

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

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IN THE MATTER OF THE VERIFIED)
APPLICATION OF PUBLIC SERVICE)
COMPANY OF COLORADO FOR)
APPROVAL TO EXTEND THE) PROCEEDING NO. 21A-XXXG
COMPANY'S PIPELINE SYSTEM)
INTEGRITY ADJUSTMENT ("PSIA"))
RIDER FOR CERTAIN PROJECTS)
THROUGH 2024, WITH SUBSEQUENT)
WIND-DOWN OF THE RIDER.)

DIRECT TESTIMONY AND ATTACHMENT OF STEVEN P. BERMAN

ON

BEHALF OF

PUBLIC SERVICE COMPANY OF COLORADO

February 9, 2021

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Attachment SPB-1	Forecasted 2022-2024 Pipeline System Integrity Adjustment Annual Revenue Requirements
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GLOSSARY OF ACRONYMS AND DEFINED TERMS

<u>Acronym/Defined Term</u>	<u>Meaning</u>
2015 Gas Phase I	Company's 2015 Gas Phase I Rate Case, Proceeding No. 15AL-0135G
2018 PSIA Extension	Proceeding No. 18A-0422G
2018 PSIA Settlement	Comprehensive Settlement of Proceeding No. 18A-0422G
AMRP	DIMP Accelerated Main Replacement Program
AQCC	Air Quality Control Commission
ASV/RCV	TIMP Automatic Shut-off Valves/Remotely Controlled Valves
Black Hills	Black Hills Colorado Gas Inc.
CDPHE	Colorado Department of Public Health and Environment
CLG	Large C&I Sales Customer Class
CNG	Colorado Natural Gas, Inc.
Commission	Colorado Public Utilities Commission
CSG	Small C&I Sales Customer Class
DIMP	Distribution Integrity Management Program
EPA	Environmental Protection Agency
GCA	Gas Cost Adjustment
HB	House Bill
ILI	TIMP In-Line-Inspections
ILI Assessments/Repairs	TIMP In-Line Inspections/Pipeline Assessments and Repairs
LDC	Local Distribution Company
MAOP	TIMP Maximum Allowable Operating Pressure
NARUC	National Association of Regulatory Utility Commissioners

<u>Acronym/Defined Term</u>	<u>Meaning</u>
NGIMP	Department of Energy/NARUC Natural Gas Infrastructure Modernization Partnership
NGIMP Report	Natural Gas Distribution Infrastructure Replacement and Modernization: A Review of State Programs
O&M	Operations and Maintenance
OCC	Colorado Office of Consumer Counsel
PHMSA	Pipeline and Hazardous Materials Safety Administration
PPRP	DIMP Programmatic Risk-based Pipe Replacement Program
Proceeding No. 10AL-963G	Company's 2010 Gas Phase I Rate Case
Proceeding No. 12AL-1268G	Company's 2012 Phase I Rate Case
PSIA	Pipeline System Integrity Adjustment
PSIA Extension	Requested Extension from January 1, 2022 through December 31, 2024
Public Service or Company	Public Service Company of Colorado
QSP	Quality of Service Program
RG	Residential Customer Class
SSIR	System Safety and Integrity Rider
Staff	Commission Trial Staff
TIMP	Transmission Integrity Management Program
WACC	Weighted Average Cost of Capital
Xcel Energy	Xcel Energy Inc.

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1 I. **INTRODUCTION, QUALIFICATIONS, PURPOSE OF TESTIMONY, AND**
2 **INTRODUCTION OF COMPANY WITNESSES**

3 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

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

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

7 A. I am employed by Public Service Company of Colorado ("Public Service" or the
8 "Company") as Director, Regulatory Administration.

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

10 A. I am testifying on behalf of Public Service.

11 Q. PLEASE SUMMARIZE YOUR RESPONSIBILITIES AND QUALIFICATIONS.

12 A. As Director, Regulatory Administration, I provide leadership, direction and
13 technical expertise related to regulatory processes and functions for Public

1 Service. A description of my qualifications, duties, and responsibilities is set forth
2 after the conclusion of my Direct Testimony in my Statement of Qualifications.

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

5 A. Yes, I am sponsoring Attachment SPB-1, the forecasted 2022-2024 Pipeline
6 System Integrity Adjustment (“PSIA”) annual revenue requirements, which is being
7 provided for illustrative purposes, as I explain in my Direct Testimony.

