

Decision No. R25-0138-I

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

PROCEEDING NO. 24M-0493G

IN THE MATTER OF THE COMMISSION 'S INVESTIGATION INTO THE COSTS OF PUBLIC SERVICE COMPANY OF COLORADO'S GAS UTILITY INFRASTRUCTURE PURSUANT TO SENATE BILL 23-291.

**INTERIM DECISION OF HEARING COMMISSIONER
ISSUING ANTICIPATED PROCEEDING WORK PLAN**

Issued Date: February 27, 2025

I. STATEMENT

1. The Commission opened this Proceeding on November 14, 2024, through Decision No. C24-0824 to identify and investigate the cost causation of residential development and other development of Public Service Company of Colorado's ("Public Service" or the "Company") gas utility operations pursuant to § 40-3-121, C.R.S. The Decision also referred Commissioner Megan M. Gilman, as Hearing Commissioner pursuant to § 40-6-101(2), C.R.S.

2. By this Decision, the Hearing Commissioner sets forth a Proceeding work plan including proceeding objectives and a workflow of activities. In issuing this Decision, the Hearing Commissioner seeks to establish the flow of the Proceeding in an effort to increase transparency for the public, stakeholders, and the Company of the anticipated timing and general methodology of the Commission's study of the cost causation of new, large investments associated with the Company's gas operations pursuant to § 40-3-121, C.R.S.

II. BACKGROUND

3. Section 40-3-121, C.R.S., requires the Commission to identify and study specific, new large infrastructure investments. For each investment identified, the Commission must determine the extent to which new residential development or other development by a geographic area disproportionately necessitated the investment. The proceeding must also include a cost benefit analysis of the growth in new residential development and other development to the natural gas utility customers for whom the investments were made, as well as non-participating natural gas utility customers and income qualified customers. The Commission must also determine whether alternative infrastructure, service investments, or other utility actions could mitigate impacts on non-participating or income-qualified customers and identify the up-front and service life costs and benefits of alternatives to new large infrastructure projects. Additionally, § 40-3-121, C.R.S., requires the Commission to hold a hearing on the information it gathers.

4. The Commission raised concern during the Company's most recent Phase I gas rate case that projects categorized as Capacity Expansion "appear to be after-the-fact efforts completed on an urgent basis once customers are already at risk of loss of service" which makes it difficult to assign the cost of joining the system to any new customer responsible for such costs at the time the new customer joins the system.¹ Further, Decision No. C24-0778 clarified that the Commission's investigation into cost causation pursuant to § 40-3-121, C.R.S., should "seek to determine whether the costs assigned to new customer load additions downstream of current or

¹ Decision No. C24-0778 at ¶ 277 issued in Proceeding No. 24AL-0049G on October 25, 2024. The Commission's Gas Rules define "Capacity Expansion" to include both individual projects and sets of inter-related facilities needed to maintain system reliability and meet a specified capacity expansion need. Within the category of capacity expansion projects, the utility shall further separate appropriate projects into the following sub-categories: (i) capacity expansion projects needed for reliability or growth in sales by existing customers, structures, and facilities; and (ii) capacity expansion projects needed for growth in sales due to new customers, structures, and facilities, that are not otherwise new business planned projects. 4553(a)(III)(C), 4 CCR 723-4.

future Capacity Expansion projects can and should include all or a portion of costs of those incremental upgrades that may need to be made upstream in order to accommodate load growth downstream.”² The Commission’s directives regarding capacity expansion considerations in that Decision may also be incorporated into the investigation in this Proceeding.

III. DISCUSSION

A. Proposed Work Plan

5. To accomplish the requirements set out in § 40-3-121, C.R.S., the Hearing Commissioner intends to: (1) lay out a work plan and request comment from the Company and stakeholders as indicated by this Decision; (2) through separate, future decision, solicit data and other system information regarding specific, new large natural gas infrastructure investments from the Company necessary to complete this investigation; (3) conduct a technical workshop with the Company and stakeholders to further clarify system conditions that necessitated investments in specific, new large natural gas infrastructure investments, which will be scheduled by a future decision; (4) issue a report on findings; and (5) hold a public hearing consistent with § 40-3-121(2), C.R.S. More information on each of these steps can be found below.

² Decision No. C24-0778 at ¶ 280.

