**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO**

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IN THE MATTER OF ADVICE NO. 1029-GAS OF PUBLIC SERVICE COMPANY OF COLORADO TO REVISE ITS COLORADO PUC NO. 6-GAS TARIFF TO INCREASE JURISDICTIONAL BASE RATE REVENUES, IMPLEMENT NEW BASE RATES FOR ALL GAS RATE SCHEDULES, AND MAKE OTHER PROPOSED TARIFF CHANGES EFFECTIVE FEBRUARY 29, 2024	**) PROCEEDING NO. 24AL-______G**

<u>DIRECT TESTIMONY AND ATTACHMENTS OF STEVEN P. BERMAN</u>

ON

BEHALF OF

PUBLIC SERVICE COMPANY OF COLORADO

January 29, 2024

IN THE MATTER OF ADVICE NO. 1029-GAS OF PUBLIC SERVICE COMPANY OF COLORADO TO REVISE ITS COLORADO PUC NO. 6-GAS TARIFF TO INCREASE JURISDICTIONAL BASE RATE REVENUES, IMPLEMENT NEW BASE RATES FOR ALL GAS RATE SCHEDULES, AND MAKE OTHER PROPOSED TARIFF CHANGES EFFECTIVE FEBRUARY 29, 2024	**PROCEEDING NO. 24AL-_____G**

EXECUTIVE SUMMARY

In this rate case filing, Public Service Company of Colorado ("Public Service" or the "Company") requests recovery of the costs of its recent investments in the safety, reliability, and integrity of the natural gas system, as well as the necessary additional expenses associated with providing service to customers, made through the 2023 Test Year proposed in this proceeding. Public Service seeks to maintain its financial stability during a transitional time, when customers continue to rely on natural gas service to heat their homes and businesses and fuel their operations while also looking toward a cleaner energy future. All of this occurs, of course, against the backdrop of customers expecting their public utility to protect public safety, remain a strong community partner, and keep bills low. This rate proceeding demonstrates the important relationship between recent Company investments, the critical services on which Public Service's customers depend, applicable and evolving State of Colorado and Colorado Public Utilities Commission ("Commission") policy goals and requirements, and Public Service's thoughtful approach to ratemaking in this base rate proceeding.

Public Service seeks to continue to lead the clean energy transition in collaboration with the State of Colorado, with respect to natural gas service, just as it has for decades with respect to electric service. This rate case comes at a time when the Commission, with Public Service as an active participant, is also in the process of making critical decisions about the future of clean heat and natural gas infrastructure planning. At the same time, Public Service's obligations to provide safe, reliable natural gas service to customers, to comply with state and federal regulations, and to maintain company systems necessary to operate a utility business, are ongoing.

To balance the costs of meeting these obligations with the current transitional period, the Company has focused this rate proceeding on investments through the end of calendar year 2023. In this way, Public Service is asking that rates reflect the costs of investments that the Company has already made and which have been serving customers for months or years by the time new base rates take effect in late 2024. And to help encourage conservation and Demand Side Management solutions, and in recognition of potential cost allocations in the Company's next Phase II rate case, the Company proposes that the resulting General Rate Schedule Adjustment ("GRSA") proposed in this proceeding be applied to only capacity and usage base rate charges ("volumetric charges").

Public Service also asks the Commission to approve an increase in the Company's cost of capital given investor demands, risk factors, market dynamics, and the Company's overall financial position. Fundamentally, the Company's capital investments, expense increases, and need to maintain a financially healthy utility necessitate base rate relief at this time, which in turn will assist Public Service in remaining at the forefront of the clean energy transition – all while keeping customer bills well below average as compared to other gas utilities across the country.

In support of these requests, Public Service provides the testimony of 17 witnesses who provide explanations of the costs driving the revenue deficiency in more detail than ever before, so that the Commission and Company stakeholders may clearly understand the investments and costs required to operate the system safely and reliably, why these investments and costs are necessary, and what the risk or impact of not making these investments would have been. Gas Operations witnesses in this case, Ms. Lauren Gilliland and Mr. A. Ray Gardner, provide the majority of this detail. Public Service's requests in this case and investments in the gas system facilitate cleaner, more reliable service to customers and are consistent with the multi-faceted approach that will be necessary to meeting state policy goals. The Company has also provided the information, and has removed the costs, required by recent Colorado legislation and subsequent Commission temporary rules, and we have incorporated policy considerations underlying those laws and rules into our approach to this case.

This focus on past investments for purposes of cost recovery does not in any way mean the Company is standing still with respect to the clean energy transition. Rather, this focus constrains rates while enabling the Commission to further advance implementation of pending major policy decisions with respect to natural gas before evaluating future investments. The Company is undertaking major changes to embrace the clean energy and emissions reduction objectives of the State of Colorado, including by developing and presenting Clean Heat Plan portfolios, reorienting gas investment plans toward achieving emissions reduction objectives, focusing on electric distribution system planning, and encouraging conservation and electrification. Company witness Mr. Stephen G. Martz provides testimony framing how the Company is changing its planning practices to align with this future. Indeed, the Company's Net-Zero Vision for Natural Gas, the first of its kind in the nation, predates recent Colorado legislation and demonstrates the Company's commitment to this transition.

Public Service also requests that the Commission recognize and continue to incentivize the Company's good work on conservation, electrification, and overall clean energy leadership by helping the utility maintain financial stability even as it steers customers to other forms of utility service. To this end, Public Service proposes a Revenue Stability Mechanism based on total revenues, which is intended to decouple portions of the Company's sales revenues from the amount of gas sold in any quarter, allowing it to meet financial goals while supporting a cleaner energy future. This mechanism is detailed in the testimony of Mr. Ronald J. Amen.

Recognizing that the clean energy transition, both in the form of a cleaner gas system now and additional or different solutions going forward, requires investment that affects customer cost, Public Service also makes several proposals in this case to moderate the impact of a necessary rate increase on customers. First, Public Service proposes to delay implementation of new rates for customers until Winter Storm Uri costs roll off customer bills. This approach is consistent with the work the Company and the Commission have undertaken to decrease customer bill volatility in several different venues. Second, because the Company's 2023 Test Year includes three months of forecasted capital additions, Public Service also proposes a one-way capital true-up by which the Company will update its 2023 Test Year capital additions to actuals through

December 31, 2023, but only reflect the changes in its revenue requirement if the result is a reduction. Third and fourth, the Company has reduced its requested equity ratio as compared to its actual capital structure of the last several years, and is seeking a target return on equity at the bottom of the market range for utilities like Public Service. Fifth, the Company has not proposed modifications to its depreciation rates for this case, which in turn helps keep customers' bills low. And even as we take these and other steps to keep bills low, Public Service also continues to offer robust, dedicated financial assistance for those customers who may need additional support.

Overall, Public Service brings forward a request for rate relief that is thoughtful and reflective of Public Service's recent costs to provide safe, reliable, and high-value service to customers, while facilitating the continuing clean energy transition and streamlining the rate case process during this important period of change for Colorado gas utilities. We ask the Commission to approve our requests in this proceeding as just and reasonable.

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DIRECT TESTIMONY AND ATTACHMENT OF STEVEN P. BERMAN

I. INTRODUCTION, QUALIFICATIONS, PURPOSE OF TESTIMONY, AND RECOMMENDATIONS

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Steven P. Berman. My business address is 1800 Larimer Street, Denver, Colorado 80202.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT POSITION?

A. I am employed by Public Service Company of Colorado ("Public Service" or the "Company") as Regional Vice President, Regulatory Administration and Pricing.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THE PROCEEDING?

A. I am testifying on behalf of Public Service.

Q. PLEASE SUMMARIZE YOUR RESPONSIBILITIES AND QUALIFICATIONS.

A. As Regional Vice President, Regulatory Administration and Pricing, I am responsible for providing leadership, direction, and technical expertise related to regulatory processes and functions for Public Service. My duties include the design and implementation of Public Service's regulatory strategy and programs, as well as the direction and supervision of Public Service's regulatory activities, including oversight of rate filings, administration of regulatory tariffs, rules and forms, regulatory case direction and administration, compliance reporting, and complaint responses. I have previously testified as a policy witness on behalf of Public Service in numerous proceedings before the Colorado Public Utilities Commission ("Commission"). A description of my qualifications, duties, and responsibilities is set forth in my Statement of Qualifications at the conclusion of my testimony.

Q. ARE YOU SPONSORING ANY ATTACHMENTS AS PART OF YOUR DIRECT TESTIMONY?

A. Yes, I am sponsoring Attachments SPB-1 through SPB-2, which are as follows:

- Attachment SPB-1: Introduction of Company Witnesses.
- Attachment SPB-2: Summary of Proposed Base Rate and Overall Revenue Change and Bill Impacts.

Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?

A. The purpose of my Direct Testimony is to provide an overview of the important relationship between Public Service's natural gas business, the critical home and business heating services on which our customers depend, applicable and evolving State of Colorado and Commission policy goals and requirements, and our approach to ratemaking in this base rate proceeding. I also introduce and support the Company's overall requests in this case, which are based primarily on investments and costs incurred prior to the filing of this case, and how they are necessary and reasonable in light of known system needs, other progressive states' approaches to similar rate requests by local distribution companies ("LDCs"), and market dynamics affecting the financial health of Public Service. Overall, I illustrate that our proposals in this case are thoughtful, reasonable, and ultimately result in just and reasonable rates and terms of service for our customers.

Q. PLEASE PROVIDE AN OVERVIEW OF THE REMAINDER OF YOUR DIRECT TESTIMONY.

A. The next section of my Direct Testimony provides an overview of how Public Service's business has carefully planned for and met its current obligations to new and existing customers while also transitioning the LDC toward a cleaner energy future, and how the Company's investments at the core of this case are central to both of those obligations. I begin by providing an overview of the Public Service gas business, and then turn to the relationship between natural gas investment and the clean energy transition. I also introduce how the Company's approach to gas infrastructure investments continues to evolve, and I discuss the relationship between this proceeding and others that are still pending that will drive significant changes in the future of gas. I describe that while the Company's financial position necessitates base rate relief at this time, primarily due to investments we have made to ensure the safety and reliability of our system, we know that the natural gas industry will continue to evolve, and Public Service is at the forefront of that evolution.

I then turn to our approach to ratemaking in this case, underscoring that the primary purpose of this case is to recover the costs of in-service capital investments completed since the 2021 historical test year ("2021 HTY") authorized by the Commission in the Company's last gas case (Proceeding No. 22AL-0046G, the "2022 Combined Gas Rate Case"), and overall increases in expenses incurred during the 2023 Test Year[1] we are proposing in this case. I further explain that our goal is to reduce the debate over test year conventions, by presenting a revenue requirement derived from a test year based primarily on actual historical data. In other words, we have focused this case primarily on past natural gas investments that have already been used and useful in providing safe and reliable service to our customers for months or years, while we are in the process of making forward-looking changes to our planning processes.

I also introduce the Company's overall rate case filing, explaining the distribution, transmission, and common plant drivers necessitating this Phase I rate case. I further introduce the importance of an improved return on equity ("ROE") and overall weighted average cost of capital ("WACC") for the natural gas utility, given investor demands, risk factors, market dynamics, and the Company's overall financial position. I explain that in support of our requests, we provide the

[1] As I describe later in my Direct Testimony, the Company's proposed 2023 Test Year is for the 12 months ended December 31, 2023, with actual capital data through September 30, 2023 and forecasted capital data for the final three months of 2023. The O&M in the test year is based on actual data through September 30, 2023, with certain known and measurable adjustments. The components of our capital structure and sales forecast are likewise based on 2023 data.

testimony of 17 witnesses who provide explanations of the costs driving the revenue deficiency for which we seek recovery in more detail than ever before, so that the Commission and intervenors may clearly understand the investments and costs required to operate the system safely and reliably, why these investments and costs are necessary, and what the risk or impact of not making these investments would have been. We also provide the information and have removed the costs required by recent Colorado legislation and subsequent Commission temporary rules, and we have incorporated policy considerations underlying those laws and rules into our approach to this case.

My testimony also supports Public Service's proposals to moderate the impact of the necessary rate increase for our customers. First, recognizing that customers are still paying the amortized balance of Winter Storm Uri costs, we are proposing to delay implementation of new rates until Uri costs roll off customer bills. This revenue deferral mechanism is very similar to the proposal that the Commission accepted in our 2020 Combined Phase I and Phase II gas rate case ("2020 Combined Gas Rate Case"),[2] where we proposed a similar mechanism in light of the COVID-19 pandemic. This approach aligns with the work the Company and Commission have done with respect to commodity cost volatility and continues to ensure customers have more stable bills. Second, because our rate case Test Year includes three months of forecasted capital additions, Public Service also proposes a one-way capital true-up, by which the Company will update its 2023

[2] Proceeding No. 20AL-0049G.

Test Year capital additions to actuals through December 31, 2023, but only if the update results in a revenue requirement reduction. Third and fourth, the Company has made adjustments to its capital structure and ROE proposals, reducing its targeted equity ratio as compared to its actual capital structure of the last several years, and seeking a target ROE at the bottom of the market range for utilities like Public Service. Fifth, while the Company looked at additional accelerated depreciation proposals for gas infrastructure consistent with the Commission's interest in this topic, we present options in this case but have not included a new accelerated depreciation proposal in our revenue requirement in the interest of containing rate increases.

Finally, I present the Company's proposal for a Revenue Stability Mechanism ("RSM") based on total revenues, which is intended to decouple a portion of the Company's sales revenues from our ability to meet financial goals as we support the clean energy transition. We request that the Commission recognize and continue to incentivize our good work on conservation, electrification, and overall clean energy leadership by helping the utility maintain financial stability even as we steer customers to other forms of utility service.

Overall, we bring forward a request for rate relief that is thoughtful and reflective of Public Service's recent costs to provide safe, reliable, and high-value service to our customers, while also facilitating the continuing clean energy transition and streamlining the rate case process during this important period of change for Colorado gas utilities.