8 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?**

9 A. I am the Company’s overview and policy witness in this proceeding, which
10 presents the Company’s requested extension of the current Commission-
11 authorized PSIA rider to include ongoing investment in the PSIA for calendar years
12 2022 through 2024, or from January 1, 2022 through December 31, 2024 (the
13 “PSIA Extension”). To support our request and inform the decision of the Colorado
14 Public Utilities Commission (“Commission”) in this proceeding, I provide an
15 overview of major aspects of this case as well as policy and financial support for
16 the PSIA Extension, introduce the Company’s other witnesses, set out the specific
17 relief that the Company is requesting from the Commission, and provide the
18 relevant procedural history leading up to the filing of this case. Additionally,
19 through my Direct Testimony I discuss how the Company has satisfied the
20 Commission’s criteria for an extension of the PSIA and how the PSIA complements
21 this jurisdiction’s contemplated long-term gas infrastructure planning efforts. Next,
22 I discuss how the PSIA supports the Company’s efforts to reduce methane
23 emissions from the Local Distribution Company (“LDC”) system and how the

1 Company's work aligns with the State's greenhouse gas reduction targets required
2 under House Bill ("HB") 19-1261. Finally, I present and support the PSIA
3 Extension revenue requirements and the mechanics of implementing the
4 Company's requests, including how to effectuate the phase out of the PSIA rider,
5 which would be closed to new investment after 2024.

6 **Q. PLEASE INTRODUCE THE OTHER PUBLIC SERVICE WITNESSES**
7 **SUPPORTING THE REQUESTED EXTENSION OF THE PSIA AND DESCRIBE**
8 **THEIR AREAS OF TESTIMONY.**

9 A. In addition to my Direct Testimony, two witnesses are providing Direct Testimony
10 and accompanying attachments in this proceeding on behalf of the Company.
11 Company witness Mr. Luke A. Litteken addresses the operational need for the
12 PSIA, the PSIA Projects' scope and timelines, the criteria for projects' inclusion in
13 the PSIA, and PSIA project budgeting and reporting. Company witness Mr. Steven
14 W. Wishart explains the PSIA cost allocation and rate design and provides the
15 estimated customer bill impacts for the extension period. He also discusses the
16 impact of forecast-to-actual revenue requirements variances since 2016, which
17 was the time when PSIA rider recovery was limited to capital costs only.

1 **II. OVERVIEW OF PROCEEDING AND REQUESTS OF THE COMPANY**

2 **Q. WHAT IS THE PSIA?**

3 A. The PSIA is an existing, Commission-authorized rider established to facilitate a
4 programmatic approach to work performed by Public Service to comply with
5 federal mandates requiring that utilities identify and proactively address higher-risk
6 threats to the safety and integrity of natural gas pipeline systems. Specifically, the
7 Company's PSIA was developed in 2010 in response to the Pipeline Safety
8 Improvement Act of 2002 and subsequent federal regulations governing
9 Distribution Integrity Management Programs ("DIMP") and Transmission Integrity
10 Management Programs ("TIMP"). As described by Mr. Litteken in his Direct
11 Testimony, the Pipeline and Hazardous Materials Safety Administration
12 ("PHMSA") has encouraged state regulators and system operators to collaborate
13 on cost recovery mechanisms that further support this work. To this end, the
14 Company's PSIA was first effective January 1, 2012 and has since been refined
15 and extended through December 31, 2021, absent a further extension. The PSIA
16 rider provides timely cost recovery of the capital costs associated with the PSIA
17 work in recognition that, unlike other investments on the system that connect new
18 load or new customers, this work is not generating incremental revenue.

1 **Q. PLEASE GENERALLY DESCRIBE THE COMPANY’S REQUESTS IN THIS**
2 **PROCEEDING.**

3 A. As contemplated by the approved comprehensive settlement agreement in
4 Proceeding No. 18A-0422G,¹ the Company is requesting this PSIA Extension to
5 extend the PSIA beyond its current expiration date of December 31, 2021, closing
6 it to new investment after December 31, 2024. The Company further proposes
7 that the rider remain in place until PSIA costs are transferred to base rates as part
8 of a future rate case. Any additional true-ups needed after this transfer to base
9 rates would be reflected in continued November and April filings, consistent with
10 current PSIA reporting mechanisms, and could be efficiently trued-up through the
11 Gas Cost Adjustment (“GCA”). This will ensure there is not a lapse in recovery of
12 approved PSIA investment and will avoid multiple changes to base rates to capture
13 the correct level of recovery and true-up of prior years’ PSIA costs.

