

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

PROCEEDING NO. 21A-0071G

IN THE MATTER OF THE VERIFIED APPLICATION OF PUBLIC SERVICE COMPANY OF COLORADO FOR APPROVAL TO EXTEND THE COMPANY’S PIPELINE SYSTEM INTEGRITY ADJUSTMENT (PSIA) RIDER FOR CERTAIN PROJECTS THROUGH 2024, WITH SUBSEQUENT WIND-DOWN OF THE RIDER.

**INTERIM DECISION SETTING MATTER FOR
HEARING, ESTABLISHING THE PARTIES
TO THE PROCEEDING, SETTING A
PREHEARING CONFERENCE, REQUIRING
SUPPLEMENTAL TESTIMONY, AND REQUIRING A
PROPOSED PROCEDURAL SCHEDULE**

Mailed Date: May 4, 2021
Adopted Dates: April 14, 2021 and April 21, 2021

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I. BY THE COMMISSION**A. Statement**

1. On February 9, 2021, Public Service Company of Colorado (Public Service or the Company) filed an Application to extend its Pipeline System Integrity Adjustment (PSIA), a volumetric rider applied to customers of the Company's gas division, through 2024.

2. We set the Application for hearing before the Commission *en banc* and establish the parties to this Proceeding. We further direct Public Service to file Supplemental Direct Testimony to provide additional information as detailed below. We also set a remote prehearing conference for May 12, 2021 at 1:00 p.m., and require Public Service to confer with the parties and file a proposed procedural schedule, including a filing deadline for the Supplemental Direct Testimony and provisions for discovery, by May 7, 2021.

B. Procedural History

3. On February 10, 2021, the Commission issued a Notice of Application Filed, initiating a 30-day period for interventions.

4. On February 12, 2021, the Office of Consumer Counsel (OCC) filed a Notice of Intervention as of Right and Request for Hearing, and, on February 16, 2021, it filed a Revised Notice of Intervention as of Right.

5. On March 12, 2021, the Colorado Energy Office (CEO) filed a Notice of Intervention by Right.

6. On March 17, 2021, Staff of the Colorado Public Utilities Commission (Staff) filed a Notice of Intervention of Right and Request for Hearing.

7. The OCC, Staff, and CEO identify multiple issues they plan to address in this Proceeding.

8. Under Rule 4 *Code of Colorado Regulations* 723-1-1401(b) of the Commission's Rules of Practice and Procedure, no action is necessary on these interventions as of right.

9. Public Service, Staff, the OCC, and CEO are parties to this proceeding.

10. Pursuant to Rule 1303(c)(III), the Application was automatically deemed complete 15 days after the 30-day Notice period expired on March 29, 2021 for the purpose of § 40-6-109.5, C.R.S.

C. Discussion

11. Public Service seeks approval to extend its PSIA rider for an additional three-year period, 2022 through 2024 (PSIA Extension Period). The PSIA rider is currently designed to terminate on December 31, 2021, including certain wind-down provisions, per a comprehensive settlement of Proceeding No. 18A-0422G.

12. The Commission first approved Public Service's PSIA program in the Company's 2010 Phase I gas rate case, Proceeding No. 10AL-963G. Subsequently, the Commission extended the PSIA through Proceeding Nos. 12AL-1268G, 15AL-0135G, and 18A-0422G. The comprehensive settlement in Proceeding No. 18A-0422G, approved by Decision No. C18-0983 issued November 6, 2018, further extended the PSIA to the end of 2021 and provided for the option to request a second extension, of up to three years.

13. Public Service proposes to limit PSIA recovery to the capital costs of five ongoing Distribution Integrity Management Programs (DIMP) and Transmission Integrity Management Programs (TIMP) implemented in response to guidance from the federal Pipeline and Hazardous Materials Safety Administration. These initiatives are designed to replace service mains and laterals of a historic vintage or constructed of antiquated materials such that they are considered

to be at-risk of rupture or leakage as well as facilitate system improvements to increase the maximum allowable operating pressure. Specifically, they include:

- DIMP Accelerated Main Replacement Program
- DIMP Programmatic Risk-based Pipe Replacement Program
- TIMP Automatic Shut-off Valves / Remotely Controlled Valves
- TIMP Maximum Allowable Operating Pressure
- TIMP In-Line Inspections / Pipeline Assessments and Repairs

14. Public Service also requests to maintain the same scope of its system integrity programs including project and sub-project eligibility, risk-ranking approach, and Fall (November) and Spring (April) reporting mechanisms.

15. The Company maintains a PSIA-specific rate base separate from its primary rate base on which base rates are set. The PSIA rate base, which holds the large majority of PSIA project investment and is recovered by the rider, is projected to be \$1.05 billion in 2022 and climb to \$1.29 billion in 2024 based on annual investment into the PSIA program of \$143 per year to \$164 million per year over the requested PSIA Extension Period. The Company projects the average residential customer who consumes 64 therms per month will see an increase of the PSIA from \$3.10 per month in 2021 to \$4.51 per month in 2024, representing bill increases of 1.5 percent in 2022, and 0.8 percent for both 2023 and 2024.