Q. WHAT IS THE COMPANY'S OVERALL REVENUE REQUEST?

A. The Company requests that the Commission approve an overall 2023 Test Year base rate revenue requirement for Public Service's Gas Utility of approximately $964.2 million. This is an approximate $170.7 million increase over the base rate revenue requirement authorized for the 2021 HTY in the 2022 Combined Gas Rate Case. The majority of this increase is driven by investments to enhance the safety and integrity of the Company's gas system, connect new customers, and relocate facilities in accordance with local government requirements. We have also made investments in the information technology backbones of the business, and experienced increases in operations and maintenance expenses in light of inflation, new labor agreements, and other market factors.

Based on these factors, I recommend that the Commission approve the Company's overall revenue requirement and requested rate change, including the Company's proposed capital investments, expenses, revenues, and weighted average cost of capital for the 2023 Test Year, as well as the other components of Public Service's overall cost of service supported by the Company's witnesses in this case. I also recommend that the Commission make new rates effective November 1, 2024 (as explained below), but delay implementation on customer bills until after the Extraordinary Gas Cost Recovery Rider ("EGCRR") (Winter Storm Uri costs) rolls off customer bills in February 2025, consistent with the mechanics of the revenue deferral proposal implemented in our 2020 Combined Gas Rate Case. At the same time, the Company proposes that the General Rate

Schedule Adjustment ("GRSA") be put in place, applied only on a volumetric basis.[3]

Q. DOES THE COMPANY HAVE ANY OTHER RECOMMENDATIONS?

A. Yes. I further recommend that the Commission approve the Company's requested trackers and deferrals and amortization of previously approved balances, RSM, revenue deferral mechanism, and other proposed tariff changes.[4]

Finally, as noted above, consistent with Commission Rules and Colorado Statutes, the effective date for the changed tariffs accompanying the Company's advice letter is February 29, 2024. However, the Company requests that the Commission set a hearing on the proposed rates and tariff changes and suspend the effective date of the filed tariffs, with an effective date of November 1, 2024, after suspension. The Company understands the Commission is likely to suspend the tariffs to allow for a hearing and associated processes. The proposed effective date of November 1, 2024 is near the end of the maximum statutory suspension period of November 5, 2024. Implementing the new base rates on November 1, 2024 creates administrative and operational efficiencies, and assists with, among other things, tracking the proposed incremental revenue deferral.

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[3] Volumetric charges are generally what are described as demand, capacity, usage charges, and other base rate charges related to customer's usage that are applicable to the GRSA in the Company's Colorado PUC No. 6 Gas Tariff. Volumetric charges exclude service and facility charges.

[4] Other requested tariff change approvals include extending the Quality of Service Plan tariff through 2026; approving changes to the Gas Cost Adjustment ("GCA") for gas inventory storage costs; updating the charges for rendering service; and updating standardized costs for our line extension policy.

Q. PLEASE INTRODUCE THE OTHER PUBLIC SERVICE WITNESSES SUPPORTING THE COMPANY'S REQUESTS IN THIS PROCEEDING AND DESCRIBE THEIR AREAS OF TESTIMONY.

A. As noted earlier, in addition to my Direct Testimony, Public Service is presenting the Direct Testimonies of 16 other witnesses in support of the Phase I proposals in this case. A listing of those witnesses, along with a description of their areas of testimony, is contained in Attachment SPB-1 to my Direct Testimony.

II. PUBLIC SERVICE AND ITS GAS BUSINESS

Q. WHAT IS THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY

A. In this section of my Direct Testimony, I first describe Public Service, its natural gas service territory, the services we provide, and our customer base. I then turn to the reasons why Public Service has made investments to support the safety, integrity, and reliability of the natural gas system, as well as to ensure new and existing customers in Colorado have appropriate service to heat their homes and businesses. I introduce how the Company is not focused on “business as usual,” but rather the necessary approach to investments we must be making as part of the evolution of the gas business toward an increasingly clean energy future. I also introduce similar considerations in other states undertaking robust planning for increasingly clean energy, providing a foundational discussion for the specific investments driving this rate case.

A. Overview

Q. PLEASE PROVIDE AN OVERVIEW OF XCEL ENERGY.

A. Xcel Energy is the parent holding company of four utility operating companies: Public Service; Northern States Power Company, a Minnesota corporation; Northern States Power Company, a Wisconsin corporation; and Southwestern Public Service Company, a New Mexico corporation.[5]

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[5] Xcel Energy also owns a small interstate pipeline company, WestGas Interstate, Inc. Through a subsidiary, Xcel Energy Transmission Holding Company, LLC, Xcel Energy also owns three transmission-only operating companies: Xcel Energy Southwest Transmission Company, LLC; Xcel Energy Transmission Development Company, LLC; and Xcel Energy West Transmission Company, LLC, all of which are regulated by the Federal Energy Regulatory Commission (“FERC”).

In total, through its four utility operating companies, which include Public Service, Xcel Energy provides retail electric and/or natural gas service in portions of eight states: Colorado, Minnesota, Wisconsin, North Dakota, South Dakota, Michigan, Texas, and New Mexico. For many years now, the core utility business in these states has represented about 99 percent of Xcel Energy's total operating revenue. Xcel Energy has achieved efficiencies among the operations of its utility subsidiaries though Xcel Energy Services Inc., which is a centralized services company that provides and coordinates services and activities across Xcel Energy's four utility operating companies on an "at-cost" basis.

Q. WHERE DOES PUBLIC SERVICE PROVIDE RETAIL GAS SERVICES WITHIN COLORADO?

A. Public Service provides natural gas service to key areas of the State of Colorado, with customers who experience cold winters and have to date, depended heavily on gas service to heat their homes and business. As discussed in more detail by Company witness Ms. Lauren Gilliland, the Company operates facilities in 33 of the 64 counties within the State of Colorado. It is a diverse system, spanning rural, suburban, dense urban, and mountainous environments and terrains.

Q. PLEASE GENERALLY DESCRIBE PUBLIC SERVICE’S RETAIL NATURAL GAS SERVICE.

A. Public Service is a combination electric, gas, and steam utility. Today, Public Service’s gas operations distribute natural gas to approximately 1.5 million retail customers in Colorado and also provide gas transportation services to larger retail customers on the Company's natural gas system.[6] Sales service is the more traditional utility offering, in that the Company both procures natural gas for customers and delivers, or distributes, this natural gas over its distribution system. Transportation customers acquire their own natural gas supplies from unregulated suppliers of their choice and arrange for transportation of this product across Public Service's system within Colorado. The Company then delivers the transportation customer's natural gas over its distribution system to the end-use customer. Overall, gas service is delivered through a reticulated system of transmission and distribution infrastructure that Public Service must maintain in a safe and reliable manner for our customers.

Q. PLEASE GENERALLY DESCRIBE THE CUSTOMER BASE FOR PUBLIC SERVICE'S GAS DEPARTMENT.

A. Public Service's natural gas customer base is composed of residential customers, small and large commercial customers, customers using interruptible natural gas service, and a small group of customers using natural gas for decorative lighting. Residential customers are the largest group of customers in Public Service's natural gas system, accounting for over 92 percent of total customers in 2023. Residential usage, on the other hand, accounts for only approximately 35 percent of total gas volumes. Large Commercial gas sales and transportation customers account for approximately 42 percent of total usage, while small Commercial gas

[6] Public Service also provides a small amount of gas transportation that is delivered at interconnections with interstate pipelines for subsequent delivery outside of Colorado. This activity is subject to the jurisdiction of FERC. Consequently, the Company's testimony and requests in this proceeding only address Public Service retail natural gas, or intrastate, business, which is subject to the Commission's jurisdiction.

sales and transportation customers account for approximately 16 percent of total usage. Customers accepting interruptible service account for about 7 percent of total volumes. These customers are subject to curtailment of service during periods of high demand. The smallest customer group consists of a small number of customers with decorative natural gas lighting. This rate option is effectively closed to new customers.

Q. APPROXIMATELY HOW MUCH OVERLAP IS THERE BETWEEN THE COMPANY'S GAS AND ELECTRIC CUSTOMER BASE?

A. The Company's customer base is comprised of approximately 1.1 million combination gas and electric customers, with 480,000 electric only customers, and 425,000 gas only customers. This equates to approximately 54 percent of our total customers and 72 percent of our total gas customers being combination gas and electric customers.

Q. DOES THE COMPANY'S GAS BUSINESS CONTINUE TO EXPERIENCE GROWTH IN CUSTOMERS SERVED?

A. Yes. As Company witness Mr. John M. Goodenough discusses in his Direct Testimony, total customer counts increased by an average of 16,035 customers (1.1 percent) for the 2017 through 2022 time period, with the largest growth occurring in the Residential class. Notwithstanding this growth in customer base, Public Service is succeeding in containing and driving down average use per Residential customer, which has declined during this period by an average of 0.8 percent. In light of broader population growth within Public Service's service territory, this data illustrates that even as we are successfully reducing consumption per customer, many customers continue to choose natural gas service – which we have an obligation to provide, even as we advocate for electrification and other options.

B. Gas Infrastructure Investment and the Clean Energy Transition

Q. IN LIGHT OF COLORADO POLICY GOALS TOWARD A CLEANER ENERGY FUTURE, WHY HAS PUBLIC SERVICE'S GAS UTILITY CONTINUED TO MAKE NEW INVESTMENTS DURING THE TEST YEAR PERIOD IN THIS CASE?

A. Public Service's Gas Operations witnesses in this case, Ms. Gilliland and Mr. A. Ray Gardner, provide extensive testimony and discussion regarding the need for the specific investments in this case, while our Integrated Systems Planning ("ISP") witness, Mr. Stephen G. Martz, discusses the modernization of system planning toward the future.

As a natural gas public utility, Public Service's gas utility is no less responsible than in the past for ensuring the safe and reliable natural gas service that our communities and customers choose to heat their homes and businesses. Customers continue to depend on natural gas to heat their homes and water, cook their meals, dry their clothes, manufacture and process, support broad economic development within the state, and maintain affordable overall utility costs. As such, our Gas Operations team, working with ISP, must plan for the work needed to keep operating natural gas transmission and distribution pipes, compressors, regulator stations, and meters (among other infrastructure) operating safely and reliably for customers. Further, investments in these necessary systems have the added benefit of containing and controlling leaks, not only protecting public safety but also contributing to methane emission controls and reductions.

At the same time, Mr. Martz provides detail on how the Company, including both Gas Operations and ISP, is pursuing fundamental changes in how we plan and execute investments in the system and in many ways acting as an example for the industry through our evolving planning processes. These efforts will impact the level and types of investment the Company is making in the system in the future as we aggressively pursue Colorado's clean heat goals and continue to encourage customers to electrify and reduce emissions in their usage of gas, just as Public Service has been encouraging decarbonization of the electric system for decades. But just as with the clean energy transition for the electric system, the evolution – including important regulatory and planning changes – we will need to take a measured approach so that we are able to maintain the safe, reliable, and affordable gas service upon which our customers rely.

Today and during the timeframe of this case (primarily 2022 and 2023, with much of the planning undertaken even earlier), we continue to make investments in the gas system primarily to meet federal, state, and local safety and integrity regulations, to relocate facilities when directed by local authorities, and to keep gas in the pipes before being used by our customers – all of which serve both public health and public safety. Even as we carefully evaluate need, cost, and efficient approaches to operating our system, Public Service simply does not have the option to not make these kinds of investments.

Q. HAS THE COMPANY MADE ANY CHANGES SINCE ITS LAST COLORADO NATURAL GAS RATE CASE TO EVOLVE THE GAS BUSINESS ALONG WITH THE CLEAN ENERGY TRANSITION?

A. Yes. While this is a cost recovery proceeding for investments made prior to (in some cases, planned and implemented several years prior to) some of the Commission's recent and arguably most significant gas planning and emissions reduction dockets and rulemakings, Company witness Mr. Martz provides context on how the Company has been and is using a wide variety of planning tools. Mr. Martz also describes how Public Service is partnering with the Commission and other stakeholders to support beneficial electrification, conservation, and clean heat planning. Mr. Martz further discusses how the Company has recently wholly reorganized its approach to system planning, bringing gas and electric planning together for a more holistic approach. He also discusses the Company's leadership in Colorado's clean heat transition, just as Public Service has been a highly successful leader in the electric system transition.

In short, Public Service is in no way standing still; as Mr. Martz describes, the Company is investing in new technologies, new resources, and new methods of managing the gas system from the source of this resource through customers' deployment of gas appliances. Public Service is also participating in and taking a highly proactive role in the various proceedings before the Commission that seek to accelerate the clean heat future.

Q. CAN YOU PROVIDE EXAMPLES OF HOW THE COMPANY'S APPROACHES TO SYSTEM PLANNING ARE CONSISTENT WITH THE CLEAN ENERGY TRANSITION?

A. Yes. Mr. Martz discusses in detail the Company's approach to modernizing gas infrastructure planning and how we have worked closely with stakeholders and the Commission as we move through this journey. This process has been ongoing for many years, with one example being the Company's increasing focus on non-pipeline alternatives ("NPAs") and aligned development of planning and evaluation processes. A particularly significant and concrete example of the impacts of this work is our re-evaluation of how to meet the increasing needs of a portion of our Mountain System, also referred to as the Mountain Energy Project. As Mr. Martz discusses, the Company's plan to meet the capacity demands of the affected mountain communities has evolved over the past several years, transitioning from a pipeline infrastructure perspective to a potential long-term solution that includes no traditional pipeline reinforcements and instead has a heavy focus on deploying a NPA portfolio. While our analysis is not yet complete, it is the first of its kind and scope ever undertaken by the Company. In the near term, the Company anticipates making an appropriate filing with the Commission for approval of our innovative approach to this challenging situation.

But these changes aren't limited to the future. Company witness Ms. Gilliland provides the framework within which the Company makes investments in the system, and the expenses it incurs, while Mr. Gardner provides the detailed support for the gas operations capital investments the Company has made during the Test Year in this proceeding, underscoring the Gas Operations teams' scrutiny of the need for any given project or program, consideration of feasible alternatives, and prudent project management. He also provides examples of projects that involved decisions not to proceed with complete reconstruction or replacement of pipes, such as for portions of two large projects in which the Company evaluated pipeline renewal to meet PHMSA[7] requirements for Maximum Allowable Operating Pressure ("MAOP") documentation, and instead found ways to derate portions of the pipeline. It is important to be clear that even decisions not to proceed with new infrastructure investment do not necessarily mean work is avoided altogether; in many instances, the Company has incurred or will incur costs to implement alternatives or tie off infrastructure. The capital investments in this case reflect a range of solutions for a variety of gas system needs, with each carefully tailored to the situation at hand.

