

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

PROCEEDING NO. 20AL-0191E

IN THE MATTER OF ADVICE LETTER NO. 1825 – ELECTRIC FILED BY PUBLIC SERVICE COMPANY OF COLORADO TO REVISE ITS COLORADO P.U.C. NO. 8 – ELECTRIC TARIFF TO IMPLEMENT A COLORADO ENERGY PLAN ADJUSTMENT AND REDUCE THE RENEWABLE ENERGY STANDARD ADJUSTMENT TO BECOME EFFECTIVE JUNE 1, 2020.

**DECISION AUTHORIZING A REDUCTION
IN THE RENEWABLE ENERGY STANDARD
ADJUSTMENT, IMPLEMENTING THE
COLORADO ENERGY PLAN ADJUSTMENT,
PERMANENTLY SUSPENDING TARIFF SHEETS,
AND REQUIRING COMPLIANCE TARIFF FILING**

Mailed Date: October 2, 2020
Adopted Date: September 30, 2020

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

1. This Decision permanently suspends the tariffs filed by Public Service Company of Colorado (Public Service or Company) with Advice Letter No. 1825 – Electric on May 1, 2020, and orders Public Service to file modified compliance tariffs consistent with the discussion, findings, and conclusions in this Decision. We authorize Public Service to reduce its Renewable Energy Standard Adjustment (RESA) from a 2 percent surcharge on customer bills to a 1 percent surcharge and cause the RESA to terminate on December 31, 2022, unless the RESA is otherwise extended by the Commission. We further allow Public Service to implement a new rate adjustment mechanism called the Colorado Energy Plan Adjustment (CEPA) in the form of a 1 percent surcharge to customer bills effective upon the RESA reduction from 2 percent to 1 percent.

B. Discussion

2. On May 1, 2020, Public Service filed Advice Letter No. 1825 with tariff sheets to implement the CEPA as a percent surcharge to customer bills, and to reduce the RESA from a 2 percent surcharge to a 1 percent surcharge. The proposed effective date of the tariffs filed with Advice Letter No. 1825 was June 1, 2020.

3. Public Service stated that Advice Letter No. 1825 and its accompanying tariff sheets resulted from prior Commission decisions, including Decision No. C18-0761,¹ which approved the Colorado Energy Plan (CEP) Portfolio as part of the Company's 2016 Electric

¹ Decision No. C18-0761 was issued in Proceeding No. 16A-0396E on September 10, 2018.

Resource Plan (ERP), and Decision No. C18-0762,² which approved the settlement in which the CEPA and concurrent reduction to the RESA were proposed.

4. By Decision No. C20-0410, issued May 29, 2020, the Commission suspended the effective date of the tariff sheets filed with Advice Letter No. 1825 for 120 days. The Commission determined it necessary to examine whether reducing the RESA from 2 percent to 1 percent is just and reasonable, particularly since Attachment A to Advice Letter No. 1825, which depicts the projected RESA deferred balance, shows no “Total RESA Costs” in 2023 and beyond. The Commission further noted that legislative³ and regulatory⁴ changes that occurred since its 2018 decisions may impact what changes to the RESA are in the public interest.

5. The Commission made clear that the purpose of initiating a hearing was not to reconsider the merits of the proposed CEPA. The Commission also recognized that stakeholder support for the presentation and adoption of the CEP Portfolio rested on the premise that the amortization of the regulatory asset created for the early retirement of Comanche 1 and 2 using a bill surcharge of 1 percent would be simultaneously offset with a reduction of the RESA of the same amount.

² Decision No. C18-0762 was issued in Proceeding No. 17A-0797E on September 10, 2018.

³ *See, e.g.*, § 40-2-125(4)(a)(VIII), C.R.S.

⁴ *See generally* Proceeding No. 19R-0096E.

6. Subsequently, the Commission issued questions to Public Service by Decision No. C20-0518-I.⁵ These questions sought to illuminate several issues related to the RESA, including:

- The modeling process used to assess which costs are attributed to the RESA as opposed to the Electric Commodity Adjustment (ECA), and the interaction between the two accounts;
- Why there are no costs attributed to the RESA beginning in 2023;
- What revenues are collected through the RESA; and
- The interaction between the RESA and the retail rate impact provisions laid out in § 40-2-125.5, C.R.S.

7. The Commission also directed Public Service to confer with the parties on a potential date for an evidentiary hearing and other procedural deadlines before a prehearing conference scheduled for August 20, 2020.

