

Decision No. C25-0400-I

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

PROCEEDING NO. 25A-0165G

IN THE MATTER OF THE APPLICATION OF PUBLIC SERVICE COMPANY OF COLORADO FOR AUTHORIZATION TO REVISE THE DEPRECIATION RATES FOR GAS UTILITY PLANT ASSETS.

**INTERIM COMMISSION DECISION DEEMING
APPLICATION COMPLETE; SETTING MATTER FOR
HEARING *EN BANC*; GRANTING INTERVENTIONS; AND
REQUIRING CONFERRAL AND FILING OF PROPOSED
PROCEDURAL SCHEDULE; AND ADDRESSING
SUPPLEMENTAL DIRECT**

Issued Date: May 23, 2025

Adopted Date: May 21, 2025

I. BY THE COMMISSION

A. Statement

1. By this Decision, the Commission deems complete and sets for hearing before the Commission *en banc* the Application of Public Service Company of Colorado (“Public Service” or the “Company”) filed on April 11, 2025, which requests the Commission approve the Company’s Application to Review the Depreciation Rates for Gas Utility Plant Assets (“Application”).

2. The Commission grants the request for permissive intervention filed by Western Resource Advocates/Sierra Club (“WRA/SC”). The Commission acknowledges the notices of

intervention of right filed by Staff of the Colorado Public Utilities Commission (“Staff”)¹ and the Utility Consumer Advocate (“UCA”).

3. We also direct the parties to confer on a proposed schedule, which Public Service shall file on or before May 30, 2025, as discussed below.

B. Background

4. In Proceeding No. 22AL-0046G, the Commission directed Public Service to file a new depreciation study within six months of the conclusion of the Company’s first Clean Heat Plan proceeding.² The Commission directed that the depreciation study address factors highlighted by WRA’s application for RRR in that proceeding, including changes needed based on greenhouse gas emission goals and related policy and statutory changes and understanding how the net salvage values of gas system assets are impacted by changes in pace of investment in the system and the retirement of assets, as well as the interrelationship with shortened useful lives.³ The Commission reiterated its expectation for the filing of a new depreciation study in Decision No. C24-0778 issued in Proceeding No. 24AL-0049G.⁴

5. In the Company’s most recent rate case, the Commission also ordered the Company to create and include: (1) a 25-year depreciation forecast; (2) several future scenarios that incorporate potential reductions in natural gas throughput due to adoption of electrification technologies, subsequent rate impacts due to reduced throughput in gas service, gas customer termination of service, and further elasticity effects; and (3) to explain its specific assumptions with respect to asset decommissioning as part of the Company’s depreciation study filing.⁵

¹ Staff’s Notice of Intervention was timely filed on May 21, 2025, but received after the Commissioners’ Weekly Meeting.

² Decision No. C22-0804 at ¶ 59 issued in Proceeding No. 22AL-0046G on December 22, 2022.

³ *Id.*

⁴ Decision No. C24-0778 at ¶137 issued in Proceeding No. 24AL-0049G on October 24, 2024.

⁵ Decision No. C24-0778 at ¶¶137, 138 issued in Proceeding No. 24AL-0049G on October 24, 2024.

6. Additionally, the Commission ordered the Company to create a separate trust account to begin to better address the anticipated costs of removal of gas assets. Specifically, we directed the Company to place \$15 million per year, collected through the depreciation expense as presently calculated and included in the calculation of the test year revenue requirement, into a separate trust account.⁶ By Decision No. C25-0050, the Commission granted Public Service's request that a regulatory liability be set up to reflect amounts to be invested in the trust and recognized that the development and implementation of the depreciation trust is a significant new endeavor.⁷ The Commission also granted the Company's request to put forth its proposal on the form and investment strategy of the trust in this Proceeding, as well as a brief extension of the filing deadline for this Proceeding.⁸

7. By Decision No. C25-0235, the Commission approved a filing deadline of April 11, 2025 for this Proceeding.

C. Application

8. On April 11, 2025, Public Service filed this Application, supported by the direct testimony of four witnesses and including a new depreciation study.⁹

9. First, Public Service seeks approval of its proposed depreciation rates for Gas Utility Plant utilizing the Equal Life Group ("ELG") methodology and the updated asset lives and removal cost estimates as set forth in the filed depreciation study, for use effective with implementation of new base rates in a future Phase I or combined gas rate case.¹⁰

⁶ Decision No. C24-0778 at ¶136 issued in Proceeding No. 24AL-0049G on October 24, 2024.

