

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

PROCEEDING NO. 24AL-0483E

IN THE MATTER OF ADVICE LETTER NO. 1967 - ELECTRIC FILED BY PUBLIC SERVICE COMPANY OF COLORADO TO REVISE ITS COLORADO P.U.C. NO. 8 - ELECTRIC TARIFF TO UPDATE THE COMPONENT OF THE TRANSMISSION COST ADJUSTMENT FOR THE RECOVERY OF CERTAIN DISTRIBUTION COSTS (TCA-D), TO BECOME EFFECTIVE JANUARY 1, 2025.

**COMMISSION DECISION ALLOWING
ADVICE LETTER AND TARIFF TO GO INTO
EFFECT BY OPERATION OF LAW**

Issued Date: December 31, 2024

Adopted Date: December 18, 2024

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

1. By this Decision, the Commission permits Advice Letter No. 1967-Electric and the accompanying tariff sheets filed by Public Service Company of Colorado (“Public Service” or “the Company”) to revise its Transmission Cost Adjustment (“TCA”) in its Colorado P.U.C. No. 8-Electric Tariff, effective January 1, 2025, to go into effect by operation of law.

2. We further provide guidance to Public Service regarding its 2025 spending on Distribution Activities and Equipment to Advanced Distribution Activities pursuant to Senate Bill (“SB”) 24-218 and on the potential “true-up” of 2025 TCA collections and capped 2025 spending in future proceedings, consistent with the discussion below.

B. Background

3. On June 20, 2024, Public Service filed Advice Letter No. 1953-Electric with accompanying tariff sheets to revise its TCA effective July 21, 2024. The principal change proposed to the TCA was to recover costs associated with 2024 electric distribution system-related activities and investments from the effective date of SB 24-218 through December 31, 2024, that are not currently being recovered through the Company’s base rates. Public Service stated in that advice letter filing, consistent with the legislation, it was also proposing tariff revisions to incorporate the requirements of SB 24-218 to enable cost recovery associated with Distribution Activities and Equipment to Advanced Distribution Activities through the TCA, subject to true-up, as set forth in tariff redlines filed with the advice letter.

4. By Decision No. C24-0516, issued July 17, 2024, the Commission determined it was appropriate to allow the TCA tariff sheets the Company filed with Advice Letter No. 1953-Electric to go into effect by operation of law on July 21, 2024, despite the protest filed

by the Trial Staff of the Colorado Public Utilities Commission (“Staff”). The Commission agreed with the Company in that SB 24-218 recognizes a balance of proactive investment in the distribution system and timely cost recovery as critical to support the clean energy transition. The Commission also concluded that the advice letter filing balanced statutorily set timeframes, but also ratepayer protections, which, as the Company recognized, include that the Commission has broad authority to continually ensure that the rates are just and reasonable, particularly given the cap and true-up reconciliation contemplated by law.

5. While Decision No. C24-0516 allowed the TCA to go into effect given the prescriptive statute, the Commission also opened a separate proceeding by Decision No. C24-0541, issued July 26, 2024, noting that Public Service was next required to file, no later than November 1, 2024, another TCA advice letter to continue recovering the costs associated with its investments to be placed in service and the expenses incurred through December 31, 2025.¹ The Commission specifically sought comments from Staff, Public Service, and other interested stakeholders addressing the further implementation of the provisions in SB 24-218 concerning the future TCA advice letter filings from Public Service and the related subsequent steps.