8. On August 7, 2020, Public Service filed a proposed “procedural process and schedule” reflecting the Company’s conferral with the parties. The proposal entailed a written response to the questions issued to Public Service in Decision No. C20-0518-I, to be filed no later than August 31, 2020, and to be followed by a “check-in with the Commission” to determine if additional information and an evidentiary hearing are necessary to approve implementation of the tariff sheets in this Proceeding. Public Service stated that before submitting the responses, the Company would confer with the parties on the content of these responses and would include the results of this conferral in its filing. Public Service further stated that this proposed process provides the Commission with additional information to evaluate the proposed RESA reduction to make its public interest determinations, while deferring any

⁵ Decision No. C20-0518-I was issued July 16, 2020.

commitment to multiple rounds of comments and a full evidentiary hearing until after the parties and the Commission evaluate the sufficiency of Public Service's responses.

9. By Decision No. C20-0602-I, issued on August 18, 2020, we directed Public Service to file responses to the questions set forth in Decision No. C20-0518-I no later than August 31, 2020, and vacated the prehearing conference scheduled for August 20, 2020.

10. In order to provide time to consider the Company's responses, by Decision No. C20-0683-I issued September 25, 2020, we extended the period of suspension of the proposed tariffs as permitted under § 40-6-111(1)(b), C.R.S., for a period not to exceed 130 days, or until February 6, 2021.⁶

C. Responses to Questions Regarding the Proposed RESA Reduction

11. Public Service provided its responses to the Commission's questions in Decision No. C20-0518-I on August 31, 2020.

12. With regard to forecasted costs accounted for in the RESA, Public Service updated the forecast the Company presented in its 2020-2021 Renewable Energy Standard Compliance Plan in Proceeding No. 19A-0369E.⁷ Public Service clarified that the additional Community Solar Garden (CSG) offerings ordered by the Commission in that Proceeding would not affect or otherwise change the Company's position that sufficient headroom in the RESA exists at this time in order to reduce the RESA collection to 1 percent of customer bills.⁸

⁶ Decision No. C20-0602-I was issued September 25, 2020.

⁷ Public Service Company of Colorado's Responses to Questions Set Forth in Decision No. C20-0518-I, at 6-7.

⁸ *Id.* at 7.

13. Public Service states that RESA costs represent the modeled incremental costs of a portfolio of eligible energy resources when compared with a portfolio that otherwise excludes those resources.⁹ The Company explains that the projected modeled incremental cost of eligible energy resources are less expensive than the costs associated with alternative forms of energy, such as natural gas and coal-based generation.¹⁰ Public Service also states that the cost of natural gas and coal-based generation is modeled to increase in the future due to forecasted increases in commodity prices.¹¹ Public Service concludes that RESA funds are used for only the incremental costs of eligible energy resources; therefore, in 2023, based on the modeled avoided cost, the current portfolio of RESA resources no longer requires support from the RESA.¹² Public Service states with confidence that the Company will continue to have sufficient RESA funds to provide support to eligible energy resources, such as solar distributed generation programs, even with a reduction to the RESA from 2 percent to 1 percent.¹³ Public Service clarifies that when modeled incremental cost of the portfolio of RESA eligible resources and RESA eligible program costs are negative, no costs are recorded to the RESA and that this situation is anticipated to occur in 2023.¹⁴

14. Notably, the Company clarifies that within the RESA, the “Total Avoided Costs” exceed “Total Modeled Costs” beginning in 2023, and, at that time, because there is no longer a

⁹ *Id.* at 11.

¹⁰ *Id.* at 11-12.

¹¹ *Id.* at 12.

¹² *Id.*

¹³ *Id.*

¹⁴ *Id.* at 12-13.

positive modeled incremental cost, all costs are accounted for in the ECA and the benefit of the lower costs are provided to customers immediately through the ECA.¹⁵ In other words, as modeled in 2023, the revenue requirement collected through the ECA will only collect the actual cost.¹⁶

15. Public Service also claims that there are no situations where funds collected in the RESA are transferred to the ECA.¹⁷ Likewise, Public Service claims that there are no situations where funds collected in the ECA are transferred to the RESA.¹⁸ Nevertheless, Public Service states that “RESA Program and Admin Costs” are not recovered through the ECA even if Total RESA Costs are fully offset by “negative incremental costs.”¹⁹ Table 3 in the response to the questions in Decision No. C20-0518-I shows total Windsource revenues collected in each year through 2029 in excess of the RESA Program and Admin Costs.²⁰

16. In addition, Public Service states that while payments for Renewable Energy Credits (RECs) are initially paid out directly from the RESA for Solar*Rewards on-site solar production programs, the costs of these RECs are effectively recovered through the ECA if the modeled cost of the portfolio results in negative incremental costs.²¹ Likewise, CSG billing

¹⁵ *Id.* at 16.

