

Decision No. C25-0173

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

PROCEEDING NO. 25A-0044EG

IN THE MATTER OF THE APPLICATION OF PUBLIC SERVICE COMPANY OF COLORADO FOR APPROVAL OF THE MOUNTAIN ENERGY PROJECT AND ASSOCIATED CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY FOR SUPPLEMENTAL SUPPLY.

**COMMISSION DECISION SETTING THE MATTER FOR
HEARING, REFERRING PROCEEDING TO HEARING
COMMISSIONER FOR AN INITIAL DECISION
PURSUANT TO § 40-6-109(6), C.R.S., AND REQUESTING
FEEDBACK ON COST RECOVERY PROPOSAL**

Issued Date: March 11, 2025
Adopted Date: February 26, 2025

I. BY THE COMMISSION

A. Statement

1. On January 16, 2025, Public Service Company of Colorado (“Public Service” or the “Company”) filed an Application requesting that the Commission approve and authorize the Company to pursue the Mountain Energy Project (“Project”) and that the Commission grant an associated Certificate of Public Convenience and Necessity for certain facilities providing supplemental supply in its Eastern Mountain Gas System (“EMGS”). Within the Application, Public Service makes several proposals with respect to future cost recovery for the Project.

2. By this Decision, we refer the Application to Commissioner Megan M. Gilman to act as hearing commissioner for the rendering of an initial decision by the Commission pursuant

to § 40-6-109(6), C.R.S. We also present a cost recovery proposal for Public Service and the intervening parties to address in testimony.

B. Completeness, Referral, and Initial Decision

3. Pursuant to Rule 1303(c)(IV) of the Commission Rules of Practice and Procedure, for the purposes of § 40-6-109.5, C.R.S., this Application automatically deemed complete on March 3, 2025.

4. We refer this proceeding to Commissioner Megan M. Gilman who will serve as hearing commissioner.

5. Further, Section 40-6-109(6), C.R.S., states:

The commission may make the initial decision in cases where it has not presided at the taking of evidence, and the recommended decision of the individual commissioner or administrative law judge may be omitted in any case in which the commission finds upon the record that due and timely execution of its functions imperatively and unavoidably so requires.

6. We conclude it is necessary for the Commission to make the initial decision pursuant to § 40-6-109(6), C.R.S., in order to enable the Commission to consider the serious and pressing issues presented in this Application. As well, given the Commission's oversubscribed hearing schedule this year and the unusual number of complex proceedings that have begun or are anticipated to begin over the coming months, we find this process necessary for the Commission to meet its statutory deadline for this proceeding.

C. Ratemaking Proposal

7. At the Commission's weekly business meeting on February 26, 2025, Chairman Eric Blank put forward a proposal for potential cost recovery to address the Project, as follows.

8. Based on the Direct Testimony of Public Service witness Grace Jones, it appears that residential gas usage from roughly 29,000 customers accounts for approximately half the total current and expected gas usage in the EMGS.¹ And, if customer growth remains at 1.7 percent in the EMGS² over the next seven years, that would result in roughly 3,500 new residential customers. Taking the total costs of Public Service's proposal to be about \$150 million,³ and assuming half of that total cost is caused by new residential customer growth, each of the 3,500 new customers could reasonably be found to be responsible for \$20,000 of incurred costs per home in order to receive gas utility service. We are interested in whether a fee of \$20,000 is reasonable for new residential homes in the EMGS both as a price signal and as a means of cost recovery.

9. Extending this beyond the residential class, we are also interested in whether it would be reasonable to set a similar fee, scaled appropriately, for new EMGS customers in other rate classes like commercial, industrial, and wholesale customers. And, regarding the residential fee described above, we are also interested in whether it is reasonable to exempt homes with sales prices below perhaps \$300,000 or that were otherwise deemed to be affordable housing.

10. We further seek feedback on the design of the fee—independent of whether \$20,000 is the right number—to reflect the costs new customers would be imposing on the system and to internalize gas system capital cost growth into the prospective customer's decision to take natural gas utility service (e.g., the fee would provide an accurate cost signal for developers and homeowners to explore all electric alternatives). Broadly speaking, this cost recovery proposal is an attempt to avoid socializing the full \$150 million cost of the Project across all customers, including low-income customers, for the narrow benefit of a small set of new homes.

¹ HE 102, Direct Testimony of Grace K. Jones, p. 36.

² See HE 102, Direct Testimony of Grace K. Jones, pp. 43-44, 53-54.

³ HE 101, Direct Testimony of Ryan A. Matley, p. 19.

11. We are interested in the parties' thoughts on this proposal, and we ask that responses be presented in supplemental direct or answer testimony pursuant to the procedural schedule adopted by the hearing commissioner.

II. ORDER

A. The Commission Orders That:

1. This Proceeding is set for hearing and referred to Commissioner Megan M. Gilman, to act as hearing commissioner.

2. It is necessary and appropriate for the Commission to issue an initial decision in this matter pursuant to § 40-6-109(6), C.R.S., consistent with the discussion above.

3. This Decision is effective upon its Issued Date.

B. **ADOPTED IN COMMISSIONERS' WEEKLY MEETING February 26, 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