Q. WITHIN THIS BROADER CONTEXT, ARE THERE SPECIFIC EXAMPLES OF THE PUBLIC INTEREST IN ENSURING ADEQUATE GAS INFRASTRUCTURE INVESTMENT?

A. Yes. Like all investor-owned public utilities, Public Service bears significant responsibility for the operation of the gas system, as the safety of the public – both persons and property – is paramount. As the system ages, there are continually emerging risks that need to be mitigated, as aging pipelines increase the likelihood of incidents such as leaks, explosions, and ruptures. Without proper investment

[7] "PHMSA" is the Pipeline and Hazardous Materials Safety Administration.

to maintain system integrity and safety, this can result in service disruptions or can even have disastrous consequences like the 2010 San Bruno and 2018 Merrimack Valley pipeline incidents. Recent extreme weather events, such as winter storms Uri and Elliot also highlight the need for a resilient system. Further, Public Service is directly accountable to PHMSA and other federal, state, and local governments that oversee the Company's compliance with applicable laws and regulations.

Public Service's Gas Operations teams are navigating these issues successfully. Despite challenges, the gas utility has not had a major gas safety incident like San Bruno and has navigated the numerous weather events in Public Service' gas service territory despite aging infrastructure. In other words, we are managing the gas system safely and reliably while contending with external threats and other risks. But this is not sustainable without adequate resources going forward or without a financially healthy utility that can obtain capital to support our system.

Q. TO WHAT EXTENT IS PUBLIC SERVICE TAKING STEPS TO CONTROL COSTS AND INVESTMENTS WHILE THIS TRANSITION IS OCCURRING?

A. Public Service is vigilant about the need to contain and manage costs to the extent they are in our control. Many Company witnesses in this case, including Ms. Gilliland, Mr. Gardner, Ms. Megan N. Scheller, Mr. Adam R. Dietenberger, Mr. Michael P. Deselich, and Mr. Richard R. Schrubbe, describe the Company's bottom-up budgeting, cost management, and – perhaps most importantly – the prudent, thoroughly analyzed need for and value of the investments Public Service is making. Ms. Gilliland explains how the Company's operational costs per customer are in the first (lowest) quartile, demonstrating this commitment to cost control and efficient operations. Our investments in this rate case are consistent with the future we envision, as they keep our gas system clean, safe and reliable, and supporting our customers during the clean energy transition. Later in my Direct Testimony, I describe certain ratemaking proposals the Company is also recommending to control rates and cost increases for our customers.

Q. IS THIS APPROACH TO GAS SYSTEM INVESTMENT AND COST MANAGEMENT CONSISTENT WITH WHAT PUBLIC SERVICE IS SEEING IN OTHER STATES WORKING TOWARD A PARADIGM CHANGE TO ENSURE A CLEANER ENERGY FUTURE?

A. Yes – it is not only consistent, but also at the forefront of clean energy strategies. Specifically, Public Service has looked to gas utilities in other progressive states, including California, Maryland, New Jersey, New York, Oregon, and Washington, to determine how these utilities are approaching ratemaking while supporting the clean energy transition. In recent gas rate cases and other proceedings in these states, gas utilities, like Public Service, recognize the importance of continuing gas infrastructure investments for the purpose of maintaining safety and reliability of the current system while advancing natural gas planning proceedings and structures to rethink how they invest going forward. Accordingly, these gas utilities, which are similarly situated to Public Service, continue to make needed investments in the current system, and seek related rate increases, while also planning for a cleaner energy future. Like Public Service, gas utilities in other progressive states are prioritizing investments and determining funding requests using various forms of risk-based decision-making, focusing on investments critical to providing safe and reliable service.[8]

Q. CAN YOU ADDRESS HOW SOME STATE PUBLIC UTILITY COMMISSIONS HAVE TREATED GAS INFRASTRUCTURE INVESTMENT OF THE TYPE YOU DESCRIBE?

A. Yes. Where decisions have been issued in recent gas proceedings in environmentally progressive states, the state public utility commissions continue to recognize the need for and to support substantial cost recovery for gas infrastructure investments, noting safety and reliability as a top priority.

On January 28, 2022, Consolidated Edison Company of New York, Inc. ("Con Edison") filed a request for a gas revenue increase for a one-year case. Con Edison proposed to increase its natural gas delivery revenues by approximately $503 million.[9] On July 20, 2023, the New York Public Service Commission ("NYPSC") approved a three-year rate plan, with levelized rate increases of $187.2 million over the term of the rate plan.[10] On the need for gas infrastructure investments, NYPSC stated:

> Although the gas system must transition to other energy sources to reduce [greenhouse gas or "GHG"] emissions, the [Climate Leadership and Community Protection Act ("CLCPA")] does not

[8] *See, e.g. Application of Pacific Gas and Electric Company for Authority, Among Other Things, to Increase Rates and Charges for Electric and Gas Service Effective on January 1, 2023 (U39M)* ("*PG&E Rate Case*"), No. A2106021, Ex. (PG&E-2), 1-9-1-10 (CPUC Nov. 5, 2021); *Application of San Diego Gas & Electric Company (U 902 M) for Authority, Among Other Things, to Update its Electric and Gas Revenue Requirement and Base Rates Effective on January 1, 2024* ("*SDG&E Rate Case*"), No. A2205016, Ex. SDG&E-01-R, BAF-10 (CPUC Aug. 2022).

[9] *Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Consolidated Edison Company of New York, Inc. for Gas Service*, No. 22-G-0065, Order Adopting Terms of Joint Proposal and Establishing Electric and Gas Rate Plans With Additional Requirements ("Con Edison Order"), 3 (NYPSC July 20, 2023).

[10] Con Edison Order at 12.

> preclude further investments in the gas system to ensure that residents continue to have safe, adequate, and reliable gas service. The Company is legally obligated to provide gas service to both residential and non-residential applicants upon request where there is sufficient gas supply and the applicants satisfy certain requirements. Inasmuch as natural gas provides energy for people's daily needs, we cannot simply "reject all of the funds the Company is requesting for continued investment in fossil fuel infrastructure." Con Edison must invest in its gas system to ensure that customers continue to receive safe, adequate and reliable gas service, even as it takes measures to satisfy CLCPA goals.[11]

On March 1, 2023, Public Service Electric and Gas Company ("PSE&G") filed a petition with the New Jersey Board of Public Utilities ("NJBPU") seeking approval of the next phase of its Gas System Modernization Program ("GSMP").[12] On October 11, 2023, NJBPU authorized PSE&G to extend the GSMP II and spend approximately $900 million to replace 400 miles of leak-prone pipelines.[13] According to NJBPU, "replacement of aging infrastructure, if properly executed, should mitigate potential damage to the system, as well as enhance public safety and result in increased long-term reliability."[14] Further, NJBPU's approval of this investment will advance the modernization of PSE&G's gas system, thereby reducing methane emissions consistent with New Jersey's clean energy policy goals, which are a driver for PSE&G's focus and actions on reducing emissions from its operations.[15]

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[11] Con Edison Order at 112-13.
[12] *In The Matter of the Petition of Public Service Electric and Gas Company for Approval of The Next Phase of the Gas System Modernization Program and Associated Recovery Mechanism (GSMP III)* ("*PSE&G GSMP III*"), No. GR23030102, Decision and Order ("PSE&G Order"), 2 (NJBPU Oct. 11, 2023).
[13] PSE&G Order at 5.
[14] PSE&G Order at 12.
[15] *PSE&G GSMP III*, No. GR23030102, Attachment 2, Schedule ALT-GSMPIII-1, 27, 29 (NJBPU Mar. 1, 2023).

On February 17, 2023, Baltimore Gas and Electric ("BGE") filed an Application with the Maryland Public Service Commission ("MDPSC") seeking approval of distribution rates under a multi-year rate plan.[16] This was BGE's second multi-year plan, which originally stemmed from Public Conference 51, where the Maryland Commission evaluated alternatives to the historical test year approach traditionally used in setting base rates in Maryland. Originally, BGE requested to increase gas rates by $289.3 million through 2026.[17] On December 14, 2023, MDPSC authorized an increase of $228.7 million through 2026.[18] In a press release on its decision, MDPSC acknowledged BGE's rationale for requesting the rate increase, specifically that it "was necessary to cover continued investments in the . . . gas distribution [system] in order to sustain safe and reliable service, and to increase system resilience in the face of Maryland's increasing electrification goals."[19]

On June 30, 2021, PG&E submitted its 2023 GRC, which covered its operational and infrastructure revenue requirement for 2023-2026.[20] The California PUC authorized 2023-2026 test year revenue requirement increases totaling over $1 billion, stating:

> This decision approves ratepayer funds for [PG&E] to reinvest in its infrastructure and improve operations to provide safer, cleaner, and more reliable energy for its 16 million customers across Northern and Central California. A complex landscape of critical imperatives drives

[16] *Application of Baltimore Gas and Electric Company for an Electric and Gas Multi-Year Plan* ("*BGE MYP Case*"), No. 9692, Order No. 90948, 1 (MDPSC Dec. 14, 2023).
[17] *BGE MYP Case*, No. 9692, Frain Direct Testimony, 6, Table 3 (MDPSC Feb. 17, 2023).
[18] Order No. 90948 at 1, Table 1.
[19] *Maryland PSC Sets New BGE Distribution Rates*, https://www.psc.state.md.us/wp-content/uploads/MD-PSC-Sets-New-BGE-Distribution-Rates_121423-1.pdf.
[20] *PG&E Rate Case*, No. A2106021, Application, 1 (CPUC June 30, 2021).

> the approved increased costs, including . . . improving reliability, . . . and safety and reliability improvements for PG&E's extensive gas storage, transmission, and distribution systems.[21]

These are just a few examples of how progressive states continue to recognize the need for and support cost recovery for investments in natural gas utility systems, while also aggressively pursuing changes in gas planning to support decarbonization goals.

Q. IS THERE ANYTHING ELSE YOU WANT TO ADD ABOUT HOW STATE PUBLIC UTILITY COMMISSIONS ARE APPROACHING GAS RATE CASES?

A. Yes. In addition to approving substantial cost recovery for gas infrastructure investments, state public utility commissions in other environmentally progressive states have adopted alternative ratemaking methodologies, which will provide gas utilities with a stable financial foundation going into the clean energy transition. As briefly mentioned above, in recent years, several state public utility commissions have allowed multi-year rate plans, noting the financial stability such plans can provide. For example, MDPSC determined that a properly constructed multi-year rate plan could "provid[e] more predictable revenues for utilities."[22] NYPSC has similarly stated that multi-year rate plans "provide relative predictability and stability to" a utility's operations over the term of the rate plan.[23] But it is also worth noting that these plans have additional benefits, including reducing the number of base

[21] Decision D2311069 at 2.
[22] *In the Matter of Alternative Rate Plans or Methodologies to Establish New Base Rates for an Electric Company or a Gas Company*, No. 9618, Order on Alternative Forms of Rate Regulation and Establishing Working Group Processes, 54 (MDPSC Aug. 9, 2019).
[23] *Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Orange and Rockland Utilities, Inc. for Gas Service*, No. 21-G-0073, Order Adopting Terms of Joint Proposal and Establishing Electric and Gas Rate Plans, With Additional Requirements, 46 (NYPSC Apr. 14, 2022).

rate cases (and therefore regulatory costs and resources) and increasing rate predictability for customers.

Q. EARLIER YOU SAID THAT PUBLIC SERVICE CANNOT MAINTAIN ITS OWN LEVEL OF SERVICE WITHOUT ADEQUATE RESOURCES AND FINANCIAL HEALTH. WHY DO YOU SAY THAT?

A. It is a fundamental fact that Public Service, like all investor-owned public utilities, must be financially healthy to attract the capital necessary to make safety, reliability, and other investments in the system, to meet day-to-day obligations, to be prepared for unanticipated or extraordinary circumstances, such as market volatility, illiquidity or other macroeconomic changes, and, importantly, to support the objective of the State of Colorado and the Company to reduce greenhouse gas emissions.

Public Service is also proud to be a meaningful contributor to the broader Colorado economy and the communities we serve. The Company's Gas Utility employs approximately 641 employees to operate and manage the system, of which about 83 percent are bargaining employees. The Gas Utility has also invested heavily in Colorado. As of December 31, 2023, the Company's gross gas plant is forecasted to be about $6.7 billion, and our net plant is forecasted to be about $4.8 billion. In addition, the Company also pays the most property tax of any business in Colorado. Public Service's property tax expense for the 2023 Test Year, which is the estimated 2024 level of property tax expense, is forecasted at approximately $276.4 million, of which about $72.1 million is attributable to the Gas Utility. In rate cases and other proceedings, the Company seeks to partner with the Commission and other stakeholders to ensure the utility is financially able to continue to support the common goals of the Commission, the Company, and the State of Colorado, while remaining a significant contributor to the economy and a strong community partner.

With these principles in mind, the next section of my Direct Testimony turns to our approach to this gas rate case as a whole and the relief we seek from the Commission to ensure we can continue to operate the system in a safe and reliable manner while simultaneously modernizing how we plan and execute investments to meet GHG emissions reductions goals.

III. OVERVIEW OF GAS RATEMAKING AND ASSOCIATED POLICY

A. Policy Approach to Case Development

Q. PLEASE EXPLAIN THE FINANCIAL BASIS FOR THIS RATE CASE FILING.

A. In Public Service's last gas rate case, the 2022 Combined Gas Rate Case, the Commission adopted an historical test year comprised of the 12 months ended December 31, 2021.[24] As time passes, it has now been more than two years since the end of the 2021 HTY from our last rate case. By the time rates for this proceeding are in effect in late 2024, nearly three years will have passed since the end of our last test year. During that time, the need for investments has continued, and market costs for labor, services, materials, information technology, permitting, and other purchases and processes have continued to rise. Additionally, in a separate proceeding, the Company agreed to bring the Pipeline System Integrity Adjustment ("PSIA") to a close, implementing a deferral mechanism that was only available for 2022 eligible projects, leaving Public Service without a cost recovery mechanism for mandated system safety and integrity costs outside of base rates.[25] Public Service has nonetheless continued to meet its obligation to provide safe and reliable natural gas service for those customers who choose it to heat their homes and businesses. In turn, this obligation required Public Service to make fundamental investments in gas and other utility infrastructure, people, and operations and maintenance ("O&M") of the gas system each year.

