

Decision No. C25-0192

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

PROCEEDING NO. 23A-0392EG

IN THE MATTER OF THE APPLICATION OF PUBLIC SERVICE COMPANY OF COLORADO FOR APPROVAL OF ITS 2024-2028 CLEAN HEAT PLAN.

**COMMISSION DECISION GRANTING MOTION TO
APPLY A VARIANCE TO DECISION NO. C24-0397**

Issued Date: March 19, 2025

Adopted Date: March 12, 2025

I. BY THE COMMISSION

A. Statement

1. Through this Decision, the Commission approves a Motion filed on February 10, 2025, by Public Service Company of Colorado (“Public Service” or “Company”) to Modify or Apply a Variance to Decision No. C24-0397 Concerning the Order of Budget Expenditure For Certain Funds Authorized Under Vertical 1 Of The Clean Heat Plan And The Demand Side Management and Beneficial Electrification Plan (“Motion”).

2. By Decision No. C24-0397 (the “Decision”) the Commission approved in part, and modified in part, the Company’s Clean Heat Plan (“CHP”) filed on August 1, 2023.

3. Through its Motion, Public Service seeks to modify parts of Paragraph 276 of the Decision that it suggests require complex, manual implementation. Public Service conferred with the parties to the case and developed several guardrails against potential negative consequences of the Motion as a result of its consultation efforts. No party responded to the Motion.

After considering the merits of the Motion, and the guardrails therein, we grant the Motion in full.

B. Background

4. Public Service filed its inaugural Clean Heat Plan application pursuant to § 40-3.2-108, C.R.S. and Rules 4725 to 4733 of the Commission’s Rules Regulating Gas Utilities, 4 *Colorado Code of Regulations* (“CCR”) 723-4 on December 29, 2023.

5. The parties to the CHP Proceeding include the City and County of Denver, the City of Boulder (“Boulder”), City of Pueblo, County of Pueblo, Project Canary, PBC Colorado Energy Consumers, Holy Cross Electric Association, Inc., Black Hills Colorado Gas, Inc. Natural Resources Defense Council and Sierra Club (collectively, the “Conservation Coalition”), the Colorado Renewable Energy Society and Physicians for Social Responsibility, Western Resource Advocates, the Southwest Energy Efficiency Project, Energy Outreach Colorado, the Colorado Solar and Storage Association, the Solar Energy Industries Association, Chevron, Occidental Petroleum, and Williams (collectively, the Decarbonization Coalition), Denver Pipefitters, Local 208, Laborers’ International Union of North America, Local 720, Trial Staff of the Commission (“Staff”), the Office of the Utility Consumer Advocate (“UCA”), and the Colorado Energy Office (“CEO”).

6. The Company’s approved CHP mostly expanded on demand-side management (“DSM”) and beneficial electrification (“BE”) programs. Current funding for the Company’s DSM/BE programs was approved in Proceeding No. 23A-0309EG (referred to as “Strategic Issues”) planning, and technical details to the DSM/BE program was approved in Proceeding No. 23A-0589EG (“2024-2026 DSM/BE Plan”).

7. The Commission's CHP Decision required the Company to comply with several directives including the order in which unique fund sources were to be spent. Specifically, the Decision states:

Strategic issues and clean heat plan funds should be spent in the following order: 1) strategic issues funds as specifically approved under the Commission's decision in the strategic issues proceeding (C23-0413) before inclusion of the flexibility budgets; 2) clean heat plan funds as specifically approved under this clean heat plan decision before inclusion of the flexibility budgets; 3) the flexibility budgets approved here in this clean heat plan (per the Commission's oversight of such funds); 4) the flexibility budgets approved in the strategic issues proceeding.¹

8. The Company refers to this as the Commission's "Order of Spend" requirement. Public Service explains in its Motion that, subsequent to the CHP proceeding, the Company attempted to implement and understand the implications associated with the Order of Spend approach, and uncovered substantial complexity and concerns. Due to these concerns, the Company requested an opportunity to consult with stakeholders and propose modifications to the Order of Spend requirement via its Application for Rehearing, Reargument, or Reconsideration ("RRR") to the Commission's Decision to the 2024-2026 DSM/BE Plan. The Commission granted the Company's request via Decision No. C24-0808 and encouraged the stakeholder efforts to find "consistent and clear reporting on what budgets are spent to support CHP and DSM efforts and the outcomes those budgets achieve," align structures so savings cannot be double-counted or applied to multiple incentive structures, and to align savings estimates with *base* spending levels rather than flexibility budgets approved for contingencies.²

9. On February 10, 2025, Public Service submitted its Motion. The Motion reiterates that, in attempting to comply with the Order of Spend instructions, it has uncovered many

¹ Decision No. C24-397 at ¶ 256 issued in Proceeding No. 23A-0392EG on June 10, 2024.