6. By Decision No. C24-0720, issued on October 4, 2024, the Commission directed Public Service to provide additional information in the TCA advice letter filing due November 1, 2024, to adjust the Company’s TCA for effect January 1, 2025, pursuant to the Company’s TCA tariff sheets and as also required by SB 24-218. The Commission further directed Public Service to remove the true-up provisions of the TCA tariff sheets filed with Advice Letter No. 1953-Electric and required the Company to file another TCA advice letter no later than April 1, 2025, to address true-up for 2024 expenditures on distribution activities for credits or

¹ § 40-2-123.5(4)(d)(IV), C.R.S.

charges assessed in the remainder of 2025. The Commission further advised Public Service that the Company is expected to address the true-up for 2025 expenditures pursuant to SB 24-218 as a feature of the Grid Modernization Adjustment Clause (“GMAC”) that the Company will put into effect on January 1, 2026, pursuant to the provisions in § 40-2-132.5(7), C.R.S., as part of the Company’s next Distribution System Plan (“DSP”) filing. The Commission also directed Public Service to work closely with Staff in its preparation of the November 1, 2024, TCA advice letter filing to mitigate potential protests to that advice letter.

7. On November 1, 2024, as required by SB24-218, the Company filed Advice Letter No. 1967 - Electric in this Proceeding.

8. By Decision No. C24-0831, issued on November 15, 2024, the Commission stated that Proceeding No. 24M-0317EG had served its purpose in directing the filing of Advice Letter No. 1967 - Electric and in setting in motion the importance of the DSP and future “true up” filings necessary in statute. The Commission further clarified that ongoing implementation of SB 24-218 will include analysis and support in the separate dockets as laid out in our prior decision, including as parties work through any concerns with the advice letter filing in this Proceeding.

9. On December 16, 2024, Public Service filed its DSP in Proceeding No. 24A-0547E pursuant to SB 24-218. In accordance with the statute and the decisions rendered in Proceeding Nos. 24AL-0282E and 24M-0317EG, Public Service seeks approval of a GMAC for the recovery of the costs of Distribution Activities and Equipment to Advanced Distribution Activities including the true-up of certain 2025 expenditures relative to the statutory cap on retail rate impacts.

10. At its weekly meeting on December 18, 2024, the Commission considered the TCA filings made in this Proceeding and in Proceeding No. 24AL-0474E, as discussed below.

11. On December 27, 2024, in response to the Commission's oral deliberations at the December 18, 2024, weekly meeting, Public Service withdrew its TCA advice letter filed in Proceeding No. 24AL-0474E and submitted the supporting technical material originally filed in that proceeding into this Proceeding.

C. Discussion

1. TCA Advice Letter Filings

12. In accordance with its tariff governing the TCA, Public Service filed two advice letters for a TCA to take effect January 1, 2025.

13. Under Advice No. 1965-Electric, filed on October 31, 2024, in Proceeding No. 24AL-0474E, Public Service filed two TCA tariff sheets tied to traditional transmission investment cost recovery. The TCA rates set forth on Sheet Nos. 142 and 142A would take effect on January 1, 2025, if not suspended by the Commission. The filing includes the standard components of previous TCA filings submitted on November 1 for new rates effective January 1. The revenue requirement for this traditional piece of the TCA is approximately doubling in 2025, largely due to the construction of the Colorado Power Pathway approved in Proceeding No. 21A-0096E.

14. Under Advice Letter No. 1967-Electric, filed in this Proceeding on November 1, 2024, Public Service filed three tariff sheets to modify certain provisions governing the implementation of the TCA in response to Decision No. C24-0720, as well as the same two tariff sheets filed in Proceeding No. 24AL-0474E—Sheet Nos. 142 and 142A—except that the TCA rates set forth on these two sheets are combined rates intended to recover both the revenue requirement for 2025 costs of Distribution Activities and Equipment to Advanced Distribution Activities pursuant to SB 24-218 and the traditional transmission-related revenue requirement for 2025 (as supported in the advice letter filing in Proceeding No. 24AL-0474E). In addition to

providing attachments to the advice letter supporting the calculation of the SB 24-218-related revenue requirement for 2025, the Company also filed Direct Testimony of two witnesses.

15. Public Service explains that the distribution-related revenue requirement will support approximately 118 projects and programs that advance multiple public policy goals under SB 24-218. Public Service says the additional distribution work will help increase the capacity of the distribution system by more than 550 MW, facilitate customer interconnection of distributed solar and the charging of electric vehicles, lower the cost of infill and affordable housing, and support state climate and air quality goals.

