

Decision No. R20-0127-I

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

PROCEEDING NO. 19M-0661EG

IN THE MATTER OF THE IMPLEMENTATION OF § 40-3-117, C.R.S. REGARDING AN INVESTIGATION INTO PERFORMANCE-BASED RATEMAKING.

**INTERIM DECISION OF
HEARING COMMISSIONER
JOHN GAVAN
REQUESTING COMMENTS ON COST
EFFICIENCY AND SCHEDULING WORKSHOP**

Mailed Date: February 26, 2020

I. STATEMENT

1. On December 5, 2019, the Commission issued Decision No. C19-0969 opening this Proceeding, exploring performance-based regulation (PBR) and performance-based incentive mechanisms (PIMs) in regulation of Colorado's investor-owned electric and gas utilities. In Decision No. C19-0969, the Commission stated that the sole purpose of this Proceeding is to address the requirements of § 40-3-117, C.R.S., and submit, by November 30, 2020, a requisite report to the Senate Transportation and Energy Committee and the House of Representatives Energy and Environment Committee. Additionally, this Proceeding serves as a repository for the filing of comments, studies, and analyses, and will serve as a platform from which to conduct workshops and Commissioner Informational Meetings, pose questions, discuss processes, and issue orders.

2. Section 40-3-117(1), C.R.S., directs the Commission to investigate:

financial performance-based incentives and performance-based metric tracking to identify mechanisms that may serve to align regulated utility operations, expenditures, and investments with public benefit goals including safety, reliability, cost efficiency, emissions reductions, and expansion of distributed energy resources.

3. Through Recommended Decision No. R19-1002-I issued December 16, 2019, comments and reply comments on safety, reliability, and customer service were solicited. Responsive comments were filed by a number of participants and a workshop to discuss comments was held on February 21, 2020.

4. This Decision establishes a schedule for a round of comments and a workshop addressing the statute's stated public benefit goal of cost efficiency. Comments are also requested on the specifics of how PBR and PIMs can meet the challenges of the evolving electric and gas public utility environments.

A. Discussion

5. Decision No. C19-0696 established that the purpose of this Proceeding is to address the requirements of § 40-3-117, C.R.S., and specifically to submit the required report to the Senate Transportation and Energy Committee and the House of Representatives Energy and Environment Committee. Comments are urged to be submitted in this Proceeding that will assist the Commission in preparing that report.

6. At the February 21, 2020 workshop, there was also discussion as to the role of PBR in the evolving public utility regulatory environment. While it is beyond the scope of this Proceeding to fully explore this topic, comments that will assist the Commission in determining appropriate steps to take with regard to PBR are sought.

7. Parties are encouraged to provide comments that are responsive to the following questions:

- a) The statute references safety, reliability, cost efficiency, emissions reductions, and expansion of distributed energy resources as public benefit goals. Are there other *specific* public benefit goals that should be considered in the discussion of PBR and PIMs?
- b) The statute references “net beneficial” as a metric against which a transition to performance-based metrics regulation would be appropriate. What *specific* components must be a part of an evaluation of “net beneficial”?
- c) What are the *specific* benefits and drawbacks of a multi-year rate plan?
- d) What are the *specific* benefits and drawbacks of a future test year?
- e) Are there *specific* policy goals for the State of Colorado related to cost efficiency whose achievement PBR or PIMs are well suited to improve or accelerate?
- f) What existing electric and gas utility PIMs addressing cost efficiency in Colorado are working well? Which are not working well?
- g) What PIMs addressing cost efficiency in other jurisdictions should be considered in Colorado?

8. Comments responsive to these questions will be due on Friday, March 20, 2020.

Reply Comments will be due on Friday, April 3, 2020. A workshop on will be held on Tuesday, April 21, 2020.

II. ORDER

A. It Is Ordered That:

1. Comments on performance based regulation as it relates to cost efficiency and in response to the questions posed above are due by 5:00 p.m. on Friday, March 20, 2020.

2. Reply Comments are due by 5:00 p.m. on Friday, April 3, 2020.

3. A workshop on performance-based regulation as it pertains to safety, reliability, and customer service is scheduled as follows:

DATE: Tuesday, April 21, 2020
TIME: 1:00 p.m. to 5:00 p.m.
PLACE: DORA Conference Room
9th Floor
1560 Broadway
Denver, Colorado

4. This Decision is effective immediately.

(S E A L)



THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

JOHN GAVAN

Hearing Commissioner

ATTEST: A TRUE COPY

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

Doug Dean,
Director