

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

PROCEEDING NO. 22A-0309EG

IN THE MATTER OF THE APPLICATION OF PUBLIC SERVICE COMPANY OF COLORADO FOR APPROVAL OF A NUMBER OF STRATEGIC ISSUES RELATING TO ITS ELECTRIC AND GAS DEMAND SIDE MANAGEMENT AND BENEFICIAL ELECTRIFICATION PLAN.

INTERIM COMMISSION DECISION: (1) ADDRESSING INFORMATION TO BE PRESENTED IN SUPPLEMENTAL DIRECT TESTIMONY; AND (2) VACATING AND RESETTING PREHEARING CONFERENCE

Mailed Date: September 16, 2022
Adopted Date: September 7 and 14, 2022

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I. BY THE COMMISSION

A. Statement

1. On July 1, 2022, Public Service Company of Colorado (Public Service or the Company) filed for approval the proposals contained in the Company’s Demand Side Management (DSM) and Beneficial Electrification (BE) Strategic Issues Application (Strategic Issues Application).

2. On September 6, 2022, the Commission issued Decision No. C22-0515-I that deemed the Strategic Issues Application complete, set the matter for hearing before the Commission en banc, granted requests for intervention, and instructed the established parties to file a proposed procedural schedule by September 9, 2022, prior to a prehearing conference scheduled through the order for September 16, 2022. The Commission included that it would require supplemental direct testimony through separate order. On September 9, 2022, the Company filed a notice stating that prior to committing to a procedural schedule proposal it needs to understand the scope of its obligations in supplemental direct testimony.¹

3. This Decision directs Public Service to file Supplemental Direct Testimony on certain issues as discussed below. The filing deadline for the Supplemental Direct Testimony will be set by a separate order when the Commission adopts a procedural schedule in this Proceeding. In addition, we find good cause to vacate the September 16, 2022, prehearing conference scheduled through Decision No. C22-0515-I. Public Service shall confer with the parties to develop a proposed procedural schedule to file no later than 12:00 p.m. September 20, 2022. A remote prehearing conference is scheduled for September 23, 2022, at 9:00 a.m.

B. Supplemental Direct Testimony

4. On August 25, 2022, the Office of the Utility Consumer Advocate (UCA) filed an unopposed motion requesting the Commission order Public Service to file Supplemental Direct Testimony based, in part, on House Bill (HB) 21-1266, the Environmental Justice Act. UCA argues that the Commission should require the Company to file Supplemental Direct Testimony describing any outreach it conducted in income qualified and disproportionately impacted

¹ The Commission initiated discussion of topics for Supplemental Direct Testimony at its September 7, 2022, Commissioners Weekly Meeting, but as of September 9, 2022, had not issued its decision requiring additional testimony.

communities prior to filing this application addressing its proposed plans. Further still, UCA requests that Public Service provide Supplemental Direct Testimony on the impact, if any of H.R. 5376, known as the Inflation Reduction Act of 2022 (IRA), which became effective on August 19, 2022.

5. Section 24-4-109(2)(b), C.R.S. explicitly defines “agency” as used in that subsection to “mean[] the air quality control commission created in [§ 25-7-104, C.R.S.]” HB 21-1266 further established the Environmental Justice Action Task Force (“Task Force”) to discuss, among other items, whether “agency” should include entities in addition to those identified in § 24-4-109(2)(b), C.R.S., and make recommendations to the general assembly on potential modifications to definitions established in statute.² The Commission and other entities are currently participating in ongoing Task Force processes. We therefore find that the reasoning in UCA’s motion seeking to require supplemental direct based on HB 21-1266 is premature given the ongoing Task Force processes, and inconsistent with § 24-4-109(2)(b), C.R.S.

6. Nevertheless, although we do not require Supplemental Direct Testimony in this case by granting UCA’s motion, parties to this Proceeding, including UCA, may pursue relevant issues through discovery processes and testimony filings.³ In addition, the Commission retains broad authority to seek and require supplemental testimony pertinent to the record in this Proceeding.

7. To that end, the Commission concludes that it is necessary for Public Service to augment the record in this Proceeding with additional information prior to the intervening parties’

² See §24-4-109(2)(a)(I), C.R.S.

³ While Supplemental Direct Testimony on disproportionately impacted community and income qualified customer considerations are not required in this case based on HB 21-1266, parties may continue to argue these and other issues importance and relevance throughout the Proceeding.

opportunity to file Answer Testimony. Therefore, we direct Public Service to file Supplemental Direct Testimony on the addressing the issues and questions listed in the paragraphs below.

