fired electric generation facilities scheduled for retirement (Coal Plant Deferral), and a proposal to adjust Public

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<sup>1</sup> Public Service submitted a compliance tariff filing in accordance with Decision No. C23-0592 on September 6, 2023 with rates effective September 8, 2023 in Proceeding No. 23AL-0449E.

Service's TCA for effect beginning January 1, 2024. As explained in the Rate Case Decision, the Commission found the record in this Proceeding did not support approval of the Coal Plant Deferral. However, the Commission found good cause to adjust the scope of projects eligible for recovery through the Company's TCA as part of a balanced package that also includes the approval of the revenue requirement portions of the Settlement Agreement. The Commission thus modified Sheet 142B of Public Service's Colorado Electric Tariff No. 8 to include a definition of "TCA Qualified Projects" as transmission investment that results in a net increase in transmission capacity.

**C. Public Service's RRR Application**

5. In its RRR Application, Public Service raises a concern that wildfire mitigation transmission projects that do not increase capacity may not be eligible for recovery through the TCA. The Company argues that this would be inconsistent with Decision No. R21-0109 in Proceeding No. 20A-0300E approving, with modifications pursuant to a settlement agreement, the Company's Wildfire Mitigation Plan (WMP), that states: "[p]rudently incurred capital costs associated with the transmission programs outlined in the WMP are recoverable through the TCA." Public Service also argues that the Commission should not limit cost recovery for an important area of transmission work that is providing immediate and ongoing benefits to customers.

6. Public Service further argues that the changes the Commission required to its TCA tariff transformed the recoverable costs from being an entire "functional class" to being project-based. Public Service explains additional changes to the TCA tariff are necessary to fully implement this change to project-based cost recovery. Specifically, Public Service asks the Commission for authority to make additional edits to Tariff Sheet No. 142B that would remove the language focused on incremental transmission function costs as a whole and specify that the TCA

will only include capital costs associated with qualified transmission projects not already included in base rates. The Company adds that it is necessary to change the language in the TCA tariff in this manner now for the Company to file its 2024 TCA later this year.<sup>2</sup> Public Service's specific suggestions for further modifying Sheet No. 142B of its TCA tariff are attached to its RRR Application.

7. We find good cause to grant Public Service's RRR Application. Public Service is correct that the Commission had previously allowed for non-capacity building transmission projects associated with the Company's WMP to be recovered through the TCA. The Company's requested changes to the language on Sheet No. 142B of its TCA tariff with respect to WMP-related transmission costs are reasonable and are consistent with the Commission's previous decisions.

8. We further find good cause to permit Public Service to further modify Sheet No. 142B as the Company suggests in the attachment to its RRR pleading in to complete the prospective changes in TCA cost eligibility as intended by Decision No. C23-0592.

#### **D. UCA's RRR Application**

9. In this Proceeding, UCA's witness Mr. Chris Neil identified several Public Service projects that in his view exhibited serious cost overruns as compared to Public Service's initial cost estimates for these projects. He pointed out that these increased capital costs would result in increased rates, adversely affecting affordability in Public Service's rates. He took the position that these increased costs illustrate that Public Service has a systemic problem in cost estimation and project implementation and the steps the Commission has implemented to contain costs have

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<sup>2</sup> Public Service files an advice letter to modify its TCA on an annual basis on November 1 of each year with rates effective on January 1.

not provided proper motivation. Mr. Neil recommended the Commission act in this Proceeding by disallowing some project costs to further motivate the Company to implement better project planning and development.

10. As relevant to UCA's RRR Application, Mr. Neil identified cost increases for multiple projects in Table CN-1 of his Answer Testimony, totaling \$289 million. At the end of his testimony, he proposed disallowing portions of cost recovery for certain transmission projects relating to the High Point Substation, Voltage Control and Denver Greenwood Transmission (GDT), Ault-Cloverly Transmission Line, San Luis Valley 115 kV Line 9811 rebuild.

11. Pursuant to the Settlement Agreement approved by Decision No. C23-0592, the parties agreed to use a historical test year, ending December 31, 2022, instead of Public Service's proposed future or forecasted test year. As a result, most of the projects disputed by Mr. Neil were ultimately not used as inputs into the Company's Settlement Test Year revenue requirement model. Consequently, the other disallowances recommended by Mr. Neil became moot once the Commission approved the Settlement Agreement (and thereby the historical test year that excluded the overrun projects).

12. UCA asks the Commission in its RRR Application to clarify that, because of the change in the Settlement Test Year, the costs associated for certain transmission facilities discussed by Mr. Neil were not included in the test year. UCA seeks an acknowledgement that the Commission did not find the other projects Mr. Neil challenged to be prudent, or their costs appropriate, and therefore UCA may contest their prudence and cost recovery in a future proceeding.

13. We grant UCA's request. The Commission made no findings in the Rate Case Decision on the prudence or appropriateness of the costs for the projects identified by UCA witness

Chris Neil in his Answer Testimony. The Rate Case Decision thus does not preclude UCA from challenging the prudence of these projects when those projects are, in a future rate case or other proceeding, presented for recovery.

## **II. ORDER**

### **A. The Commission Orders That:**

1. The Application for Rehearing, Reargument, and Reconsideration of Decision No. C23-0592 filed by Public Service Company of Colorado (Public Service) on September 26, 2023 is granted, consistent with the discussion above. Public Service shall file a modified Sheet No. 142B of its Colorado PUC No. 8 Electric Tariff for its TCA for effect January 1, 2024 on accordance with this Decision and Decision No. C23-0592.

2. The Application for Rehearing, Reargument, and Reconsideration filed by the Colorado Office of the Utility Consumer Advocate on September 26, 2023 is granted, consistent with the discussion above.

3. 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.

4. This Decision is effective upon its Mailed Date.

**B. ADOPTED IN COMMISSIONERS' WEEKLY MEETINGS  
October 11, 2023**

(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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Commissioners