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[24] *See* Proceeding No. 22AL-0046G, Decision No. C22-0642, ¶ 80 (mailed Oct. 25, 2022).
[25] *See* Proceeding No. 21A-0071G, Decision No. C21-0715 (mailed Nov. 12, 2021).

Q. HAS THE COMPANY MADE EFFORTS TO REDUCE OR DELAY THE NUMBER OF NATURAL GAS RATE CASES IT MUST BRING?

A. Yes, in several ways. First, in our last gas rate case, the Company proposed a 2022 test year and capital step increases (i.e., plant additions primarily driven by operational investments in the Company's gas system) for 2023 and 2024.[26] The Company's test year and capital steps in the last case were designed to allow the Company to avoid rate cases through November 2025, but were not accepted. Instead, the Commission adopted a 2021 HTY, which—as discussed below—increases regulatory lag for the Company, and consequently requires more frequent rate case filings.

Second, although the Company's obligations to invest in the natural gas system – both to provide service now and to transition to the future – have not ebbed, the Company kept O&M fairly flat over the last decade, until this was no longer possible with the significant rise in inflation from 2021 through 2023. Third, the Company previously sought a limited extension of the PSIA to reduce the need for base rate increases to recover the costs of fundamental system safety and integrity investments. When deployed, mechanisms such as future test years, multi-year plans, capital step increases, and/or capital or O&M riders can reduce the need for costly and extensive base rate proceedings, align cost recovery with investment and planning timeframes, and provide rate stability and predictability for customers and the utility.

[26] Decision No. C22-0642 at 82.

Currently, the Company's rates are based on a single historical test year, and the Gas Utility does not have access to any capital rider cost recovery. Not only do current conditions put the Company's credit metrics at the bottom of rating agency's expected ranges, as Company witness Mr. Paul A. Johnson discusses, but also will continue to reduce the Company's earned return for 2023. Combined with recent Colorado cost recovery-limiting legislation and increasing risk around the gas utility, current conditions are unsustainable. Thus, while we preferred to allow for the completion of both the Initial 2023-2028 GIP ("Initial GIP") and pending 2024-2028 Clean Heat Plan ("CHP") proceedings prior to filing another rate case, the Company must seek base rate relief to remedy the current deficiency.

Q. CAN YOU PROVIDE ADDITIONAL DETAIL REGARDING HOW PUBLIC SERVICE'S GAS UTILITY HAS FARED SINCE ITS LAST GAS RATE CASE?

A. Yes. Despite leading the nation in the clean energy transition and maintaining some of the lowest gas rates in the country, the Company has been unable to earn its authorized ROE in the last decade. As shown on Table SPB-D-1 below, the Company last earned its authorized ROE in 2009:

TABLE SPB-D-1
Authorized vs. Earned Return Comparison

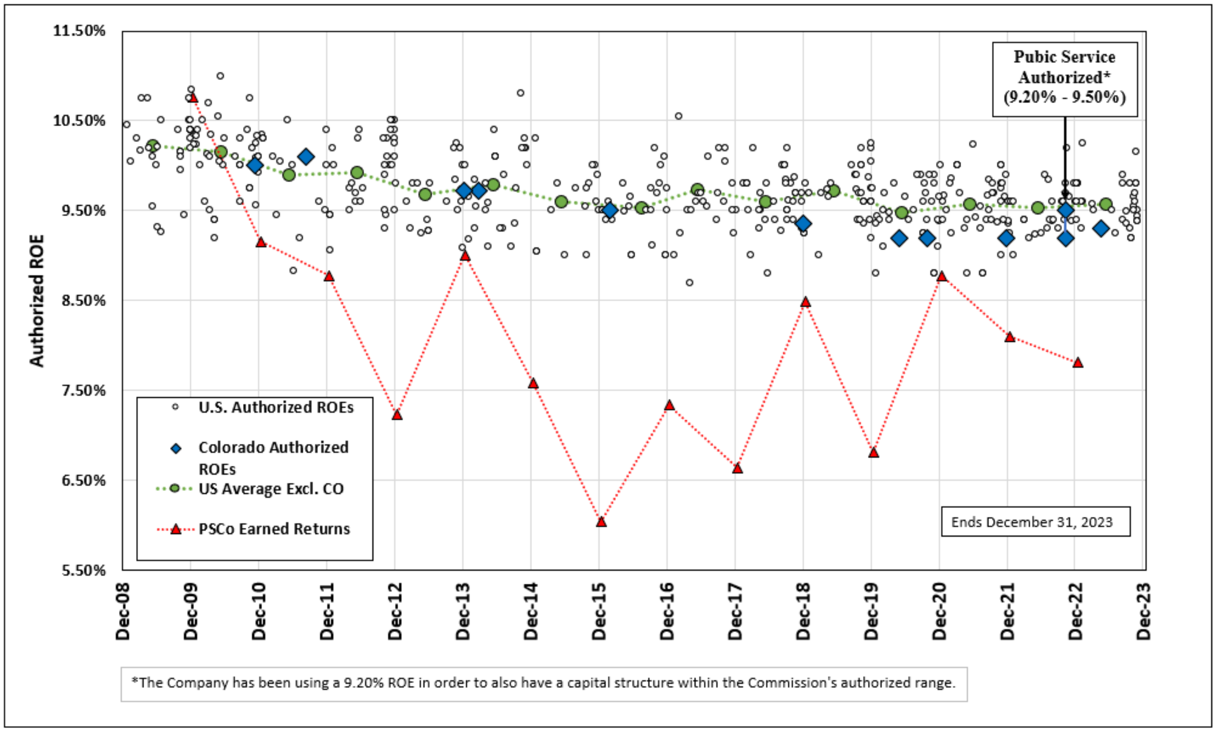
Year	Public Service Gas Authorized ROE	Public Service Gas Appendix A Earned ROE
2009	10.25%	10.77%
2010	10.25%	9.16%
2011	10.10%	8.78%
2012	10.10%	7.23%
2013	9.72%	9.01%
2014	9.72%	7.59%
2015	9.50%	6.04%
2016	9.50%	7.34%
2017	9.50%	6.64%
2018	9.35%	8.49%
2019	9.35%	6.81%
2020	9.20%	8.78%
2021	9.20%	8.10%
2022	9.20-9.50%	7.81%

Q. HOW DO PUBLIC SERVICE'S EARNED AND AUTHORIZED ROES COMPARE TO OTHER UNITED STATES GAS UTILITIES?

A. Figure SPB-D-1 below shows the relationship between authorized returns for gas utilities across the country, authorized returns in Colorado, and the Company's earned return since 2009. It illustrates that not only have Public Service's authorized ROEs for the Gas Utility been well below national averages since 2018, Public Service's earned ROEs have been staggeringly lower than Colorado or national authorized ROEs for well over a decade – especially outside of years when the Company has been able to implement a base rate increase.

Figure SPB-D-1

Comparison of Public Service Earned ROEs to Authorized and Average ROEs[27]



In short, Public Service is not only continuing to suffer the impacts of regulatory lag and incomplete cost recovery, but is also experiencing a material revenue deficiency in 2023 and beyond, as described in more detail later in my Direct Testimony. Continuing to set base rates using an HTY with the expiration of the PSIA and the increased need for resources to actively participate in more frequent and complex regulatory proceedings – while also transforming our approach to planning – will stress the gap between earned and authorized returns even further. The result is likely to be more frequent, rather than less frequent, base rate cases.

[27] *See* Direct Testimony of Company witness Ms. Ann Bulkley at Figure AEB-D-2, with Public Service's earned ROEs added here.

Q. WHAT TEST YEAR IS THE COMPANY PROPOSING IN THIS CASE?

A. Despite our concerns with backward-looking ratemaking, to simplify the test year debate in this case the Company is proposing a 2023 Test Year that reflects rate base using a year-end convention for the period ended December 31, 2023. Plant balances are based on actual plant additions through September 30, 2023 plus forecasted additions through December 31, 2023. Likewise, the sales forecast and capital structure are based on actual results through September 30, 2023 plus forecasted amounts through December 31, 2023. O&M expense is based on actual O&M expenses for the 12 months ended September 30, 2023, with certain known and measurable adjustments.

The Test Year revenue requirement is calculated based on an overall WACC of 7.50 percent. Company witness Ms. Ann E. Bulkley supports the Company's requested ROE within a reasonable range and capital structure, while Company witness Mr. Johnson supports the Company's WACC, including the components thereof. Various Public Service witnesses support the O&M, sales revenue, and capital additions that result in the Test Year cost of service, and Mr. Arthur P. Freitas provides more detail regarding the development of the Test Year revenue requirement.

Q. IS THE COMPANY ALSO PROVIDING AN INFORMATIONAL HTY?

A. Yes. For informational purposes, and as required by Commission Rule 4109(f)(I)(A), the Company is also providing an informational historical test year (the "Informational Historical Test Year" or "2023 IHTY") cost of service for the 12 months ended September 30, 2023.[28] The IHTY includes actual capital, O&M, revenue, and capital structure data through September 30, 2023, along with certain known and measurable adjustments. Company witness Mr. Freitas provides and describes in detail the 2023 IHTY in his Direct Testimony.

Q. CAN YOU FURTHER EXPLAIN WHY PUBLIC SERVICE IS PROPOSING A 2023 TEST YEAR FOR A CASE FILED IN 2024?

A. Yes. Although, as discussed above, HTYs inherently cause regulatory lag that impacts utilities' financial strength, Public Service is proposing a 2023 Test Year, based primarily on historical data, to simplify this proceeding and in light of specific changes that are forthcoming in the Commission's gas planning dockets. Specifically, Public Service's CHP is pending before the Commission, and the Initial GIP is nearing conclusion. In addition, the Colorado Energy Office must contract with a third party on or before July 1, 2024 to conduct a Gas Investment Asset Depreciation Study consistent with Senate Bill 23-291, and thereafter submit the completed report to the Commission for evaluation and further direction on changes to rules or depreciation schedules. Resolution of these and other proceedings, including the extent to which non-traditional investments and expenses, like NPAs, can be recovered via Clean Heat Plans or other cost recovery mechanisms, will provide new guidance on future capital planning and investment for the gas utility. Even the Commission's recent deliberations on the Company's Initial GIP provide insight regarding Commission expectations on

[28] "The utility shall include in its base rate tariff filing: (A) a cost of service study that calculates the utility's base rate revenue requirement for a twelve-month period concluding no later than six months prior to the date of the utility's base rate tariff filing."

future planning and investment that is complex and was not known at the time the Company was undertaking the investments at issue in the 2023 Test Year.

As discussed earlier, the Company had hoped to avoid filing a rate case while these other proceedings were pending, which was the driver of the proposal in our last rate case to authorize capital steps. Given the financial necessity of this case, coupled with a continued desire to allow these parallel proceedings to inform a more robust recovery proposal in rate cases, we are seeking to simplify this proceeding by using a test year consistent with recent Commission decisions in other Phase I and Combined gas rate cases. The Commission adopted a 2021 HTY in Public Service's 2022 Combined Gas Rate Case, with year-end rate base, and an HTY comprised of the 12 months ended September 30, 2019 in the Company's 2020 Combined Gas Rate Case. Accordingly, Public Service's proposed 2023 Test Year with year-end rate base is consistent with recent Commission decisions.

Q. WHY IS PUBLIC SERVICE FOCUSING ON ONLY A PHASE I RATE PROCEEDING AT THIS TIME?

A. The outcome of these same proceedings, including the Clean Heat Plan, and the level of customer adoption of alternative measures such as electrification, could influence the Company's, Intervenors', and the Commission's perspectives on rate design. Consequently, at this time, it would be premature to specify when a follow-on Phase II gas rate case would be filed by the Company. Additionally, once the future of gas planning and the Commission's direction are more clearly established, the Company intends to reengage on more forward-looking ratemaking that aligns with forward-looking planning, and to consolidate the ratemaking process via combined Phase I and Phase II proceedings where possible.

Q. DOES THE COMPANY'S APPROACH TO THIS CASE MEAN PUBLIC SERVICE BELIEVES HISTORICAL COST RECOVERY IS EQUIVALENT TO OR BETTER THAN FORWARD-LOOKING COST RECOVERY?

A. No. Public Service strongly believes that evaluating our costs of providing safe, increasingly clean, reliable, and affordable natural gas service not only includes consideration of capital invested and costs incurred since the Company's last rate case, but also of the activities and costs incurred during the rate effective period (i.e., the period from the effective date of rates established in the current rate case until the Company's next rate case). A more forward-looking approach better aligns cost reviews and cost recovery with forward-looking planning across the various dockets before the Commission, would reduce the number of cases filed (which reduces rate case expenses and makes rates more predictable), increases efficiency that enables the Commission and others to focus on more pressing policy issues, and allows the Commission to evaluate cost recovery prudence on a more forward-looking basis (reducing after the fact prudence reviews). It also enables the Company to adjust investments and budgets based on Commission feedback before investments are made. Simply put, forward-looking cost recovery would best align the above proceedings and studies and would give the best picture of the costs associated with planned investment. While we have focused on historical data in this case to simplify the proceeding as described above, Public Service continues to seek meaningful solutions to these concerns.

Q. DOES PUBLIC SERVICE FORESEE FORWARD-LOOKING COST RECOVERY BEING NECESSARY TO ITS FUTURE?

A. Yes. For example, Mr. Martz discusses the need for a recovery framework for NPA's in the near term, which the Company has requested in the CHP. In addition, with respect to Public Service's GIPs, the Company will need to seek cost recovery for Commission-approved investments through future rate cases. Public Service believes that at such time the Commission should seriously consider more current cost recovery. The GIPs, which are forward-looking plans, need to be supported by forward-looking cost recovery and ratemaking policy that enables the gas infrastructure activities contemplated therein.

Additionally, gas utilities are facing increasing risk year over year, and Public Service is no exception. Business and regulatory risk, combined with pressure on utility credit metrics, create concern about the Company's future ability to access capital at attractive rates – particularly in volatile situations like a pandemic, recession, or extraordinary weather event.[29] Forward-looking cost recovery helps mitigate that risk.