16. Public Service also explains that it calculated the 2025 statutory retail rate impact cap in SB 24-218 by multiplying the Distribution Activities Revenue Cap of 1.25 percent by the estimated 2025 total electric retail revenue of \$3.7 billion, which results in a statutory retail rate impact cap of \$46.2 million. Public Service then limited the annual 2025 revenue requirement associated with qualifying Distribution Activities to be recovered through the TCA-D to the statutory cap of \$46.2 million, although the true revenue requirement (approximately \$94.5 million) will be “well in excess of the statutory retail rate impact cap.” Public Service acknowledges that “the Commission has expressed concern about the potential for the Company to use the true-up process as a means to recover revenues from customers in excess of the statutory retail rate impact caps.” However, the Company agrees that the “caps continue to apply to the true-up process in the same manner they apply to this Advice Letter filing.”

17. The bill impact of the full TCA rate filed in this Proceeding for effect January 1, 2025, is an approximate 2 percent increase for residential customers and an approximate 1.7 percent increase for small commercial customers.

2. Protests and Responses

18. The Colorado Office of the Utility Consumer Advocate (“UCA”) filed a protest to both TCA advice letter filings. Staff filed a protest only in this Proceeding.

19. In its protest addressing the TCA filing in Proceeding No. 24AL-0474E without SB 24-218 costs, UCA states that it is concerned about whether the “roughly doubling of the TCA is reasonable and justified by the documentation.” UCA further seeks to examine whether: all the included projects have a Certificate of Public Convenience and Necessity (“CPCN”) or a Commission determination that no CPCN was required; the costs of the projects have changed from what the Commission approved; the overall rate increase is consistent with the statutes and Commission guidelines; and the increase in the TCA “triggers significant concerns” about affordability and further TCA increases in the future.

20. In its response to UCA’s protest to Advice Letter No. 1965-Electric, Public Service argues that UCA fails to articulate any specific deficiencies or errors in the Company’s advice letter filing and that none of the UCA’s stated concerns warrant suspension. First, Public Service notes that the Commission recently established the applicable standard for TCA recovery after litigation through Decision Nos. C23-0592 and C23-0707 in consolidated Proceeding Nos. 22AL-0530E and 22AL-0478E. Public Service argues that the 2025 TCA is consistent with these decisions, the so-called “TCA Statute” at § 40-5-101(4), C.R.S., and the Commission-approved TCA tariff. Specifically, Public Service states that it is permitted to recover projected 2025 transmission capital costs that result in a net increase in transmission capacity or are part of an approved Wildfire Mitigation Plan. Second, Public Service states that it provided detailed descriptions of the work to be undertaken in connection with each transmission projects included in the TCA and their associated costs in Attachment 3 to the advice letter. Public Service further

states that the Colorado Pathway Project, is responsible for approximately 70 percent of the 2025 increase in the net plant component of the TCA revenue requirement and over 80 percent of the increase in the construction work in progress component of the revenue requirement. Third, Public Service argues that annual TCA advice letter filings are not the appropriate forum to evaluate prudence of project costs. Public Service states that it is a longstanding Commission practice to review the prudence of the costs associated with transmission investments recovered through the TCA when such costs are rolled into base rates as part of an electric rate case. Fourth, Public Service reminds the Commission that its November 2022 annual TCA advice letter was suspended based on similar concerns from Trial Staff and “it took the majority of the year for the Commission to approve cost recovery of the 2023 annual TCA revenue requirement, resulting in a mid-year TCA rate increase and necessitating collection of the annual increase over a compressed time period.” Finally, Public Service echoes its response to the protests in the other 2025 TCA proceeding that allowing Public Service’s proposed TCA rates to take effect on January 1, 2025, would not prevent the Commission from continuing to evaluate whether the projects included in the 2025 TCA revenue requirement are eligible for TCA recovery and whether corresponding costs are appropriately reflected.