⁷ Decision No. C25-0050 at ¶121 issued in Proceeding No. 24AL-0049G on January 23, 2025.

⁸ Decision No. C25-0050 at ¶¶ 121-126 issued in Proceeding No. 24AL-0049G on January 23, 2025.

⁹ Hr. Ex. 103 (Watson Direct), Attachment DAW-1.

¹⁰ Hr. Ex. 101 (Berman Direct), p. 7:14-18.

10. The Company's proposed depreciation rates use the straight-line method and Equal Life Group procedure, based on actual plant and reserve balances as of December 31, 2023. The Company also presents two alternative studies using the Units of Production ("UoP") method, conducted based on throughput as well as customer count, with three sensitivities each reflecting base, low, and high growth projections.¹¹ In compliance with directives provided by Decision No. C24-0078 at ¶ 137 in Proceeding No. 24AL-0049G, the Company also provided a 25-year depreciation rate model reflecting both methodologies, projecting forward annual decommissioning costs, retirement depreciation expense accrued, cost of removal reserve, debt and equity levels, credit metrics, and rate impacts through 2050.¹²

11. Second, Public Service requests the Commission consider continuing regulatory liability treatment for the "\$15 million in decommissioning funds (rather than a trust), as the least cost approach for customers based on current information."¹³ Alternatively, the Company requests that the Commission approve several facets of its decommissioning trust proposal. The Company requests, among other things, that the Commission: (1) confirm that a grantor trust is an acceptable form of the trust; (2) acknowledges that the trust has a long-term time horizon, with funds expected to be used when other decommissioning funds collected through depreciation expense in the ordinary course of business are exhausted, and the Company will invest in trust assets accordingly; (3) approve that all taxes, fees, and expenses associated with the trust and its investments will be paid by the trust; (4) acknowledge that a trust is not guaranteed to earn the Company's authorized weighted average cost of capital ("WACC"), and that the trust and not the Company bears market risk so long as the trust is prudently managed within the confines of the Company's limited control;

¹¹ See Hr. Ex. 103, pp. 21-24.

¹² Hr. Ex. 101 (Berman Direct), Attachments SPB-1, SPB-2, SPB-3.

¹³ Hr. Ex. 101 (Berman Direct), p. 8:1-3.

and (5) approve that the Company will file an annual report on fund performance, including a summary of asset returns and expenses, beginning in the first full calendar year after the trust is established.¹⁴

12. Finally, Public Service requests the Commission to authorize deferred accounting treatment for case expenses that have been incurred or are expected to be incurred related to this Proceeding, at no return, to be brought forward for review and recovery in a future Phase I or combined gas rate case.¹⁵

D. Procedural History

13. The Commission issued a Notice of Application filed on April 14, 2025. The Notice set a 30-day intervention period that ran through May 14, 2025.

14. On April 28, 2025, UCA filed a Notice of Intervention of Right.

15. On May 21, 2025, Staff filed a Notice of Intervention of Right.

16. On May 13, 2025, WRA/SC filed a Motion for Permissive Intervention.

E. Completeness

17. The Commission finds the Application addresses all applicable Commission Rules and is therefore deemed complete for purposes of § 40-6-109.5, C.R.S.

F. *En Banc* Hearing

18. The Commission finds good cause to set the Application for hearing before the Commission *en banc*. This Application has potentially significant impacts to customers' rates and includes policy questions related to future system conditions for the gas system and includes consideration of impacts of recent legislation. Further, this Proceeding is a direct continuation of

¹⁴ Hr. Ex. 101 (Berman Direct), p. 8:4-20.

¹⁵ Hr. Ex. 101 (Berman Direct), p. 8:21-24.

issues addressed by the parties and the Commission *en banc* in recent rate cases. An evidentiary hearing before the Commission will be the most efficient way to navigate this Proceeding.