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[29] For example, the Company incurred the costs of gas associated with Winter Storm Uri in early 2021, but will not complete cost recovery until early 2025 and is not recovering carrying costs in the interim.

Q. SINCE THE COMPANY IS NOT SEEKING TO DECREASE REGULATORY LAG IN THIS PROCEEDING THROUGH FORWARD LOOKING COST RECOVERY, WHAT CAN THE COMMISSION DO TO AUTHORIZE SUPPORTIVE RECOVERY SIMILAR TO SOME OF THE OTHER JURISDICTIONS MENTIONED ABOVE?

A. Based on the Company's proposed test year, there will be ten months of lag embedded in rates by the time they are effective simply due to the time between filing the case and the proposed rate effective date of November 1, 2024. This will likely ensure the Company will not earn whatever return is authorized in this proceeding in 2024. While the Company makes this proposal to reflect the current regulatory environment as I discussed above, we also request that the Commission authorize a year-end rate base methodology to limit regulatory lag and approve the Company's proposed ROE to move to a more supportive recovery framework. As discussed in more detail by Mr. Martz, it is critical the Commission consider an NPA cost recovery mechanism such as the one proposed in the Company's CHP. The Company also proposes a Revenue Stability Mechanism, as mentioned above and described later in my Direct Testimony, to help moderate the effects of conservation and electrification on the gas utility. Approving these requests would better align Public Service's recovery with other utilities facing similar planning and decarbonization goals and help ensure the healthy financial position needed to continue to attract the capital required to execute on the state's environmental policy goals.

Q. PLEASE ELABORATE ON THE NEED FOR AN NPA COST RECOVERY MECHANISM.

A. The Company is taking planning steps to incorporate NPAs and build NPA portfolios, as I discussed earlier, and we need a current recovery mechanism and pathway prior to embarking on this endeavor in order to fund NPA efforts and work as it occurs. This is particularly acute for the forthcoming Mountain Energy Project as we look to avoid traditional pipeline investments. We appreciate the Commission's acknowledgement of this cost recovery need during its GIP deliberations and look forward to implementation of such a mechanism through the CHP or other appropriate proceeding.

Q. HOW DOES THE COMPANY'S REVENUE STABILITY MECHANISM FIT INTO THIS OVERALL CASE APPROACH?

A. The Revenue Stability Mechanism, or RSM, is intended to support the Company's financial health while removing any barriers to the gas utility promoting electrification and/or conservation. Put differently, the mechanism supports Public Service's ongoing efforts to promote conservation and electrification, as well as overall clean heat planning and leadership, by helping ensure such efforts do not interfere with the financial integrity of the gas utility during transition periods. I introduce the policy support for this mechanism in more detail later in my Direct Testimony, and Company witness Ronald Amen supports the mechanics of the mechanism as well as support for similar mechanisms across the country. Company witness Jason Peuquet supports the associated tariff.

Q. IN ADDITION TO PROPOSING A SINGLE TEST YEAR BASED ON HISTORICAL RESULTS, IS THE COMPANY TAKING OTHER STEPS TO MODERATE THE IMPACT OF ITS RATE REQUEST ON CUSTOMERS?

Yes, several. First, the Company has reduced its requested capital structure and selected an ROE at the low end of Ms. Bulkley's recommended range. Second, we are proposing a one-way capital true-up, by which we would update capital investment in the test year – but only if actual results are *lower* than Public Service's capital forecast for the last three months of the year. Third, we are proposing to defer the implementation of rates from this proceeding on customer bills until the Extraordinary Gas Cost Recovery Rider ("EGCRR"), which is currently recovering the costs approved by the Commission associated with Winter Storm Uri, expires on February 14, 2025. Finally, while we have identified accelerated depreciation proposals to reflect the direction of the gas system consistent with the Commission's past interest, we have limited the acceleration of depreciation in this proceeding to further moderate the rate impact to customers. I support each of these proposals in more detail in Section III.C of my Direct Testimony.

Q. WHAT DO YOU CONCLUDE REGARDING THE COMPANY'S OVERALL APPROACH TO RATEMAKING IN THIS CASE AND IN THE CONTEXT OF ONGOING GAS POLICY DEVELOPMENT?

A. The Company's test year selection, approach to supporting the underlying investments, and approach to this rate case overall are thoughtfully aligned with past Commission decisions and policy direction, as well as thoughtful consideration of the overall impacts on customers. I walk through the components of the current revenue requirement and rate moderation proposals in the next sections of my Direct Testimony.

B. Drivers of This Rate Case

Q. WHAT IS THE COMPANY'S OVERALL REVENUE REQUIREMENT AND REVENUE DEFICIENCY REQUEST IN THIS CASE?

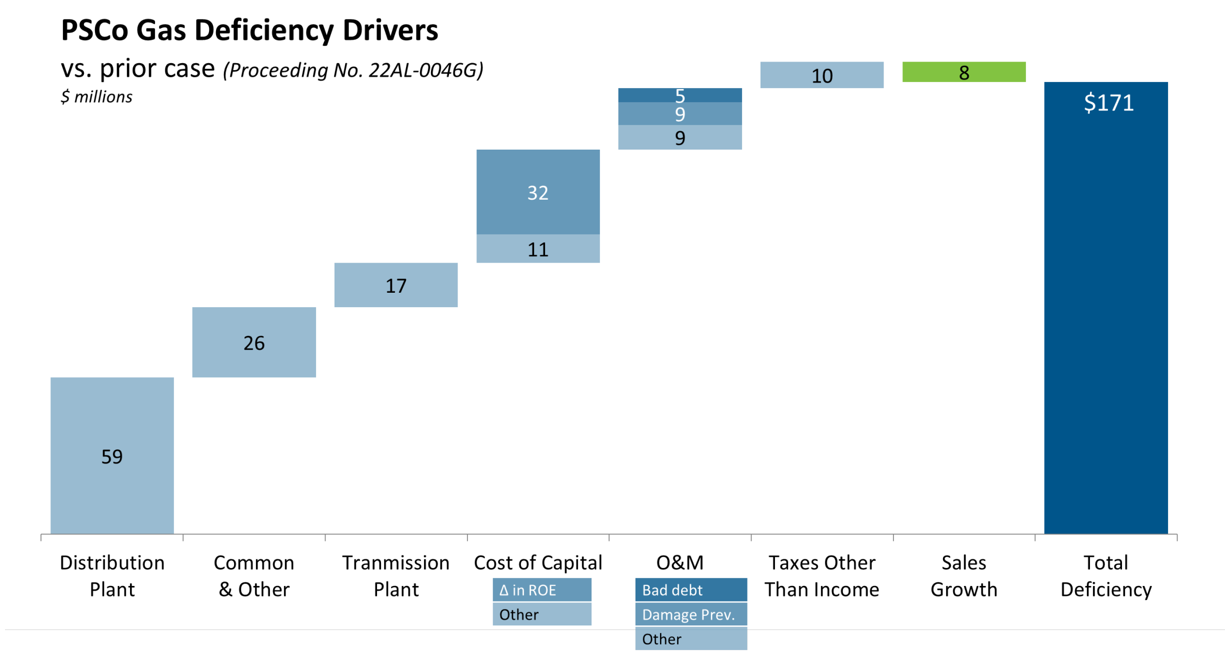
A. Based on our 2023 Test Year, we are experiencing a net base rate revenue deficiency of approximately $170.7 million compared to the revenue requirement from our 2021 HTY, not including the transfer of certain costs currently recovered through the GRSA-P[30] to base rates. This deficiency derives largely from distribution and transmission plant investments, particularly as the PSIA rider was closed to new investment as of December 31, 2021, with only 2022 PSIA costs permitted to be included in a separate PSIA deferral mechanism. The Company therefore no longer has current cost recovery of the largest category of capital investment in our gas system.

[30] "GRSA-P" refers to the General Rate Schedule Adjustment – Pipeline System Integrity Adjustment.

Q. PLEASE PROVIDE MORE INFORMATION REGARDING THE SPECIFIC DRIVERS OF THIS RATE CASE FILING.

A. Figure SPB-D-2 below provides a pictorial overview of the drivers of this case, with the largest driver being distribution plant investment.

Figure SPB-D-2
Base Rate Deficiency Drivers
2022 Combined Rate Case to Proposed Revenue Change



As Company witness Mr. Gardner describes in detail, much of this case pertains to fundamental capital investments to maintain a safe, reliable, and sound natural gas system that continues to provide heat to our customers' homes and businesses on the coldest days of the year. These projects include mandatory relocations, new customer connections, capacity expansion, and system safety and integrity investment. Company witness Ms. Gilliland provides the framework within which the Company makes these gas operations investments in the system, and also supports the Gas Operations O&M costs, mainly for the higher costs of Damage Prevention and labor, that contribute to the overall case. Additionally, Company witnesses Ms. Scheller and Mr. Dietenberger support the investments in common assets, such as Information Technology, fleet, and service centers and facilities, that are necessary to keep the utility current and functional, along with O&M expenses incurred in their respective areas. Finally, Company witness Ms. Leah Lovely supports the tax components of the Company's cost of service. Company witness Mr. Freitas presents the overall cost of service.

Q. IS THE SIZE OF THIS CASE READILY COMPARABLE TO PUBLIC SERVICE'S BASE RATE INCREASES FOR TEST YEARS WHEN THE PSIA RIDER OR DEFERRAL WERE IN EFFECT?

A. No. In prior gas rate cases over the last decade, the Company has been able to recover a sizeable portion of its system safety and integrity investments, as mandated by PHMSA, through the PSIA. With no PSIA deferral available for new investments after 2022, the Company's only cost recovery option is now base rates. Accordingly, Public Service's net base rate request for the 2023 Test Year is not comparable to base rates exclusive of the PSIA as established in prior cases.

Q. WHAT IS PUBLIC SERVICE'S REQUESTED WEIGHTED AVERAGE COST OF CAPITAL IN THIS CASE?

A. Company witnesses Mr. Johnson and Ms. Bulkley explain what is required for Public Service to obtain a cost of capital that is reasonable in today's competitive environment and consistent with Public Service's own credit metrics and risks. Notably, Public Service is proposing a target authorized capital structure that is lower than its past actual capital structure and lower than it is has requested in recent cases. Further, despite Ms. Bulkley's range of potential ROEs being 10.25 to 11.25 percent and Public Service's heightened risk factors, Public Service has included in the requested WACC an ROE within the low end of this range to help moderate rate increases in this case.[31]

Q. CAN YOU PROVIDE INFORMATION ABOUT HOW STATE UTILITY COMMISSIONS ARE ADDRESSING THE RISK ASSOCIATED WITH OPERATING A GAS UTILITY IN TODAY'S REGULATORY ENVIRONMENT?

A. Yes. As discussed by Company witnesses Ms. Bulkley and Mr. Johnson, the risk environment for gas utilities and for Public Service particularly has increased substantially. As more commissions move to reduce natural gas usage and reduce investments, this increases the financial risks associated with operating a gas utility. This is occurring at the same time that events like Winter Storm Uri – and the associated cost recovery reductions and mechanisms – and wildfire risks are driving up the costs and risks associated with providing natural gas service. In this same timeframe, Public Service no longer has access to rider recovery for key safety and integrity investments that are still mandated by the federal government.

Further, Ms. Bulkley explains that the market is driving investors' expected return on utility investments higher as interest rates have increased, risk has increased, and inflation has not gone away. All of these factors drive the Company's need for a rate of return on equity, equity ratio, and overall WACC that

[31] This approach is taken in the total context of the Company's proposals and would likely be different if the Commission were to adopt changes that weaken overall credit risk.

support a financially healthy gas utility and enable it to raise capital, devote sufficient resources to gas investments for the safety and service of the public, and maintain a strong presence in the communities it serves.

State utility commissions in other progressive states are acknowledging the financial risks faced by gas utilities and the need to design cost of capital items to ensure financial stability so that gas utilities can continue to provide safe and reliable service. For example, the NYPSC, in several recent rate cases, has noted the current financial market conditions, including rising interest and inflation rates, as a basis for establishing more favorable cost of capital terms, including a higher ROE.[32] Indeed, NYPSC has found that these "changing financial market conditions are putting upward pressure on ROEs."[33] Accordingly, NYPSC has approved higher ROEs for the purpose of allowing gas utilities to accomplish certain goals, including achieving financial stability,[34] preserving the utility's credit ratings,[35] and attracting adequate capital to fund anticipated investments, thereby ensuring the continued provision of safe and reliable service.[36]

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[32] *Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Consolidated Edison Company of New York, Inc. for Gas Service* ("*Con Edison Rate Case*"), No. 22-G-0065, Order Adopting Terms of Joint Proposal and Establishing Electric and Gas Rate Plans With Additional Requirements ("Con Edison Order"), 72-73, 80 (NYPSC July 20, 2023) (finding the joint proposal's 9.25 percent ROE to be reasonable); *Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Corning Natural Gas Corporation for Gas Service*, No. 21-G-0394, Order Adopting Terms of Joint Proposal, Establishing Rate Plan and Approving Merger ("Corning Order"), 28 (NYPSC June 16, 2022) (finding the joint proposal's 9.25 percent ROE to be reasonable).
[33] Con Edison Order at 78.
[34] Corning Order at 30.
[35] *Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Orange and Rockland Utilities, Inc. for Gas Service*, No. 21-G-0073, Order Adopting Terms of Joint Proposal and Establishing Electric and Gas Rate Plans, With Additional Requirements, 45 (NYPSC April 14, 2022).
[36] Con Edison Order at 80.