6. The Hearing Commissioner developed this workflow in an effort to increase transparency in the Proceeding:

Activity	Target Date	Description
Receive written comments on work plan	March 14, 2025 <i>(Ordered by this Decision)</i>	Through this Decision, the Hearing Commissioner requests written comments on the work plan, including soliciting responses to the methodology for project selection outlined below.
Compile necessary data for investigation	Mid-March <i>(Issued by separate decision)</i>	Hearing Commissioner to issue an order soliciting data from the Company for system characteristics involving recently proposed infrastructure projects.
Technical workshop	Early May <i>(To be scheduled by separate decision)</i>	The Hearing Commissioner will convene a technical workshop including Company gas system modelers, and representatives from stakeholders as appropriate. The workshop will likely provide the Commission and stakeholders an opportunity to ask questions clarifying system conditions that the Company evaluated when determining the need for infrastructure investments as well as the Company’s projections for whom the new infrastructure investments would serve.
Publish report and solicit written comment	Mid-June	A report will be published which evaluates how residential development and other development in certain geographic areas drive natural gas infrastructure costs pursuant to § 40-3-121(1)(b), C.R.S.
Hearing pursuant to § 40-3-121(2), C.R.S.	Late June <i>(To be scheduled by separate decision)</i>	The Hearing Commissioner will hold a public hearing to discuss the findings of the written report and receive comment from the Company and stakeholders.

Issue Recommended Decision	Late July	The recommended decision will consider information gathered in the investigatory proceeding to determine whether alternative infrastructure, service investments or other utility actions could mitigate impacts on nonparticipating or income-qualified customers consistent with § 40-3-121, C.R.S.
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B. Procedural Considerations

7. The Hearing Commissioner anticipates the need for additional data from the Company beyond what is already in the Commission’s possession in order to complete the investigation required by § 40-3-121, C.R.S. As indicated above in the work plan, a forthcoming order soliciting such data will require Public Service to provide certain project specific data and information on system conditions. The Commission will not be able to complete its statutory requirements without coordination and cooperation from the Company in providing data on specific projects.

8. This Proceeding is an administrative proceeding pursuant to the Commission’s Practice and Procedure Rules. Therefore, the procedural requirements and protections regarding confidentiality found in Rules 1100, 1101, and 1103 of the Rules of Practice and Procedure, 4 *Code of Colorado Regulations* (“CCR”) 723-1 are in full force and effect. The Company may file confidential information under seal as appropriate, and any requests for highly confidential treatment shall be made pursuant to Rule 1101, 4 CCR 723-1.

9. While there may be instances in which it is necessary to redact underlying data or methodologies to protect information that is appropriately designated confidential under the Commission’s rules, a public report is consistent with the legislative requirement that the Commission investigate this matter. The Hearing Commissioner intends to provide a public

version of the final report summarizing the Commission’s investigation pursuant to § 40-3-121, C.R.S., which includes as much public disclosure of the findings, underlying data, and methodologies as possible.

C. Parameters for Project Selection

10. Section 40-3-121, C.R.S., requires the Commission to investigate “whether and how residential development and other development in certain geographic areas drive natural gas infrastructure costs” through the identification of “specific, new large natural gas infrastructure investments.” The statutory requirement does not define how exactly the Commission should undergo the project selection process and outlines no criteria except that such projects must be “specific,” “new,” and “large.” To that end, the Hearing Commissioner intends to use the below parameters to guide project selection to ensure that the final investigatory report considers an array of projects consistent with the statutory directives. These parameters will ensure that a consistent methodology is utilized for project selection and provide more specific guidance than that found in § 40-3-121, C.R.S. The Hearing Commissioner welcomes comments on the proposed parameters from the Company and interested stakeholders early in this process so that the investigation is as transparent as possible.

- a. In defining “specific, new large natural gas infrastructure investments” described in § 40-3-121(1)(b), C.R.S., the Hearing Commissioner intends that this Proceeding evaluate discrete projects presented as a part of the Company’s two most recent rate cases in Proceeding No. 24AL-0049G and Proceeding No. 22AL-0046G. Consistent with § 40-3-121(1)(b), C.R.S., limiting the analysis to those discrete projects in which the Company has sought cost recovery within the last approximately five-year period ensures that the Commission is investigating “new” investments. Further, the Hearing Commissioner anticipates that focusing on projects that are of a recent vintage, but are substantially complete, ensures the investigation can use actual cost data and actual system effects that may not be available on a prospective basis for projects in the planning stage.