G. Interventions and Parties to Proceeding

19. UCA and Staff filed timely notices of intervention by right. Staff and UCA detailed several issues they plan to address, and both request a hearing. Pursuant to Rule 4 *Code of Colorado Regulations* (“CCR”) 723-1-1401(b) of the Commission’s Rules of Practice and Procedure, no decision is required in response to appropriately filed notices of intervention by right. We acknowledge the notices of intervention by right, and UCA and Staff are parties to this Proceeding.

20. WRA/SC also filed a timely request for permissive intervention.

21. WRA, a nonprofit conservation organization, has financial supporters who live in Colorado and are customers of Public Service. Sierra Club is a national grassroots environmental organization with more than 21,700 members in Colorado, some of which are gas customers of Public Service. WRA and SC articulate that they have a pecuniary interest in this Proceeding based on their interest in protecting the environment by decreasing emissions from fossil fuel gas distribution and combustion, and decarbonizing the gas and building sectors, and states the Company’s Application will directly impact carbon dioxide emissions from the gas distribution sector, which is directly tied to emissions reductions in the buildings and industrial sectors, and Colorado’s ability to meet its overall carbon dioxide emission reduction goals. They also state that their members have an interest in the gas asset depreciation expenses that are paid through gas rates.

22. In WRA/SC’s Motion for Permissive Intervention, they encourage the Commission to consider consolidating this Proceeding with Public Service’s 2025 Gas Infrastructure Plan,

anticipated in late May 2025. They state that the two proceedings will likely present interrelated issues including the net salvage value for gas assets.

23. Rule 1401(c) of the Commission's Rules of Practice and Procedure, 4 CCR 723-1, requires persons seeking permissive intervention to show the following, in pertinent part:

A motion to permissively intervene shall state the specific grounds relied upon for intervention; the claim or defense within the scope of the Commission's jurisdiction on which the requested intervention is based, including the specific interest that justifies intervention; and why the filer is positioned to represent that interest in a manner that will advance the just resolution of the proceeding. The motion must demonstrate that the subject proceeding may substantially affect the pecuniary or tangible interests of the movant (or those it may represent) and that the movant's interests would not otherwise be adequately represented.

24. We find that each entity seeking permissive intervention has sufficiently demonstrated that this Proceeding may substantially affect its pecuniary or tangible interests, as is required by Rule 1401(c). Each has also demonstrated that its interests would not otherwise be adequately represented. Therefore, we grant the requests for permissive intervention.

25. The parties to this Proceeding are: Public Service, Staff, UCA, and WRA/SC.

H. Supplemental Direct Testimony

26. Given the scale and novelty of this Application, we direct Public Service to file supplemental direct testimony addressing the following requests:

- a. Of the increase of \$11.35 million in depreciation expense,¹⁶ please quantify how much of the change is related to changes in net salvage. Please quantify how much of the change is related to changes in useful lives.
- b. On page 14 of the Direct Testimony of Dane A. Watson, he indicates that "the projected service life for 376.1 Steel has increased from 77 to 80 years." However, Table DAW-D-1¹⁷ shows an approved rate of 72 years and a proposed rate of 77 years for this account. Please confirm which service life is correct for this account.

¹⁶ See Hr. Ex. 102 (Moeller Direct), p.17:1-10.

¹⁷ Hr. Ex. 103 (Watson Direct), p. 15.

- c. Please provide a version of Appendix A to the depreciation study (Attachment DAW-1, beginning on page 83) in executable format.
- d. Please provide a version of Appendix B to the depreciation study (Attachment DAW-1, beginning on page 85) in executable format.
- e. Please explain how witness Mark P. Moeller's statement on page 15 of his Direct Testimony, that changes in expected asset lives have no impact on net salvage costs, comports with testimony filed in this and in prior proceedings that may indicate otherwise.¹⁸
- f. On page 16 of the Direct Testimony of Dane A. Watson, he indicates that in the proposed depreciation study, 12 accounts have longer lives, four accounts have shorter lives, and 21 accounts have unchanged lives.¹⁹
 - i. Under *currently authorized* depreciation rates, what is the weighted average remaining useful life of all gas assets included in the proposed depreciation study filed as Attachment DAW-1? Please provide by both functional group, as well as a grand total.
 - ii. Under *proposed* depreciation rates, what would be the weighted average remaining useful life of all gas assets included in the proposed depreciation study filed as Attachment DAW-1? Please provide by both functional group, as well as a grand total.
 - iii. Under *currently authorized* depreciation rates, what is the weighted average useful life of forecasted future gas plant investments? Please calculate based on each of the Low, Base, and High scenarios shown in the 25-year depreciation rate model (Hr. Ex. 101, Attachment SPB-1). Please provide by both functional group, as well as a grand total.
 - iv. Under *proposed* depreciation rates, what would be the weighted average useful life of forecasted future gas plant investments? Please calculate based on each of the Low, Base, and High scenarios shown in the 25-year depreciation rate model. Please provide by both functional group, as well as a grand total.