Similarly, in the California PUC's Cost of Capital proceeding, the commission attempted to set the ROE for each California utility "at a level of return commensurate with market returns on investments having corresponding risks and adequate to enable a utility to attract investors to finance the replacement and expansion of a utility's facilities to fulfill its public utility service obligation."[37] For each California utility, the California PUC adopted the following test year 2023 ROEs: PG&E (10.00 percent), SCE (10.05 percent), SoCalGas (9.80 percent), and SDG&E (9.95 percent).[38]

Even with these acknowledgments, low ROEs have negative effects on gas utilities. Con Edison, whose ROEs have ranged from 8.80 percent to 9.20 percent from 2016 to 2020,[39] provides an example of how lower ROEs can negatively affect a utility from an investment perspective. Con Edison has a weaker cash flow profile as a direct result of the continued low ROE and equity ratios in its recent rate plans.[40] In turn, Con Edison's credit ratings have declined due to its weak cash flow.[41] Additionally, the risk that Con Edison will not be able to earn its cost of capital has already made it less attractive to both equity and debt investors, with equity investors historically giving Con Edison a lower valuation than its peer groups.[42]

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[37] *Application of Pacific Gas and Electric Company for Authority to Establish Its Authorized Cost of Capital for Utility Operations for 2023 and to Reset the Cost of Capital Adjustment Mechanism (U39M)*, No. A.22-04-008, Decision 22-12-031, 15 (CPUC Dec. 15, 2022).
[38] Decision 22-12-031 at 35-39.
[39] *Con Edison Rate Case*, No. 22-G-0065, Direct Testimony of Yukari Saegusa ("Saegusa Direct Testimony"), 26 (NYPSC Jan. 28, 2022).
[40] Saegusa Direct Testimony at 22.
[41] Saegusa Direct Testimony at 26.
[42] Saegusa Direct Testimony at 19-20.

Q. IN YOUR VIEW, HOW SHOULD THE COMMISSION APPROACH SETTING THE WACC AND COMPONENTS OF THE WACC IN THIS CASE?

A. As Company witness Mr. Johnson describes, the Company needs a specific ROE in order to calculate a revenue requirement, and the authorized equity ratio serves as a target for debt and equity issuances. Further, to date, the Company has found that data points for the WACC make settlement negotiations more feasible, as all parties have clarity regarding the outcomes they are discussing. Therefore, the Company asks the Commission to establish an ROE and capital structure just as it establishes a revenue requirement with other components that are individually identifiable. The Company makes this request not to achieve false precision, but to receive clear direction for the utility and investors. This request is focused on setting forth reasonable data points that are definitive, ascertainable, and consistent with the approach of other utility commissions across the country.

Should the Commission nonetheless decide to instead adopt an overall WACC and ranges for certain components of it, Public Service requests that the Commission approve the Company's overall WACC and an ROE range that aligns with Company witness Ms. Bulkley's recommended range.

Q. WHAT IS THE OVERALL CUSTOMER IMPACT OF THE COMPANY'S BASE RATE REVENUE REQUESTS IN THIS CASE?

A. As shown on Attachment SPB-2, the Company's requested change in base rate revenue would result in a 11.7 percent increase on a total retail revenue basis, and a net increase of 21.5 percent on a total base rate revenue basis.

Q. HAS THE COMPANY ANALYZED THE SPECIFIC EFFECT OF ITS PROPOSED RATE INCREASE BY CLASS?

A. Yes. Table SPB-D-2 and Attachment SPB-2 shows the average monthly bill impacts of the Company's requests by rate class, comparing the Company's proposed rates to the currently effective rates, without any deferral of rate implementation:

TABLE SPB-D-2
Average Monthly Bill Impacts with GRSA Implementation February 29, 2024

	Current Bill	Bill with GRSA & No Deferral Proposal	Average Monthly Change ($)	Average Monthly Change (%)
Residential (RG)	$62.43	$68.38	$5.94	9.52%
Small Commercial (CSG)	$268.94	$291.68	$22.74	8.46%
Large Commercial (CLG)	$4,910.19	$5,389.34	$479.15	9.76%
Interruptible Gas (IG)	$21,647.71	$22,857.60	$1,209.89	5.59%
Small Firm Transportation (TFS)	$803.24	$906.04	$102.80	12.80%
Large Firm Transportation (TFL)	$8,034.25	$8,995.66	$961.41	11.97%
Interruptible Transportation (TI)	$46,094.58	$49,915.12	$3,820.54	8.29%

Q. WHAT IS THE COMPANY'S PROPOSED GRSA METHODOLOGY?

A. In this proceeding, the Company is proposing to exclude Service and Facility Charge ("S&F Charge") revenue from the GRSA, and have it be only applied to the volumetric charge revenue (if applicable). While this is a deviation from prior practice, neither methodology relies on a Class Cost of Service Study that determines which costs should be included in the various base rates by Customer Class. This will come at a later date in a Phase II rate case, when all base rates are examined. The GRSA is an interim solution between Phase II rate cases to collect the Phase I approved deficiency. Over the last decade, Usage Charges for the Residential Class, which is the largest customer class by total base rate revenues, have grown at a much higher rate than the S&F Charge. This fact supports the assumption that the majority of the revenue deficiency would be allocated to the Usage Charge rather than the S&F Charge in the next Phase II case. Additionally, collecting the deficiency through volumetric charges creates a price signal to encourage conservation and/or DSM solutions. This proposal also aligns with the Company's proposed Revenue Stability Mechanism, which would true-up revenue responsibility for the RG and CSG customer classes based on changes in sales. Under the Company's proposed rate implementation (discussed in more detail in the next section of my testimony), this new GRSA will not be implemented until February 15, 2025. Company witness Jason J. Peuquet supports the associated tariff with the GRSA rates.

Q. WILL PUBLIC SERVICE'S NATURAL GAS RATES REMAIN LOW?

A. Yes. Our Residential natural gas rates are among the lowest in the nation. Even with the increases the Company seeks in this case, Public Service's Residential rates will remain low compared to comparable utilities across the nation, as demonstrated by Mr. Peuquet in his Direct Testimony.

Q. WHAT DO YOU CONCLUDE REGARDING THE COMPANY'S RATE RELIEF REQUEST?

A. The Company's base rate request is carefully tailored to the investments it has made on behalf of customers, with a requested WACC return that aligns with the Company's level of risk, as well as other gas utilities' authorized returns. For these reasons, the Company's proposals result in overall just and reasonable rates, and should be approved by the Commission.

C. Rate Moderation Proposals

Q. WHAT IS THE PURPOSE OF THIS SECTION OF YOUR DIRECT TESTIMONY?

A. In this section of my Direct Testimony, I provide more detail regarding each of the specific rate moderation proposals I introduced earlier in my testimony: a reduced capital structure and ROE at the low end of the appropriate range; a one-way capital true-up during the course of this case; and a mechanism to defer implementation of rates on customer bills until the EGCRR collection ends. The next section of my Direct Testimony then addresses the Company's approach to depreciation, and the accompanying rate moderation impacts, in this case.

Q. PLEASE EXPLAIN THE COMPANY'S APPROACH TO ITS ROE AND CAPITAL STRUCTURE REQUESTS IN THIS PROCEEDING.

A. As I noted earlier in my Direct Testimony, the Company has taken steps to reduce its actual equity ratio as of December 31, 2023 to 55.0 percent, to align with the

Commission's goal, identified in past gas rate cases, of reducing the Company's equity ratio gradually over time. Public Service also requests an ROE that, while more in line with authorized ROEs across the country and the results of current economic models and Company risks, is at the bottom of the acceptable range (approximately 10.25 percent within a range of 10.25 to 11.25 percent). Again, the Company is seeking to keep this rate request reasonably simple while also seeking Commission support to protect the financial health of the utility.

Q. PLEASE DISCUSS THE COMPANY'S PROPOSAL FOR A ONE-WAY CAPITAL TRUE-UP.

A. Assuming intervening parties are interested, the Company proposes to update its cost of service model via discovery in this case, to true-up forecasted capital additions to actuals for the last three months of the filed 2023 Test Year. Public Service anticipates being able to provide this information to Intervenors through discovery by March 31, 2024. The Company is also offering to incorporate any change in rate base flowing from the true-up in its rebuttal cost of service, and to do so only if the result is a decrease in the 2023 Test Year revenue deficiency. This proposal, if accepted, would not only provide a customer protection and potential reduction in the revenue deficiency, but also ground the testimony in actual data through the end of the test year while limiting forecasting to discrete known and measurable adjustments.

Q. WHY IS THE COMPANY PROPOSING A REVENUE DEFERRAL MECHANISM?

A. The Company strives to create stable bills for our customers. While a base rate increase is necessary for all the reasons discussed earlier in my testimony, we identified an opportunity to implement that increase in a way that promotes bill stability. Without this rate implementation proposal, customers would experience increasing bills during the peak of the 2024-2025 winter for three and a half months, and then a significant bill reduction shortly thereafter. This rate implementation represents an opportunity to maintain stability in customer bills, similar to Company and Commission efforts with respect to the fuel portion of customer bills through approval of the Gas Price Risk Mitigation Plan, Gas Price Volatility Mitigation Plans, and potential rule makings related to Senate Bill 23-291.

Q. HOW WILL THE DEFERRAL WORK?

A. The Company proposes to essentially maintain the status quo from the customer bill perspective through February 14, 2025, by creating a regulatory asset to defer recovery of its approved revenue increase for the period beginning November 1, 2024 (the Company's proposed rate-effective date in this case) and ending February 14, 2025. While Mr. Peuquet addresses the mechanics of this proposal in more detail, along with presentation of the supporting tariff, generally, the Company would make a compliance advice letter filing prior to November 1, 2024 to make the decisions from this rate case effective on November 1, but would not begin collecting base rate increases at that time, and would therefore not at that time change the GRSA in the tariff. Then, on February 15, 2025 a number of rate changes would occur. First, the EGCRR that customers are paying today would no longer be on bills, as contemplated in the tariff governing that surcharge. Second, the rates approved by the Commission in this proceeding would be implemented on customer bills, and the GRSA tariff change would become effective. Finally, the Company would implement a separate Revenue Deferral Surcharge ("RDS") tariff to recover the incremental revenue deferred from November 1, 2024 through February 14, 2025 over a 12-month period, as outlined in that proposed tariff attached to the testimony of Mr. Peuquet.

If the Commission approves this plan, Public Service would utilize actual billing determinants and the final rates approved in this proceeding to calculate the deferral. The final actual calculation would not be complete for implementation on February 15, 2025, but the Company would initiate the RDS based on its best estimate of the deferral. The Company then proposes to true up any difference in that estimate and the actual deferred revenue first through a mid-period adjustment to the RDS rates after six months of implementation if actual collections are outside a +/- 20 percent deviation from forecast, and ultimately a final true-up through the Gas Cost Adjustment ("GCA") following the completion of the RDS period. Mr. Peuquet further supports both this proposal and the RDS tariff that would establish this timeline in his Direct Testimony.

Q. WILL THE COMPANY APPLY INTEREST TO THE DEFERRED INCREMENTAL REVENUE?

A. Yes. The Company proposes to accrue interest on the deferred balance at the after tax WACC, to account for the fact that this is revenue due to the Company and will not be collected from customers until after it is earned. The WACC best reflects the time value of money to the Company during this period. Interest will be applied monthly as the deferral both builds and is amortized off. Under the Company's forecast based on the request in this proceeding and collection of the deferred revenue over 12 months, there would be approximately $3.3 million of interest collected.

Q. WHY IS AN INTEREST RATE AT WACC APPROPRIATE?

A. The investments and costs that make up the Company's revenue deficiency in this case have already been made and incurred. If rates were implemented in November 2024 rather than February 2025, the Company could immediately begin recovering the costs of investments the Company has already made. Further, the Company's WACC represents the actual cost of financing the overall business. During the lag period between the rate effective date and the rate implementation date, Public Service will continue to need this WACC recovery to fund ongoing investments and operations. For the time period when the Company has already incurred costs and not collected the associate revenue, this is a true cost to the Company that is compensated by a WACC return on the regulatory asset.

Q. IS THERE PRECEDENT FOR ESTABLISHING A REGULATORY ASSET FOR DELAYED RECOVERY RELATED TO INCREMENTAL REVENUES?

A. Yes. In Proceeding No. 20AL-0049G, which was a Public Service Gas Rate Case, the Commission approved an unopposed and comprehensive settlement agreement that included a provision to defer rate implementation to a future period and resulted in a RDS mechanism. The Company has modeled this proposal after that outcome, which intervening parties supported and, we believe, served customers well during the height of the COVID-19 pandemic.

Q. ARE THERE BOTH SIMILARITIES AND DIFFERENCES BETWEEN WHAT THE COMPANY IS PROPOSING HERE AND PROCEEDING NO. 20AL-0049G?

A. Yes. The tariff sponsored by Mr. Peuquet is very similar to the previous RDS tariff used to implement rates in Proceeding No. 20AL-0049G. The primary differences in this proposal are related to the recovery period and carrying charges. In Proceeding No. 20AL-0049G the RDS mechanism provided a rate mitigation due to the extraordinary circumstances of that case occurring during the COVID-19 pandemic. Here, the Company proposes a delayed rate implementation for bill stability and in recognition of the timing of the EGCRR expiring in close proximity to the rate effective date in this proceeding. Additionally, the prior RDS mechanism recovered the incremental deferred revenue during shoulder months, while the Company in this case proposes to recover such revenue over a consecutive 12-month period.

Q. HAS THE COMPANY ESTIMATED THE AMOUNT OF BASE RATE REVENUE THAT WOULD BE POSTPONED FOR LATER RECOVERY UNDER THE COMPANY'S ALTERNATIVE RATE IMPLEMENTATION PROPOSAL?

A. Yes. For illustrative purposes, the Company has estimated the deferred incremental base rate revenue by customer class for the period of November 1, 2024 (the requested rate effective date in this case, after suspension) through February 14, 2025, by using the weather-normalized billing determinants in the 2023 Test Year that are sponsored by Company witness Mr. Goodenough for this time period as a proxy for the comparable period, and multiplying them by the respective rates by rate schedule inclusive of the proposed GRSA in this proceeding. Table SPB-D-3 below summarizes the estimated incremental revenue the Company would be deferring, by customer class.

TABLE SPB-D-3:
Estimated Incremental Deferred Revenue
November 1, 2024 through February 14, 2025

Customer Class	Incremental Revenue ($)
Residential Sales	$46,983,254
Small Commercial Sales	$12,826,863
Large Commercial Sales	$2,062,802
Interruptible Sales	$61,135
Small Firm Transportation	$2,731,947
Large Firm Transportation	$6,739,009
Interruptible Transportation	$2,385,015
Total	$73,790,026

Q. IS THIS THE EXACT AMOUNT OF INCREMENTAL BASE RATE REVENUE THAT THE COMPANY WOULD POSTPONE COLLECTING?

A. No. As I described previously, the Company proposes to use actual billing determinants for the period of November 1, 2024 (the Company's requested rate effective date) through February 14, 2025, which will not match the proxy billing determinants from the Test Year months exactly. Therefore, even if the Commission approved all of the Company's requests in this case, the total deferred incremental revenue amount could be higher or lower.