8. Supplemental Direct Testimony shall assess the IRA and its impacts during the duration of the Strategic Issues Application. Public Service shall address the following:

- a) Identify the potential impacts of the IRA on the Company's goals, initiatives, budgets, and incentives presented in its direct case.
- b) The Company shall identify potential changes to its cost-effective analysis for programs that may be impacted by incentives (both upfront as well as tax credits) in place beginning in 2023.
- c) Identify impacts of the IRA to the DSM Potential Study conducted by Guidehouse Inc., as well as the Demand Response Potential Study performed by the Brattle Group.
- d) What impacts will the IRA's incentives have on the Company meeting its stated energy and demand savings forecasts and how will the proposed performance incentives be impacted with greater non-utility funding available to customers?
- e) Identify the potential impacts of the IRA on the Company's proposed DSM/BE income qualified and disproportionately impacted programs, particularly focused on the Income Qualified Beneficial Electrification pilot program, Energy Savings Kit, Single-Family Weatherization, Multifamily Weatherization, and whole home energy audits.

9. Public Service shall further address the following questions regarding income qualified and disproportionately impacted communities:

- a) What quantitative differences have the Company identified in the usage patterns, total usage, appliance and equipment types, and levels of participation in efficiency programs between single-family income-qualified and non-income qualified residential customers, and between multi-family income-qualified and non-income qualified residential customers?
- b) To supplement the Company's Direct Testimony⁴, given the quantitative differences provided above, how will the Company's evolving focus on a value-based approach for DSM impact income-qualified customers in terms of cost-effectiveness of participation in efficiency programs and products and ability to participate?
- c) To supplement the Company's Direct Testimony⁵, and to the extent such data is available, provide data indicating how many health and safety measures of what

⁴ Hrg. Exh. 104 (Bruers Direct), pp. 24-25.

⁵ Hrg. Exh. 105 (Shoenheider Direct), p. 24.

types the Company estimates could be performed using the \$275,000 estimated annual budget.

- d) To supplement the Company's Direct Testimony⁶, how does the Company intend to engage disproportionately impacted communities in order to design culturally competent offerings? How should the Commission assess the effectiveness of the Company's engagement in DSM Plans? Will this engagement be coordinated with engagement associated with renewable energy, transportation, and other customer programs?
- e) Has the Company assessed the total cost of providing income-qualified residential efficiency services to every residential household in its service territory that may be eligible based on income?
- f) Produce a map illustrating disproportionately impacted communities within the Company's service territory using EnviroScreen along with the annual total incentives received and energy savings by Census block group (identifying those that are and are not disproportionately impacted under the current version of EnviroScreen) for the last three calendar years, or whatever date range is available within the Company's systems.

10. Public Service shall address the absence of proposals regarding the implementation of Gas Demand Response programs in the Supplemental Direct Testimony by providing information on the following:

- a) The Company's Direct Testimony⁷ mentions a Gas Demand Response Pilot Study in Summit County and, in Proceeding No. 22A-0315E, states the results will be available mid-July of 2022. The Company therefore shall file such results in this Proceeding and, if not already included as part of the report, describe lessons learned and if a similar pilot or programming appears feasible in other service areas.
- b) Explain why gas demand response was not included in the Demand Response Potential Study developed by the Brattle Group and supply information on any other analysis the Company has completed regarding the potential for Demand Response programs on the natural gas system.

11. We also conclude that it is necessary to order Public Service to file Supplemental Direct Testimony that presents a way to analyze the difference between meeting growing new construction customer demands through electric utility service versus natural gas utility service.

⁶ Hrg. Exh. 102 (Mark Direct), pp. 84-85.

⁷ Hrg. Exh. 104 (Bruers Direct), p. 40.

The goal of this analysis is to develop an analytical framework that allows the Commission to compare the full economic and other impacts associated with meeting new construction demand through electric versus natural gas from the perspective of utility costs, customer bills, and emissions. The analysis shall address the following:

- a) The Company shall provide a 15-year analysis of its systems costs and revenues projections that includes an assumption of 14,000 new structures are built in the Public Service gas system each year. For this analysis, the Company should analyze the impacts of 1,000 single family home structures went all-electric in 2023; 3,000 in 2024; 5,000 in 2025; and 7,000 in 2026 and 2027.
- b) The Company shall also discuss the potential of ground source heat pumps or geo-exchange systems in these new builds, with a particular focus on networked geo-exchange systems for new developments.
- c) In its analysis, Public Service shall assume that the reduction of gas demand across the system is optimized to lower system-wide design day demands and new capital investment to the maximum extent reasonably possible.
- d) Once the analysis is complete, Public Service shall calculate the capital savings in foregone natural gas investment required to meet the lower design day demand and other reliability requirements as against the lost revenue from customers no longer paying for natural gas line extensions.
- e) Public Service shall calculate the increased cost to the electric system of any additional load, both gross and net of the revenue from increased load. On the generation side, this could be an Encompass run that looks at the generation additions and costs needed to meet the new heating and cooling loads (as compared to the base case).
- f) Public Service shall estimate the net expected rate impact for combined electric and gas customers in Public Service's service territory of a shift to BE as a result of this analysis.