21. In its protest addressing the TCA filing in this Proceeding, UCA raises concerns about whether a thorough review of this filing is necessary because Xcel Energy, Public Service’s parent holding company: “has told investors that it expects to incur approximately \$45 billion in future distribution investment.” UCA also questions whether the filing complies with the applicable statutory cap under § 40-2-132.5(4)(d), C.R.S., which requires a 1.25 percent retail rate impact on an annual basis in 2025. UCA also seeks to examine whether Public Service adequately analyzed alternatives to the distribution investment, such as storage, dispatchable distributed

generation, distributed energy resources, virtual power plants, managed electric vehicle charging, distribution focused demand response, rates such as time-of-day or dynamic rates, gas-fired generation, locational incentives, and demand side management.

22. Staff's protest filed only in this Proceeding focuses narrowly on the statutory cap. Staff's concern is that the Company's approach to calculating the retail rate impact cap may result in some customer classes experiencing a rate increase of greater than the 1.25 percent specified in statute. Staff explains that Public Service calculated its revenue cap based on total company revenues to be paid by all ratepayers (including ratepayers taking transmission service), but that amount will be recovered from only a subset of ratepayers (*i.e.*, those ratepayers taking distribution service). Notably, Staff's protest is only intended to alert the Commission to the concern and is not requesting that the Commission suspend the proposed tariff's effective date and set the matter for hearing. Staff acknowledges that it can address potential over-recovery associated with this issue when the 2025 TCA revenues and expenditures related to Distribution Activities and Equipment to Advanced Distribution Activities pursuant to SB 24-218 are "trued-up" through the GMAC as ordered in Decision No. C24-0720.

23. In response to UCA's protest in this Proceeding, Public Service argues that UCA's request should be denied as contrary to statute and "the critical State policy objectives advanced by Senate Bill 24-218." Public Service also argues that UCA's stated concerns are insufficient to warrant suspension as a substantive matter. Public Service highlights that its filing in this Proceeding included the information and testimony required by the Commission in Decision No. C24-0720. Public Service further states that the Commission can address any issues with this filing through the April 2026 review process required in that decision and acknowledged in the modified

TCA tariff sheets. Public Service requests that the Commission allow the Company's proposed TCA-D rates to take effect on January 1, 2025.

24. Public Service goes on to argue that SB 24-218 specifically provides for TCA recovery of qualifying distribution costs in 2024 and 2025 prior to the establishment of the GMAC, which the Company concludes is "an outcome which is fundamentally incompatible with suspension of the effective date of the tariffs, evidentiary hearings, and a fully litigated adjudicatory proceeding." Public Service further argues that suspension of the effective date of the TCA tariff sheets undermines the purpose of these legislatively imposed retail rate impacts, as the delay would require the future collection of the annual revenue requirement reflected in the 2025 cap over a much more compressed period.

25. Public Service explains that allowing the TCA rates filed in this Proceeding to take effect on January 1, 2025, would not prevent the Commission from continuing to evaluate whether the revenue requirement reflected in the filing should ultimately be recovered through the TCA. Public Service acknowledges that the Commission has broad authority to continually ensure that Public Service's rates comply with applicable laws and can do so without delaying the implementation of these proposed rates, either through this instant proceeding or through other regulatory processes.

26. Public Service further reminds the Commission that it had already established both the specific requirements for this TCA filing, which the Company asserts it has fulfilled, and the April 2026 review process "for the very purpose of avoiding suspension of this Advice Letter and meet the timing requirements of SB 24-218." Public Service concludes that another litigated proceeding is simply unnecessary.

27. With respect to UCA's request to examine proposed expenditures more thoroughly through the suspension of the tariff sheets and a hearing, Public Service argues that UCA's concerns and considerations are properly within the scope of the DSP filed in Proceeding No. 24A-0547E.

28. Regarding UCA's and Staff's voiced concerns about the implementation of the 1.25 percent cap, Public Service argues that any required evaluation of the Company's compliance with the cap can be conducted in the April 2026 reporting process, where any potential discrepancy can be addressed, if necessary, through the true-up process.