16. As explained in the Application, Public Service intends to wind down the PSIA rider and transfer remaining recovery to base rates at the end of 2024. The Company provides a multi-year plan to finalize relevant true-ups through its Gas Cost Adjustment mechanism. If the Commission does not approve an extension and the PSIA is closed to new investment as of December 31, 2021, the Company requests authorization to implement the same PSIA wind-down process.

17. Public Service also requests to remove the requirement to file a base rate case every three years while the PSIA is in effect, which has been in place since the PSIA program was first approved in Proceeding No. 10AL-963G by Decision R11-0743 on July 8, 2011.

18. The Company further requests a Commission ruling on the Application by November 1, 2021 to allow for the timely filing of a November 15, 2021 Advice Letter filing to implement new PSIA rates by January 1, 2022. Public Service states that if the PSIA rider is not extended as requested, the Company will seek recovery of related costs in base rates.

D. Supplemental Direct Testimony

19. At the April 14 and 21, 2021 Commissioners' Weekly Meetings, the Commissioners discussed several areas of concern raised directly and indirectly by parties to this Proceeding in their intervention pleadings.

20. In the interests of procedural efficiency and to create a complete and useful record, we direct Public Service to file Supplemental Direct Testimony in accordance with the following, on a date to be determined subject to conferral with parties:

- i. Provide an annual projection of proposed and foreseeable system integrity investment for the next 15 years, and total annual system integrity program depreciation and revenue requirements;
- ii. Provide the corresponding 15-year rate projections of overall average and residential retail rates (equal to total applicable revenue requirements – including PSIA revenue, all other riders, and fixed charges--divided by sales) for the following three scenarios: (a) assuming current demand growth expectations and that there is no additional PSIA investment beyond 2021; (b) assuming current demand growth expectations and that the currently proposed and foreseeable additional system integrity investment is made; and (c) assuming demand falls by 2 percent per year and that the currently proposed and foreseeable additional PSIA investment is made;
- iii. Address the risk-versus-reward profile and appropriateness of a return set at the Company's weighted average cost of capital (WACC) associated with the currently-proposed system integrity investment and PSIA rider recovery between rate cases;

- iv. Address the feasibility of detailing in the Company's Fall and Spring reporting mechanisms the following information regarding PSIA recoverable investments: age, depreciated level, and unamortized balance of all targeted-for-replacement infrastructure;
- v. Address the feasibility of detailing in the Company's Fall and Spring reporting mechanisms the specific location and number of customers that are directly served by proposed PSIA project investment, and identification of where overlapping of investment in multiple projects serve the same customers; and
- vi. Address the feasibility of providing to the Commission one or more absolute, rather than relative, metric(s) to better comprehend risk mitigation and greenhouse gas emission-reduction potential across the Company's system integrity initiatives and projects.

E. Prehearing Conference and Conferral

21. We schedule a remote prehearing conference for May 12, 2021 at 1:00 p.m. The purpose of the prehearing conference is to establish a procedural schedule.

22. The remote prehearing conference will be held using the web-hosted video conferencing service Zoom. To minimize the potential that the video conference may be disrupted by non-participants, the link and meeting ID or access code will be provided to the parties by e-mail before the prehearing conference, and the parties will be prohibited from distributing that information to anyone not participating in the prehearing conference.

23. Information and directions on using Zoom to attend the remote prehearing conference is provided in Attachment A to this Decision. The Commission strongly encourages the parties to test their ability to use Zoom before the scheduled start time.

24. A party's failure to appear at the remote prehearing conference may result in decisions adverse to their interests. The Commission deems any party's failure to appear at the prehearing conference to be a waiver of that party's objection to the rulings made during the prehearing conference.

25. We direct Public Service to confer with the parties to develop a proposed procedural schedule including provisions for discovery and a deadline for the filing of Supplemental Direct Testimony consistent with the discussion above. Public Service shall file the proposed procedural schedule no later than May 7, 2021.

26. We advise the parties that hearings should conclude either by September 17, 2021 for a final decision to be issued on or around November 1, 2021 as requested by Public Service or by October 15, 2021 for a final decision to be issued on or around December 1, 2021 consistent with the deadlines in § 40-6-109.5, C.R.S.

II. ORDER

A. It Is Ordered That:

1. Public Service Company of Colorado (Public Service), Staff of the Colorado Public Utilities Commission (Staff), the Office of Consumer Counsel (OCC), and the Colorado Energy Office are parties in this proceeding.

2. The request for hearing put forward by Staff and the OCC is granted. Unless altered by a subsequent decision, this matter shall be heard by the Commission *en banc*.

3. Public Service shall confer with the parties to develop a proposed procedural schedule consistent with the discussion above. Public Service shall file the proposed procedural schedule no later than May 7, 2021.

4. A remote prehearing conference is scheduled as follows:

DATE: May 12, 2021

TIME: 1:00 p.m.

PLACE: By video conference using Zoom at a link to be provided to parties by email.

5. This Decision is effective upon its Mailed Date.

**B. ADOPTED IN COMMISSIONERS' WEEKLY MEETING
April 14, 2021 and April 21, 2021.**

(S E A L)



ATTEST: A TRUE COPY

Doug Dean,
Director

THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

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JOHN GAVAN

MEGAN M. GILMAN

Commissioners