¹⁸ See e.g., Hr. Ex. 103 (Watson Direct), Attachment DAW-1, p. 64 ("Some plant assets can experience significant negative removal cost percentages due to the timing of the addition versus the retirement."); Hr. Ex. 114 (Moeller Direct), p. 26:1-8 ("However, from the perspective of considering future retirement costs, far and away the biggest component of the future removal cost is the time value of money"), and p. 25:7-22 ("Inflation from the time of installation of the asset until the time of its removal must be considered in the calculation of the removal cost percentage because the depreciation rate, which includes the removal cost percentage, will be applied to the original installed cost of assets."), filed in Proceeding No. 24AL-0049G; and Hr. Ex. 118 (Wold Direct), Attachment LJW-18, p. 93 ("Inflation from the time of installation of the asset until the time of its removal must be considered in the calculation of the removal cost percentage because the depreciation rate, which includes the removal cost percentage, will be applied to the original installed cost of assets."), filed in Proceeding No. 22AL-0046G.

¹⁹ Hr. Ex. 103 (Watson Direct), p. 16:1-7.

- g. Please refer to Hearing Exhibit 103, Table DAW-D-1, beginning on page 15:
 - i. Suppose the proposed depreciable lives were decreased by five years for each account. What impact would this have on annual depreciation expense relative to the depreciation rates proposed in this Proceeding?
 - ii. Suppose the proposed depreciable lives were decreased by ten years for each account. What impact would this have on annual depreciation expense relative to the depreciation rates proposed in this Proceeding?

I. Conferral on Procedural Schedule

27. We direct Public Service to confer with the intervening parties²⁰ established by this Decision regarding an appropriate procedural schedule. We also direct Public Service to file on or before May 30, 2025, a motion for approval of a proposed procedural schedule or a report explaining the results of the conferral and the Company's proposed procedural schedule. The procedural schedule should incorporate a timeline for supplemental direct testimony.

28. The filing should also include further any pertinent discussion regarding WRA/SC's suggestion that the Commission consider consolidation or other type of alignment between this Proceeding and the anticipated Gas Infrastructure Plan filing by the Company expected in late May 2025.

II. ORDER

A. The Commission Orders That:

1. For purposes of § 40-6-109.5, C.R.S., the Commission deems complete the Application for authorization to Revise the Depreciation Rates for Gas Utility Plant Assets ("Application") filed by Public Service Company of Colorado ("Public Service") on April 11, 2025, and sets the matter for hearing before the Commission *en banc*.

2. The motion for permissive intervention filed on May 13, 2025, by Western Resource Advocates/ Sierra Club ("WRA/SC") is granted, consistent with the discussion above.

²⁰ The Company's conferral efforts shall include Staff who filed its Notice of Intervention on May 21, 2025.

3. Public Service, Staff of the Colorado Public Utilities Commission, the Utility Consumer Advocate, and WRA/SC are parties to this Proceeding.

4. Consistent with the discussion above, Public Service shall confer with the parties to develop a proposed procedural schedule, including a date for an *en banc* hearing and incorporating other directions. Public Service shall file a motion for approval of a proposed procedural schedule, or a report explaining the results of the conferral and the Company’s proposed procedural schedule, on or before May 30, 2025.

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

**B. ADOPTED IN COMMISSIONERS’ WEEKLY MEETING
May 21, 2025.**

(S E A L)



ATTEST: A TRUE COPY

Rebecca E. White,
Director

THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

ERIC BLANK

MEGAN M. GILMAN

TOM PLANT

Commissioners