12. In addition, we direct Public Service to address the following:

- a) To the extent it is not provided in response to the directives above, Public Service shall provide a natural gas load growth forecast from BE to 2050 and include low, medium, and high adoption scenarios of increased DSM and BE on the resulting load profile.
- b) In its direct case, Public Service Nick Mark provides in Hearing Exhibit 102, Attachment NCM-3, examples of several different cost-benefit analysis tests, including the Modified Total Resource Test (mTRC) that is used when evaluating DSM Plans for overall cost-effectiveness. Public Service shall recalculate each cost-benefit analysis in Attachment NCM-3 using a lower discount rate of 3 percent for comparison to the results as presented in the direct case.

- c) Notwithstanding the Company's commitments to address improvements in long-term conservation messaging pursuant to the terms of the Non-Unanimous Comprehensive Settlement Agreement entered into between the Company and several other parties in Proceeding No. 21A-0192EG, Public Service shall explain in Supplemental Direct Testimony in this case how it would conduct itself in an extreme summer peak demand event in terms of coordinating among the Company's various demand response, load control, interruptible rate, and conservation messaging programs to present an integrated, sequenced, holistic, and effective message to customers. This should include a description of planned phasing and communication associated with those programs and actions. As part of this testimony, we would ask the Company to address the merits of the development and implementation of emergency alerts delivered by text messages that urge customers to conserve energy as a means to curtail electric power and natural gas demands on the system during extraordinary periods and the current status of any such ongoing efforts in Colorado.

13. The Commission initiated deliberations on supplemental direct requirements on September 7, 2022. Prior to issuing its decision directing additional testimony, and as required by Decision No. C22-0515-I, Public Service provided information on September 9, 2022, stating that it could not propose a procedural schedule until it reasonably understood the obligations to file supplemental direct testimony. Further still, the Company included that parties raised concerns with the directive to conclude the evidentiary hearing by January 15, 2023, which the Company represented would accelerate the procedural schedule for this proceeding and limit the time available for answer testimony and settlement negotiations.

14. We find good cause to vacate the September 16, 2022, prehearing conference scheduled through Decision No. C22-0515-I. We agree that the Company and parties necessarily must consider the supplemental direct obligations to confer and provide a proposed schedule for consideration. Public Service shall confer with parties in this proceeding and provide a proposed procedural schedule no later than 12:00 p.m. on September 20, 2022. A remote prehearing conference is rescheduled in this matter for September 23, 2022, from 9:00 a.m. to 11:00 a.m.

15. While the Commission preferred an evidentiary hearing in this matter over consecutive days concluding no later than January 15, 2023, we recognize that the addition of supplemental direct testimony through this decision may best be accommodated by accommodating hearing later than January 15, 2023. However, parties shall propose dates that allow for appropriate time between a settlement deadline and any proposed hearing.

II. ORDER

A. It Is Ordered That:

1. Public Service Company of Colorado (“Public Service”) shall file Supplemental Direct Testimony in this Proceeding, consistent with the discussion above.

2. The filing deadline for the Supplemental Direct Testimony will be set by a separate order when the Commission adopts a procedural schedule for this Proceeding.

3. The remote prehearing conference scheduled for September 16, 2022, by Decision No. C22-0515-I, issued September 6, 2022, is vacated.

4. Public Service shall confer with parties to develop a proposed procedural schedule, consistent with the discussion above. Public Service shall file the proposed procedural schedule no later than 12:00 p.m. on September 20, 2022.

5. A remote prehearing conference is scheduled as follows:

DATE: September 23, 2022
TIME: 9:00 a.m. to 11:00 a.m.
PLACE: Zoom Meeting

6. This Decision is effective upon its Mailed Date.

**B. ADOPTED IN COMMISSIONERS' WEEKLY MEETING
September 7 and September 14, 2022.**

(S E A L)



THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

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JOHN GAVAN

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Commissioners

ATTEST: A TRUE COPY

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

Doug Dean,
Director