Q. HOW DOES THE COMPANY ESTIMATE THAT THIS PROPOSAL WOULD IMPACT CUSTOMER BILLS?

A. First, from November 1, 2024 through February 14, 2025, there would be no impact to customer bills related to the base rate changes in this proceeding. Beginning on February 15, 2025, a typical residential customer's bill would increase by 7.4

percent per month and then decrease 4.9 percent on February 16, 2025 as collection of EGCRR costs ends, leaving a net impact from this rate implementation of 2.5 percent. Table SPB-D-4 below illustrates the impact of the proposal on customer bills by class.

TABLE SPB-D-4
Average Monthly Bill Impacts Under the Company's Deferral Proposal

	Current Bill	Average Monthly Change (%)	Bill With Deferral Proposal*	Average Monthly Change (%)	Bill With Deferral Proposal**	Average Monthly Change (%)
	November 1, 2024		February 15, 2025		February 15, 2026	
Residential (RG)	$62.43	0%	$67.07	7.44%	$64.02	2.54%
Small Commercial (CSG)	$268.94	0%	$281.69	4.74%	$270.57	0.61%
Large Commercial (CLG)	$4,910.19	0%	$5,089.80	3.66%	$4,925.44	0.31%
Interruptible Gas (IG)	$21,647.71	0%	$20,678.71	-4.48%	$20,222.46	-6.58%
Small Firm Transportation (TFS)	$803.24	0%	$948.40	18.07%	$906.04	12.80%
Large Firm Transportation (TFL)	$8,034.25	0%	$9,310.29	15.88%	$8,995.66	11.97%
Interruptible Transportation (TI)	$46,094.58	0%	$51,168.74	11.01%	$49,915.12	8.29%

Notes: EGCRR concludes on February 14, 2025 through Decision No. C22-0413 issued in Proceeding No. 21A-0192EG. Deferred revenue collection concludes on February 14, 2026, with any true-up to be included for recovery as part of the Q2 GCA deferred gas cost.

Q. WHY DOES THE COMPANY PROPOSE TO USE ACTUAL BILLING DETERMINANTS?

A. The purpose of this alternative rate implementation proposal is to delay the implementation of new base rates from the customer perspective, and collect, at a later date, the incremental revenue with interest the Company would have collected had base rates changed November 1, 2024, as the Company proposes. The Company proposes to collect no more and no less than the incremental amount it otherwise would have billed during the period from the rate effective date through the February 14, 2025 rate implementation date with interest.

Q. PLEASE DISCUSS THE PROPOSED TRUE-UP OF THIS REVENUE COLLECTION AFTER EXPIRATION OF THE RDS MECHANISM.

A. The Company proposes to true-up these billings to ensure that the approved incremental revenue with interest by customer class is collected (again, no more or no less). The Company proposes to true-up any difference in that estimate and the actual deferred revenue first through a mid-period adjustment to the RDS rates after six months of implementation if actual collections are outside a +/- 20 percent deviation from forecast, and ultimately a final true-up through the GCA following the completion of the RDS period.

Q. IS THE COMPANY'S ALTERNATIVE RATE IMPLEMENTATION PROPOSAL A REASONABLE CONSIDERATION GIVEN THE CIRCUMSTANCES?

A. Yes. This alternative rate implementation proposal promotes customer bill stability in recognition of the timing of when rates from this proceeding will be effective and the end of the EGCRR three and half months later. The Company would not benefit financially from this proposal, but will be kept whole by the application of the carrying charge. Without this alternative rate implementation customers would experience more volatile bills over the winter of 2024 – 2025. The Company, the Commission, and other stakeholders have all worked over the past year to put mechanisms in place to reduce bill volatility, particularly in the winter, and this is another opportunity to successfully build on that work.

D. Gas Infrastructure Depreciation

Q. WHAT IS THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY?

A. In this section of my Direct Testimony, I discuss accelerated depreciation policy and the Company's position on that issue for purposes of this case. In particular, in the Company's 2022 Combined Gas Rate Case, the Commission directed Public Service to "file for approval a new depreciation study no later than six months after the conclusion of the Company's first [Clean Heat Plan] proceeding."[43] Because the Company's first CHP is still pending at this time, the time is not yet ripe to revisit the Company's depreciation studies. However, in the same proceeding the Commission directed that the Company should "employ an appropriate methodology, which could be the [Equal Life Group or "ELG"] method, in its next gas rate case filing that is in line with the move toward more accelerated depreciation should the next gas rate case be filed before the post-CHP proceeding study is available."[44] I, along with Company witness Mr. Mark P. Moeller, discuss the Company's approaches to accelerated depreciation in this proceeding.

[43] Decision No. C22-0804 at ¶ 59 in Proceeding No. 22AL-0046G (mailed date Dec. 13, 2022).
[44] Decision No. C22-0804 at ¶ 60 in Proceeding No. 22AL-0046G (mailed date Dec. 13, 2022).

Q. PLEASE DESCRIBE THE COMPANY'S PROPOSALS IN THIS CASE TO ALIGN RATEMAKING FOR GAS CAPITAL INVESTMENTS WITH THE COMMISSION'S INTEREST IN ACCELERATING THE CLEAN ENERGY TRANSITION.

A. In response to Commission directives and our own thinking on potential future changes to the lives of gas infrastructure, the Company has maintained its use of the Equal Life Group ("ELG") approach for distribution, transmission, storage, and extraction gas assets in this case, consistent with the Commission's direction in the Company's 2022 Combined Gas Rate Case.[45] While the Commission did not order any specific depreciation method for purposes of this subsequent case, it directed the Company "generally to employ an appropriate methodology, which could be the ELG method, in its next gas rate case filing that is in line with the move toward more accelerated depreciation should the next gas rate case be filed before the post-[Clean Heat Plan] proceeding study is available."[46] Company witness Mr. Moeller addresses the ELG method in his Direct Testimony.

Q. IS THE COMPANY PROPOSING ANY ADDITIONAL ACCELERATION OF DEPRECIATION IN THIS PROCEEDING OUTSIDE OF CONTINUING THE USE OF ELG?

A. No. As Mr. Moeller describes, the Company does not support any further changes in depreciation lives in this case, as that topic is specifically reserved for the depreciation filing the Company is required to make following conclusion of the

[45] Decision No. C22-0804 at ¶ 55 in Proceeding No. 22AL-0046G (mailed date Dec. 13, 2022).
[46] Decision No. C22-0804 at ¶ 60 in Proceeding No. 22AL-0046G (mailed date Dec. 13, 2002).

Company's currently pending CHP. The Commission emphasized in our prior rate case that a move toward ELG, which the Company has now adopted as the standard methodology for transmission, distribution, production, storage, and extraction assets going forward, resulted in approximately $16 million of additional depreciation on an annual basis from Average Life Group ("ALG") method historically applied to these gas assets.[47] We believe this continues to be a reasonable approach and, given the timing requirements of a full depreciation study, no additional acceleration is necessary at this time. We note further that any additional acceleration of depreciation would merely increase the revenue deficiency in this case without efficiently improving the Company's credit metrics or cash flows.

However, given state emissions reduction goals and the potential effects of these goals on gas infrastructure, we also recognize the Commission may desire to more aggressively accelerate depreciation. In that event, we would urge any additional acceleration of depreciation advanced by the Commission to be on a contained basis, taking into account the Commission's interest while also balancing the cost impact on customers now and in the future if the Commission were to further accelerate depreciation in the follow-on stand-alone depreciation case we are required to file, as noted above.

[47] Decision No. C22-0804 at ¶ 55 in Proceeding No. 22AL-0046G (mailed date Dec. 13, 2002).

Q. PLEASE DESCRIBE THE COMPANY'S PREFERRED APPROACH IF THE COMMISSION CHOOSES ADDITIONAL ACCELERATION OF DEPRECIATION AT THIS TIME.

A. In that event, we would propose to implement a limited scale acceleration of depreciation cost, by which Public Service would set up a regulatory liability to hold a prescribed amount of accelerated depreciation, with a portion approved to be included in rates in this proceeding. Specifically, the Company would suggest establishing a regulatory liability for no more than $15 million annually and including that in depreciation expense now, as that amount equates to roughly a 1 percent impact on residential bills. The balance of the regulatory liability ultimately would be applied to accumulated depreciation when a full-scale depreciation analysis is performed, presumably when more information is available to inform such an analysis (likely in a separate filing, after adjudication of the Company's initial CHP).

Overall, this path would allow the Commission to further accelerate depreciation pending a complete depreciation study, and provides flexibility in adjusting rates by a reasonable amount now in anticipation of a potential future need to shorten asset lives. The approach also does not require any premature assumptions about what future asset lives will be and can be trued-up in a future study.

Q. PLEASE PROVIDE A SIMPLE EXAMPLE OF THE MECHANICS DESCRIBED ABOVE.

A. Consider a scenario where the Commission orders depreciation to be accelerated by $10 million annually and a full depreciation study evaluating a change in system or acceleration of asset lives occurs in the future such that rates incorporating the study are effective five years later. The regulatory liability balance considered in the depreciation study would be $50 million. During the five years, customers would pay the additional $10 million annually and the balance of the regulatory liability would have the same impact on rate base as accumulated depreciation. When the impact of the new depreciation study is included in rates, it would reflect the best information available at the time (including accounting for the regulatory liability) and this approach would result in a $50 million reduction to net plant over the five years that would not otherwise occur without changing asset lives. The actual removal of the regulatory liability and associated adjustment to accumulated depreciation would occur in a rate case, as would the implementation of any changes resulting from the next depreciation study. In short, this approach offers a path to accelerate a portion of the Company's future depreciation expense, should the Commission wish to do so, with limited customer impacts and neither materially harm nor benefit to the Company.

E. Revenue Stability Mechanism Proposal

Q. IS THE COMPANY PROPOSING ANY OTHER MECHANISMS TO ALIGN COST RECOVERY WITH THE DIRECTION OF NATURAL GAS UTILITY SERVICE IN COLORADO?

A. Yes. As discussed by Company witnesses Mr. Amen and Mr. Peuquet, Public Service requests that the Commission authorize a Residential and Small Commercial RSM as part of this proceeding that applies to rate schedule RG and CSG.[48] This is an important ratemaking policy to consider, as fuel switching and beneficial electrification have been expressly encouraged by state law, and the Company faces a potential financial disincentive associated with conservation and other activities that decrease sales volumes. If approved, the RSM would change how the Company recovers a portion of its costs by removing this financial disincentive while supporting the Company's good work with respect to the clean energy transition. Ultimately, this change will align Public Service's cost recovery mechanisms with Xcel Energy and Colorado conservation policies.

Q. WHY IS THE COMPANY PROPOSING THIS MECHANISM NOW AND HOW DOES IT DIFFER FROM WHAT WAS PROPOSED IN THE LAST GAS RATE CASE?

A. The proposal is described in more detail by Mr. Amen; however, the decoupling proposal here moves away from the revenue per customer model previously proposed and debated in prior cases before the Commission to a total revenues

[48] "Residential" refers to Rate Schedule RG. "Small Commercial" refers to rate schedule CSG.

model. As explained by Mr. Amen, this tracks movement in states that are using decoupling as a ratemaking tool and that also have emissions reduction objectives for gas local distribution companies. Total revenue decoupling is an initial step to position the State in a progressive, thoughtful way from a rate design/ratemaking perspective, as Colorado and other states navigate the evolution of the gas business to meet energy policy goals.

Q. HAS THE COMPANY EVALUATED THE IMPACT OF THE DECOUPLING MECHANISM ON CUSTOMER BILLS?

A. Yes, Mr. Amen provides an analysis of the impact on a typical residential and small commercial customer given both a 10 percent increase and a 10 percent decrease in sales during a winter calendar quarter. The results at the high and low end have approximately +/- 1.5 percent impact on customer bills.

Q. WILL REDUCED GAS VOLUMETRIC SALES FROM ELECTRIFICATION RESULT IN WINDFALL REVENUE FOR THE COMPANY'S ELECTRIC BUSINESS?

A. No; it is highly unlikely that combination customer electrification would increase revenue to the point where the Company would over earn its allowed return for the electric business. This is primarily due to the increasing need for additional investment in the electric system to support new electrification load, as well as the ratemaking policy the Commission has traditionally employed to set electric base rates using historical test years. Additionally, the Company has a significant number of gas only customers who, if transitioned to electric service, would not provide any new revenue to the Company. The Company remains open to a decoupling mechanism for electric customers under circumstances that promote the Company's financial ability to continue making the historical level of investment required to meet the future demand on the system, while also serving that load under the emissions goals of the state.

Q. HOW WOULD THIS RSM IMPACT FUTURE CHANGES IN RATE DESIGN?

A. The proposed RSM does not constrain future rate design options and is designed to work with the current rate design. Should the Commission look at changes in rate design to address declining gas throughput associated with implementation of CHP's, the RSM would need to be evaluated for potential adjustments when any changes in rate design occur in future Phase II rate cases. Importantly, this mechanism meets the moment today, and can be reconsidered if the Company and the Commission choose to deploy new rate design options as the future of the gas system becomes more clear.

IV. CONCLUSION

Q. WHAT DO YOU RECOMMEND REGARDING THE COMPANY'S REQUESTS IN THIS CASE?

A. In this case, Public Service brings forward a request for rate relief that is thoughtful and reflective of Public Service's recent costs to provide safe, reliable, and high-value service to customers, while facilitating the continuing clean energy transition and streamlining the test year during this important period of change for Colorado gas utilities. The Company's proposal also reflects specific actions and tariff proposals to contain costs, moderate the effect of a base rate change on customers, support the Company's evolution toward a cleaner energy future, and promote customer bill stability and predictability. Specifically, I request that the Commission approve our requests in this proceeding, including:

- The Company's proposed test year and rate base methodology, overall revenue requirement, revenue deficiency, and weighted average cost of capital;
- The revenue deferral surcharge ("RDS") tariff;
- A new revenue stability mechanism ("RSM") reflecting the Company's revenue decoupling proposal;
- An updated GRSA based on the Company's proposed revenue requirement applied to base rates exclusive of the Service and Facility charges;
- Extending the Gas Quality of Service Plan tariff through 2026;
- An updated schedule of charges for rendering service;
- Updates to standardized costs for gas line extensions;
- Changes to the Gas Storage Inventory Cost to allow for a return at the Company's weighted average cost of capital;

- Extension of the Company's current trackers and deferrals;
- The Company's proposed amortizations for deferred amounts.