D. Findings and Conclusions

1. TCA Filed with Advice Letter No. 1967 – Electric

29. We permit Advice Letter No. 1967-Electric and its accompanying tariff sheets to revise Public Service's TCA in its Colorado P.U.C. No. 8-Electric Tariff, effective January 1, 2025, to go into effect by operation of law. As Public Service and Staff recognize in their pleadings, the Commission has already set out appropriate process—including specifically Proceeding No. 24A-0547E in which, in consideration of Public Service DSP pursuant to Commission rules and SB 24-218, the Commission will establish a GMAC to be used 2026 to reconcile SB 24-218 capped spending in 2025 with certain revenues collected through the 2025 TCA. That proceeding is available to UCA and Staff to address their substantive concerns raised here and at the same time conform with the prescriptive statute.

30. Public Service is correct that the Commission established specific requirements for the TCA filed in this Proceeding to avoid suspension of the TCA tariffs for effect January 1, 2025, and to meet the timing requirements of SB 24-218. We further agree with Public Service that most

of UCA's concerns and considerations are properly within the scope of the Proceeding No. 24A-0547E addressing the Company's DSP.

31. Because the Commission and parties have expended significant time and resources already to ensure that there are opportunities for further examination of expenditures in future separate proceedings without disrupting the cost recovery mechanisms and consumer protections established in the statute, we conclude that no further action is required is required at this juncture.

2. Guidance on 2025 Spending and Later "True-Up"

32. As we observed in Decision No. C24-0516, the TCA advice letter filings made pursuant to SB 24-218 are atypical. Our determinations are again in no way precedential for future or typical TCA advice letter filing considerations. Furthermore, we find it necessary to provide guidance in three areas.

33. First, Public Service must prioritize spending on Distribution Activities and Equipment to Advanced Distribution Activities, such as pre-ordering equipment (*e.g.*, large transformers), energizing affordable housing, and resolving the most urgent bottlenecks. We seek to avoid future requests from Public Service for accelerated cost recovery for the types of expenditures that motivated the enactment of SB 24-218.

34. Second, Public Service discloses in this advice letter filing that the Company's planned distribution spending is expected to be roughly double the capped collection amount of \$46.2 million. We intend to hold Public Service to its commitment that reconciled TCA-related recovery of 2025 Distribution Activity costs will be subject to the statutory rate impact cap even if actual 2025 spending exceeds the capped amount.

35. Third, Staff's reading of the provisions in SB 24-218 governing the rate impact cap seems compelling. As noted here, we will consider the matter in future proceedings.

Our determination here does not endorse the Company's interpretation of statute or conclude our findings, including specifically with regard to the rate impact cap set forth in statute. Potentially in Proceeding No. 24A-0547E or in another future proceeding address the TCA "true-up," the Commission may find good cause to limit recovery consistent with statute, including based on a rate cap analysis, but differently than as calculated by Public Service here. As Staff indicates in its protest, we will anticipate that Staff will raise its concerns and interpretation for consideration in future proceedings as necessary and appropriate.

II. ORDER

A. The Commission Orders That:

1. Advice Letter No. 1967-Electric and accompanying tariff sheets filed by Public Service Company of Colorado to revise its Transmission Cost Adjustment ("TCA") in its Colorado P.U.C. No. 8-Electric Tariff, effective January 1, 2025, shall be allowed to go into effect by operation of law.

2. The 20-day time period provided by § 40-6-114(1), C.R.S., to file an application for rehearing, reargument, or reconsideration shall begin on the first day after the Commission mails this Decision.

3. This Decision is effective upon its Issued Date.

**B. ADOPTED IN COMMISSIONERS' WEEKLY MEETING
December 18, 2024.**

(S E A L)



ATTEST: A TRUE COPY

Rebecca E. White

Rebecca E. White,
Director

THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

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MEGAN M. GILMAN

TOM PLANT

Commissioners