14 The PSIA rider would continue to be limited to capital costs only, and to the
15 five DIMP and TIMP Projects listed below that are currently included in the PSIA.
16 As Mr. Litteken describes, each of these Projects has been previously identified as
17 PSIA-eligible, as they involve important work necessary to address key risks on
18 the Company’s system and to fulfill the mandates set forth in PHMSA regulations:

- 19 • DIMP Accelerated Main Replacement Program (“AMRP”);
20 • DIMP Programmatic Risk-based Pipe Replacement Program (“PPRP”);

¹ Proceeding No. 18A-0422G is referred to as the “2018 PSIA Extension.” The approved settlement of the application in that case was entered into on October 1, 2018, and is hereinafter referred to as the “2018 PSIA Settlement.” The 2018 PSIA Settlement was approved by Decision No. C18-0983.

- 1 • TIMP Automatic Shut-off Valves/Remotely Controlled Valves
2 ("ASV/RCV");
- 3 • TIMP Maximum Allowable Operating Pressure ("MAOP"); and
- 4 • TIMP In-Line-Inspections ("ILI") / Pipeline Assessments and Repairs
5 ("ILI Assessments/Repairs").

6 With the exception of the TIMP-ASV/RCV Project, which will be closed to new
7 investment in the PSIA at the end of 2022, all of these projects will have continued
8 investment in the PSIA through 2024. Even though the PSIA will thereafter be
9 closed to new investment, safety and integrity work as related to these PSIA
10 Projects will still be required on the system. However, this work will be budgeted
11 and planned in the normal course of business.

12 While the Company is not requesting approval of specific Sub-Projects
13 falling within the broader PSIA Projects as part of this extension, for illustrative
14 purposes Table SPB-D-1 below provides the Company's current estimates of
15 future capital expenditures associated with each PSIA Project during the PSIA
16 Extension.

1

**Table SPB-D-1
 Estimated 2022 – 2024 PSIA Project Spend**

<u>PSIA Project</u>	<u>PSIA Capital Expenditures (\$ Millions)</u>			
	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>TOTAL</u>
DIMP AMRP	\$34.0	\$66.4	\$66.4	\$166.8
DIMP PPRP	\$43.9	\$44.9	\$44.9	\$133.7
TIMP ASV/RCV	\$16.1	-	-	\$16.1
TIMP MAOP	\$40.2	\$40.0	\$40.0	\$120.2
TIMP ILI Pipeline Inspections/Repairs	\$8.8	\$9.1	\$9.1	\$27.0
TOTAL	\$143.0	\$160.4	\$160.4	\$463.8

2 The associated incremental estimated bill impacts for customers, as explained by
 3 Mr. Wishart in his Direct Testimony, are as follows:

4

**Table SPB-D-2
 Estimated Incremental Bill Impacts**

Customer Class	2022	2023	2024
Residential (RG)	1.5%	0.8%	0.8%
Small C&I Sales (CSG)	1.7%	0.9%	0.9%
Large C&I Sales (CLG)	2.2%	1.1%	1.1%

5 **Q. WHY IS THE PSIA EXTENSION NECESSARY?**

6 A. There are several key reasons why the requested PSIA Extension is reasonable
 7 and necessary. First, and predominantly, support for the Company’s integrity
 8 management programs under the PSIA Extension is necessary to address the
 9 waves of federal regulations that have been issued and associated investments of
 10 significant size that, due to regulatory requirements, are largely outside of the
 11 Company’s control. Over the course of the last ten years, the Company, the
 12 Commission, and interested intervenors have worked collaboratively to chart the
 13 best course for this work on high-risk system integrity issues, to manage and close

1 the rider, which is providing more timely cost recovery, to new investments after
2 December 31, 2024, and to ultimately wind down the rider as past PSIA
3 investments are transferred to base rates. Timely recovery is an essential element
4 of a successful safety and integrity management program because, unlike
5 investments that connect new customers and load, replacement facilities do not
6 lead to increased revenues that offset investment costs. Rather, these
7 investments are ensuring the safety and reliability of our system, adhering to
8 federal mandates, protecting our customers and our communities, and reducing
9 methane emissions from our pipes and equipment.