- b. Section 40-3-121(1)(b), C.R.S., requires analysis of “large” investments—the Hearing Commissioner therefore intends to evaluate several infrastructure investments among the largest infrastructure investments categorized as discrete New Business or Capacity Expansion within the proceedings referenced in (a). These project categories align with new large natural gas infrastructure investments in that they provide new service and new capacity to customers on the Company’s natural gas system.
- c. The investigation should utilize the project category criteria outlined in the Commission’s Gas Infrastructure Planning Rules, Rules 4550 to 4555, 4 CCR 723-4.

11. The statute requires the Commission to determine for the projects selected “the extent to which new residential development or other development by a geographic area is disproportionately necessitating that investment.” § 40-3-121(1)(b), C.R.S. The statute does not define what “geographic area” should be reviewed for each project, nor does it provide specificity as to how to handle projects occurring in similar geographic areas. To that end, the Hearing Commissioner intends to use the below parameters to guide analysis of the link between specific projects and geographic areas. These parameters will ensure that a consistent methodology is utilized for this analysis and provide more specific guidance than that found in § 40-3-121, C.R.S. The Hearing Commissioner welcomes comments on the proposed parameters from the Company and interested stakeholders early in this process so that the investigation is as transparent as possible:

- a. The investigation should consider interrelated or geographically grouped investments as a single project for the purposes of this study. In a previous decision related to the Company’s inaugural Gas Infrastructure Plan, which this investigation intends to use the same project categories, the Commission noted that the Company did not identify any projects that represented a set of interrelated facilities and reminded the Company of its obligations under Rule 4553(a)(III)(C).³ As an example of projects that could be considered interrelated or geographically linked, in its most recent rate case, the Company presented the Rampart Range Capacity Expansion project that appears

³ Decision No. C24-0092, at ¶ 80.

adjacent to the Sterling Ranch housing development for which the Company described a separate New Business project.⁴ Additionally, the investigation could also consider geographically grouping smaller projects for further cost causation evaluation, possibly considering separate line items as a single project.

- b. The investigation should consider “geographic area” to mean development in the same town or county served by the new infrastructure project.

12. Section 40-3-121(1)(c), C.R.S. requires the Commission’s investigation to “include a calculation of the benefits and costs of the growth in new residential development and other development to both the natural gas utility customers for whom the infrastructure investment is being made and nonparticipating retail and wholesale natural gas utility customers, particularly those nonparticipating customers who are income-qualified customers.” The Hearing Commissioner anticipates that the exact costs and benefits analyzed in this Proceeding will develop over the course of the investigation for presentation in the final report and provides no exact parameters for consideration at this point. The Hearing Commissioner seeks comment from the Company and interested stakeholders on the definitions and methodology used for project selection as a part of this investigation below:

- a. A “nonparticipating customer” for the purposes of this investigation is an existing Company customer who is not included in the number of residential and commercial units directly served by the new infrastructure project.
- b. While this Decision does not establish specific parameters for the evaluation of “benefits and costs,” the investigation will generally attempt to align benefit and cost parameters with the Company’s CBA for Non-Pipeline Alternatives Handbook filed in Proceeding No. 24M-0261G, as modified by Decision No. R25-0083, issued on February 5, 2025, in Proceeding No. 24M-0261G.⁵

⁴ Proceeding No. 24AL-0049G, Hr. Ex. 105, Gardner Direct, pp. 66-67; Hr. Ex. 105, Att. ARG-4.

⁵ As of the Issued Date of this Decision, exceptions to Decision No. R25-0083 are pending before the Commission.

IV. FINDINGS AND CONCLUSIONS

13. The Hearing Commissioner intends to follow these tasks, objectives, and timelines to the best of her ability, and will communicate changes to these tasks, objectives, and timelines at the earliest opportunity possible through additional notices or decisions this Proceeding.

14. Interested stakeholders and members of the public may submit comments regarding the issues contemplated in this Proceeding at any time this Proceeding is open, even if they do not align with timelines set by this or subsequent decisions. However, specific comments related to the Hearing Commissioner's discussion of project selection parameters discussed above are requested no later than March 14, 2025.

15. The Hearing Commissioner emphasizes her intentions to provide a public version of the final report summarizing the Commission's investigation pursuant to § 40-3-121, C.R.S., which includes as much public disclosure of the findings, underlying data, and methodologies as possible.

V. ORDER

A. It Is Ordered That:

1. Consistent with the discussion above, Public Service Company of Colorado and interested stakeholders are requested to file comments no later than March 14, 2025.

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

(S E A L)



THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

MEGAN M. GILMAN

Hearing Commissioner

ATTEST: A TRUE COPY

A handwritten signature in cursive script that reads 'Rebecca E. White'.

Rebecca E. White,
Director