Overall, I recommend that the Commission approve our base rate requests, tariff changes, and other cost recovery proposals in this proceeding as just and reasonable.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes, it does.

Statement of Qualifications

Steven P. Berman

As the Regional Vice President of Regulatory and Pricing, I am responsible for providing leadership, direction, and technical expertise related to regulatory processes and functions for Public Service. My duties include the design and implementation of Public Service's regulatory strategy and programs, and directing and supervising Public Service's regulatory activities, including oversight of rate cases and other related filings. Those duties include: administration of regulatory tariffs, rules, and forms; regulatory case direction and administration; compliance reporting; complaint response; and working with regulatory staff and agencies.

I accepted the RVP position with Public Service in November 2022 after holding the Director, Regulatory Administration role since January 2020. From April 2015 to January 2020, I was Manager of Revenue Analysis and was responsible for leading a team of analysts who develop revenue requirements models to support the rates charged by Public Service. My responsibilities included directing, reviewing, and analyzing the revenue requirements that support the base rates, rate riders, and FERC formula rates used by Public Service.

Prior to this time, I worked for Xcel Energy and Colorado Springs Utilities in progressively more responsible roles. In June 2006 I began working at Colorado Springs Utilities as a Senior Analyst in the corporate budgeting group. In June 2008 I accepted a position as a Financial Consultant with Xcel Energy supporting the Customer Care organization, where I provided financial analysis and support for customer care and bad debt expenses used in rate cases across Xcel's jurisdictions.

In July 2010 I returned to Colorado Springs Utilities as a Principal Financial Analyst and in July 2011 accepted the position of Financial Planning & Analysis Manager. In that role I was responsible for the budget and revenue requirements of the organization. I presented them annually to the City Council who acts as the regulator for Colorado Springs Utilities. In March 2014 I accepted the position of Treasury Manager. In that role I directed all cash and financing activities of the Utility. I worked closely with the Chief Financial Officer to develop an annual financing plan and present it to the board and credit rating agencies in support of the Utility's strong "AA" credit rating. Prior to working in the utility industry, I held various positions in marketing and finance after graduating college in 1999 and moving into the utility industry in 2006.

I graduated from the University of Maryland in 1999 with a Bachelor of Science degree in Business Administration, and from George Washington University in 2005 with a Master's in Business Administration concentrating in Finance. I am a licensed Certified Public Accountant in Colorado.

I have submitted written testimony before the Commission in a number of proceedings.

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

* * * *

IN THE MATTER OF ADVICE NO. 1029-GAS OF PUBLIC SERVICE COMPANY OF COLORADO TO REVISE ITS COLORADO PUC NO. 6-GAS TARIFF TO INCREASE JURISDICTIONAL BASE RATE REVENUES, IMPLEMENT NEW BASE RATES FOR ALL GAS RATE SCHEDULES, AND MAKE OTHER PROPOSED TARIFF CHANGES EFFECTIVE FEBRUARY 29, 2024	)	**PROCEEDING NO. 24AL-______G**

AFFIDAVIT OF STEVEN P. BERMAN
ON BEHALF OF
PUBLIC SERVICE COMPANY OF COLORADO

I, Steven P. Berman, being duly sworn, state that the Direct Testimony and attachment were prepared by me or under my supervision, control, and direction; that the Direct Testimony and attachment are true and correct to the best of my information, knowledge and belief; and that I would give the same testimony orally and would present the same attachments if asked under oath.

Dated at Denver, Colorado, this 25th day of January, 2024.

____
Steven P. Berman
Regional Vice President, Regulatory and Pricing

Subscribed and sworn to before me this 25th day of January, 2024.

____
Notary Public

Hannah Ahrendt
NOTARY PUBLIC
STATE OF COLORADO
NOTARY ID# 20224026062
MY COMMISSION EXPIRES JULY 5, 20..

My Commission expires July 5, 2026

PSCO 2024 PHASE I GAS RATE CASE

Introduction of Company Witnesses

Witness	*Testimony Topics*
Steven P. Berman	• Provides an overview of the Company's Phase I rate request in this proceeding and the drivers necessitating the rate case; • Supports the important relationship between Public Service's natural gas business, critical home and business heating services, applicable and evolving Colorado and Commission policy goals and requirements, and the approach to ratemaking in this proceeding. • Supports the selection of the Company's proposed 2023 Test Year; and • Provides policy support for the proposed ratemaking and associated policy, including rate moderation proposals, gas infrastructure depreciation, and Revenue Stability Mechanism.
Ann E. Bulkley	• Provides a recommendation for and supports the Company's requested ROE within its overall Weighted Average Cost of Capital ("WACC"); and • Provides an assessment of the reasonableness of the proposed capital structure to be used for ratemaking purposes.
Paul A. Johnson	• Discusses financial integrity, its importance to public utilities and its stakeholders, and the benefits of accessing capital markets to provide capital for utility expenditures; • Discusses the credit rating agencies' evaluation criteria; • Provides a current assessment of Public Service's financial integrity; • Presents and supports the forecasted WACC; and • Presents and supports the 'Company's capital structure, cost of long-term debt and cost of short-term debt.
Lauren Gilliland	• Provides an overview of the Company's gas operations and requirements for the gas system. • Discusses the basic function of the Company's gas business. • Supports the Company's Gas Operations O&M expenses and cost management process for the TY, including known and measurable adjustments. • Sponsors the Company's requests to continue the Damage Prevention deferral. • Discusses the Company's meter costs and compliance. • Supports the Company's proposal to extend the Gas Quality Service Plan.

Witness	***Testimony Topics***
A. Ray Gardner	• Provides an overview of the Company's gas capital investment and capital cost management. • Supports the Company's Gas capital investments for the Test Year, including in investments in Mandatory Relocations, New Businesses, Capacity Expansion, and System Safety and Integrity program; and • Discusses the Company's Failed Meter Lots program.
John M. Goodenough	• Supports the Company's customer count and throughput for the Test Year; • Supports weather normalization of the Company's sales and billing demand; and • Discusses historical customer and throughput growth trends.
Stephen G. Martz	• Explains the function of the Integrated System Planning ("ISP") organization within Xcel Energy; • Discusses the interrelationship between ISP planning evolution through Gas Infrastructure Planning, Clean Heat Plans, and Demand Side Management/Beneficial Electrification plans; • Provides perspective on historical investments in this case amidst other ongoing efforts by the Company (GIP, CHP) to meet State of Colorado energy policy objectives and requirements of recent Commission Rules; and • Assures Commission that we are continuing to actively and aggressively reorient our planning process.
Michael P. Deselich	• Explains that the purpose of the Company's Total Rewards Program is to attract, retain, and motivate employees by offering competitive compensation packages; • Describes and supports the base pay element of the overall compensation package, including known and measurable adjustments; • Describes and supports the incentive compensation elements of the overall compensation package; and • Describes the initiatives taken by Public Service to control compensation and benefit costs.
Richard R. Schrubbe	• Presents and supports the Company's request to recover its reasonable and necessary pension and benefit expenses; • Describes the Company's prepaid pension asset and its prepaid retiree medical asset and explains why those assets should be included in rate base and should earn a return at the Company's WACC.; and • Proposes means of accelerating the retirement of the prepaid retiree medical asset.

Witness	*Testimony Topics*
Nicole L. Doyle	• Describes the Xcel Energy holding company structure and organizational structure; • Provides an overview of the flow of costs in the General Ledger system; • Describes XES, its history and operations and the allocation methodologies; • Explains the cost allocation rules; and • Sponsors the Company's cost allocation methods, Cost Assignment and Allocation Manual, and Fully Distributed Cost Study.
Megan N. Scheller	• Supports Technology Services Information Technology ("IT") plant-in-service additions and O&M expenses included in the cost of service; and • Supports the Company's proposal for a deferral mechanism associated with IT Aging Technology and Cybersecurity capital costs.
Adam R. Dietenberger	• Supports the Company's overall capital and O&M budget processes; and • Supports the Shared Corporate Services (other than Technology Services), plant-in-service additions and O&M costs included in the cost of service.
Leah Lovely	• Supports calculation of income tax expense as though Public Service had depreciated its assets on a straight-line book basis; • Discusses the Inflation Reduction Act; and • Supports the level of property tax expense included in the Test Year and continuation of the property tax deferral.
Mark P. Moeller	• Sponsors the plant-in-service and other plant-related balances in the Test Year; • Supports the level of requested depreciation expenses included in the cost of service, including current depreciation methodology; and • Discusses the calculation of net salvage and drivers of current net salvage factors.
Ronald J. Amen	• Supports the Company's proposal for a Revenue Stability Mechanism.

Witness	***Testimony Topics***
Jason J. Peuquet	• Explains the value the Company's gas business provides to customers; • Addresses costs associated with Liquified Natural Gas and Compressed Natural Gas; • Supports the Company's request to continue or initiate certain trackers and deferrals; • Supports the Company's request to earn a WACC return on Gas Storage Inventory Costs; • Supports the Company's request to recover rate case expenses for this proceeding; • Provides a complete copy of the Company's clean and redlined tariff revisions, supporting certain tariff revisions; and • Addresses certain requirements for rate case filings resulting from SB 23-291 and the Commission's subsequent temporary rules, and other past Commission orders.
Arthur P. Freitas	• Presents the Company's cost of service study, including adjustments, models, and workpapers, and explains the rationales for adjustments included in the cost of service study for the 2023 Test Year, including compliance with SB23-291 as directed by Commission temporary rules; • Presents an informational historical test year and variance analysis, including adjustments, models, and workpapers in compliance with SB 23-291 as directed by the Commission's temporary rules; and • Supports amortization periods for existing Company deferred amounts; • Provides analysis of the cost recovery associated with short-lived IT assets; and • Presents the level of proposed costs to be included in base rates as a baseline for future deferrals in the Company's tracking mechanisms.

Public Service Company of Colorado
an Xcel Energy Company
Summary of Proposed Base Rate & Overall Revenue Change

Line No.	Description	(A) 2023 Revenue Under Current Rates	(B) Proposed Revenue	(C) Net Revenue Change (B) - (A)	(D) Net Percent Change (C) / (A)
	Base Rate Revenue				
1	Base Rate Revenue[a]	$ 793,561,237	$ 964,217,062	$ 170,655,825	21.5%
2	**Total Base Rate Revenue Including Transfers**	**$ 793,561,237**	**$ 964,217,062**	**$ 170,655,825**	
3	**Non-Fuel Revenue**				
4	DSMCA[b]	$ 32,277,649	$ 32,277,649	$ -	
5	**Total Non-Fuel Revenue**	$ 32,277,649	$ 32,277,649	$ -	
6	Fuel Revenue (GCA)[c]	$ 626,824,007	$ 626,824,007	$ -	
7	**Total Retail Revenue** *(sum lines 2, 5 and 6)*	**$ 1,452,662,893**	**$ 1,623,318,718**	**$ 170,655,825**	**11.7%**

[a] Reflects 2023 revenues under current rates as described in the Direct Testimony of Arthur P. Freitas.

[b] No adjustments to this rider are being proposed as part of the rate case. This rider will be updated through its established mechanism.

[c] 2023 Forecasted GCA Revenue is calculated using the GCA rates in effect January 1, 2024 and the forecasted annual sales for the period October 2023 - September 2024 from the Company's First Quarter 2024 GCA Filing (Proceeding No. 23L-0608G). No adjustments to this rider are being proposed as part of the rate case. This rider will be updated through its established mechanism.

Average Monthly Bill Impacts with GRSA Implementation February 29, 2024

	Current Bill	Bill with GRSA & No Deferral Proposal	Average Monthly Change ($)	Average Monthly Change (%)
Residential (RG)	$62.43	$68.38	$5.94	9.52%
Small Commercial (CSG)	$268.94	$291.68	$22.74	8.46%
Large Commercial (CLG)	$4,910.19	$5,389.34	$479.15	9.76%
Interruptible Gas (IG)	$21,647.71	$22,857.60	$1,209.89	5.59%
Small Firm Transportation (TFS)	$803.24	$906.04	$102.80	12.80%
Large Firm Transportation (TFL)	$8,034.25	$8,995.66	$961.41	11.97%
Interruptible Transportation (TI)	$46,094.58	$49,915.12	$3,820.54	8.29%

Average Monthly Bill Impacts Under the Company's Deferral Proposal Feb 15, 2025

	Current Bill	Bill with Deferral Proposal	Average Monthly Change ($)	Average Monthly Change (%)
Residential (RG)	$62.43	$67.07	$4.64	7.44%
Small Commercial (CSG)	$268.94	$281.69	$12.75	4.74%
Large Commercial (CLG)	$4,910.19	$5,089.80	$179.61	3.66%
Interruptible Gas (IG)	$21,647.71	$20,678.71	($969.00)	-4.48%
Small Firm Transportation (TFS)	$803.24	$948.40	$145.16	18.07%
Large Firm Transportation (TFL)	$8,034.25	$9,310.29	$1,276.04	15.88%
Interruptible Transportation (TI)	$46,094.58	$51,168.74	$5,074.16	11.01%

Average Monthly Bill Impacts Under the Company's Deferral Proposal effective Feb 15, 2026

	Current Bill	Bill with Deferral Proposal	Average Monthly Change ($)	Average Monthly Change (%)
Residential (RG)	$62.43	$64.02	$1.58	2.54%
Small Commercial (CSG)	$268.94	$270.57	$1.63	0.61%
Large Commercial (CLG)	$4,910.19	$4,925.44	$15.25	0.31%
Interruptible Gas (IG)	$21,647.71	$20,222.46	($1,425.25)	-6.58%
Small Firm Transportation (TFS)	$803.24	$906.04	$102.80	12.80%
Large Firm Transportation (TFL)	$8,034.25	$8,995.66	$961.41	11.97%
Interruptible Transportation (TI)	$46,094.58	$49,915.12	$3,820.54	8.29%