¹⁶ *Id.*

¹⁷ *Id.* at 9.

¹⁸ *Id.* at 11.

¹⁹ *Id.* at 17.

²⁰ *Id.* at 21.

²¹ *Id.* at 18.

credits are effectively recovered through the ECA if the modeled cost of the portfolio results in negative incremental costs.²²

17. While Public Service states that the Company currently models that the current portfolio of RESA eligible resources no longer creates incremental costs, it is possible that the Company's future eligible energy resources—including those mandated by statute or future Commission decisions—may require support through RESA funding.²³ The Company's responses to the questions in Decision No. No. C20-0518-I further state that the updated "Total RESA Costs" do not include estimates of future renewable resource acquisitions beyond the Company's 2016 ERP, including the CEP Portfolio and the estimated costs related to the RES Plan covering 2020 and 2021, as approved by Decision No. C20-0289 in Proceeding No. 19A-0369E.²⁴

18. With regard to the question of how the RESA should be treated in the absence of costs attributable to it, Public Service states that:

Parties to this proceeding have a variety of perspectives on the continuation of RESA rider collections when there are no Total RESA Costs, some of which may be competing. That said, overall the parties submit that the question regarding future continuation of the RESA in the absence of Total RESA Costs is one that should be examined holistically, and in the context of a separate proceeding. The parties reserve the right to take whatever positions they choose on the use of future RESA funds.²⁵

²² *Id.* at 18-19.

²³ *Id.* at 14.

²⁴ *Id.* at 18. Decision No. C20-0289 was issued in Proceeding No. 19A-0369E on April 28, 2020.

²⁵ *Id.* at 14.

D. Conclusions and Findings

19. Public Service has provided sufficient information to support an annual revenue requirement to be addressed by the RESA through 2022. The Company has also provided sufficient information to support a finding that a RESA surcharge of 1 percent will collect sufficient revenue, in combination with other revenue recorded in the RESA account, to cover costs accounted for in the RESA through 2022.

20. We also conclude that there is insufficient basis for continuing a RESA surcharge after December 31, 2022. Accordingly, in its compliance tariff filing, the Company shall amend Sheet No. 150 to include the sentence: “The RESA shall expire on December 31, 2022.”

21. Public Service may file an advice letter to continue the RESA after December 31, 2022, where such filing will trigger a holistic examination of the RESA surcharge. Public Service is directed to support its request to continue the RESA with sufficient evidence of a revenue requirement commensurate with the proposed level of the surcharge.

22. We further authorize Public Service to implement the CEPA as a 1 percent surcharge to customer bills effective with the reduction of the RESA from 2 percent to 1 percent. However, it is unnecessary for tariff Sheet No. 151 to reference the RESA surcharge reduction. In its compliance filing, the Company shall amend Sheet No. 151 to strike the following sentence: “The RESA will be reduced concurrently by one percent (1.00%) to offset the CEPA (1.00%), for a net bill impact of zero.”

II. ORDER

A. The Commission Orders That:

1. The effective date of the tariff sheets filed by Public Service Company of Colorado (Public Service) on May 1, 2020, with Advice Letter No. 1825 is permanently suspended and shall not be further amended.

2. The tariff sheets filed with Advice Letter No. 1825 are permanently suspended and shall not be further amended.

3. Public Service shall file an advice letter compliance filing to modify Sheet Nos. 150 and 151 of COLO. PUC No. 8 – Electric consistent with the discussion, findings, and conclusions in this Decision. Public Service shall file the compliance tariff sheets in a separate proceeding and on not less than two business days' notice. The advice letter and tariff sheets shall be filed as a new advice letter proceeding and shall comply with all applicable rules. In calculating the proposed effective date, the date the filing is received at the Commission is not included in the notice period and the entire notice period must expire prior to the effective date. The advice letter and tariff must comply in all substantive respects to this Decision in order to be filed as a compliance filing on shortened notice. The effective date of the tariff sheets shall be no later than January 1, 2021.

4. The 20-day period provided for in § 40-6-114, C.R.S., within which to file applications for rehearing, reargument, or reconsideration, begins on the first day following the effective date of this Decision.

5. This Decision is effective upon its Mailed Date.

**B. ADOPTED IN COMMISSIONERS' WEEKLY MEETING
September 30, 2020.**

(S E A L)



ATTEST: A TRUE COPY



Doug Dean,
Director

THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

JEFFREY P. ACKERMANN

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Commissioners