² Decision No. C24-0808 at ¶ 21 issued in Proceeding No. 23A-0589EG on November 7, 2024.

challenges that it has not been able to resolve. Specifically, Public Service explains, the Commission instructions "would require the Company's internal labor and third-party suppliers to change their accounting and invoicing practices to align with the Company's updated accounts throughout the year as different program budgets are utilized, which would require a manual practice to seek to implement, manage, and track." (Motion at 9).

10. The Company explains in its Motion that it engaged with stakeholders on December 6, 2024 and December 10, 2024, to discuss the complexity uncovered, to offer a potential solution, and to hear stakeholder perspectives. The Company submitted the presentations made to the stakeholders on those dates as Attachments A and B to the Motion, respectively.

11. The Company's Motion proposes replacing the relevant paragraph with language that allows for "proportional" rebates and attributed savings. Specifically, the Company proposes to replace the portion of ¶ 256 described above with the following:

Strategic issues and clean heat plan funds should be spent in a concurrent manner, with the Company allocating on a proportional basis the DSM/BE Plan energy savings from measures incentivized using both Clean Heat and DSM/BE Plan funding based on the relative incentive amount used. For example, if the Company offered a \$2,000 rebate for a measure through the DSM/BE Plan and augmented it with a \$2,000 rebate funded by the CHP budget, it would claim 50 percent of the program achievements toward its applicable Strategic Issues Performance Incentive Mechanism, and apply a four-year amortization of the remaining 50 percent of the rebate cost with a Weighted Average Cost of Capital return on unamortized balances.

12. The Motion contends the proportional approach does not increase overall revenues, cause material differences in financial outcomes for the Company, or allow double counting of savings. The Company notes the Motion limits spending to base budgets first and

that flexibility budgets will only be engaged following a 60-day Notice Process set out by the Commission in Decision No. C24-0397 to the CHP Proceeding.

13. Through discussion with the parties, as explained in the Motion, the Company also agrees to higher levels of transparency and reporting to Staff through the Annual DSM Status Report, expected in April 2026, including actual expenditures from, and savings attributable to, the DSM/BE and CHP budgets. Also, as an accommodation requested by Boulder, the Company states that it is agreeable to work with Trial Staff after 12 months of proportional approach implementation to complete a review of the results with Trial Staff.

14. The Company states that parties except UCA either take no position, do not oppose the Motion so long as the additional reporting is adhered to, or reserve their right to respond. No party, including UCA, filed a response.

C. Findings and Conclusions

15. We recognize that there may be unforeseen complexities in implementing the Order of Spend requirements from our CHP Decision. We find that the Motion appears to reasonably resolve those complexities. We also find the Motion meets our broader goals of prioritizing the base budgets and minimizing the opportunity for double-counting of savings. Finally, we note the Company has agreed to multiple reporting protocol and appears to have worked in a productive manner with stakeholders to find a path forward. Accordingly, we find good cause to grant the Motion to apply a permanent variance to the requirements in Paragraph 256 of Decision No. C24-0397 and modify that paragraph in the manner requested by Public Service.

II. ORDER

A. The Commission Orders That:

1. The Motion filed by Public Service Company of Colorado to Modify or Apply a Variance to Decision No. C24-0397 Concerning the Order of Budget Expenditure For Certain Funds Authorized Under Vertical 1 Of The Clean Heat Plan And The Demand Side Management and Beneficial Electrification Plan on February 10, 2025, is granted.

2. This Decision is effective immediately upon its Issued Date.

B. **ADOPTED IN COMMISSIONERS' WEEKLY MEETING March 12, 2025.**

(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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Commissioners