10 Continuing to allow investments in the specified Projects to be included in
11 the PSIA through 2024 recognizes the Company's continued obligation to perform
12 required critical pipeline safety and integrity work and enables further
13 advancement of that PSIA-targeted work in the most effective, programmatic
14 manner. Continuing rider recovery is consistent with PHMSA's encouragement
15 that state regulators support these significant capital requirements, as such cost
16 recovery mechanisms support timely recovery of these large-scale investments in
17 non-revenue producing assets.

18 Second, extending the PSIA continues to provide enhanced regulatory
19 oversight of the Company's safety and integrity management programs by
20 facilitating regular Commission review of program activities and costs, as well as
21 stakeholder engagement and understanding of the efforts to ensure the safety of
22 natural gas facilities serving the public. The PSIA processes allow review to a
23 greater degree than is usually possible in a base rate case, as the Commission is

1 able to concentrate its review on these important initiatives, the risk-ranked
2 prioritization of investments, the progress and completion of work, and the extent
3 of challenges.

4 Further, the Company satisfies the criteria for the PSIA extension as
5 determined by prior Commission decisions, which Mr. Litteken and I specifically
6 articulate and address in Direct Testimony. The Company is planning to maintain
7 a PSIA scope that is narrowly tailored to certain existing Projects, while adhering
8 to the Commission's established eligibility criteria for work within those Projects.
9 The Company likewise proposes to continue the current reporting and true-up
10 cadence, which have served to provide the Commission with extensive detail
11 regarding work through the PSIA as I describe above and Mr. Litteken discusses
12 in more detail. These parameters, also previously approved by the Commission,
13 further support the reasonableness of continuing the PSIA and the public interest.

14 Finally, the requested PSIA Extension will be the last, and while safety and
15 integrity work will continue to generally consist of non-revenue producing
16 investments, the Company currently plans that safety and integrity work after 2024
17 will be performed in the ordinary course of business and recovered through base
18 rates. The PSIA Extension provides a reasonable time period in which to transition
19 from rider to base rate cost recovery for system integrity work, consistent with the
20 Company's identified plan noted in the 2018 PSIA Settlement.

1 **Q. PLEASE SUMMARIZE THE OTHER REQUESTS BY THE COMPANY IN THIS**
2 **CASE.**

3 A. Through this Proceeding, the Company is not proposing to change any PSIA
4 reporting or filing requirements but does request removal of the requirement that
5 the Company file a base rate case every three years. To effectuate the transition
6 from rider to base rate recovery during the PSIA Extension or after calendar year
7 2024, a base rate case will be needed. However, eliminating this filing requirement
8 allows the Company to best manage when the appropriate time to file a
9 subsequent rate case should be. To be compliant with the current requirement,
10 the Company would need to file a rate case no later than 2023; however, there
11 may be many factors that affect the timing (either earlier or later) of rate cases filed
12 by the Company.

13 For continuity, new rates for the PSIA Extension would go into effect on
14 January 1, 2022. As a result, we also request a Commission decision by
15 November 1, 2021, to allow for timely filing of the November 15, 2021 advice letter
16 filing and, if a final decision is not reached by that date, propose alternative
17 processes regarding that filing. Finally, as mentioned earlier, we propose a
18 schedule for wind-down of the PSIA after it is closed to new investment. I discuss
19 this wind-down proposal in Section V.C of my Direct Testimony.

1 **Q. HOW HAVE PIPELINE INTEGRITY INVESTMENTS SERVED PUBLIC**
2 **SERVICE'S CUSTOMERS AND THE PUBLIC IN GENERAL SINCE THE PSIA**
3 **WAS IMPLEMENTED?**

4 A. Investments recovered through the PSIA have resulted in significant safety and
5 environmental improvements to the Public Service system at limited cost to
6 customers. As of the end of the PSIA in 2024, the Company expects it will have
7 renewed over 700 miles of distribution pipeline mains, and over 59,000 distribution
8 services laterals as a result of pipeline system integrity projects. The Company
9 also anticipates renewal of approximately 366 ASV/RCV valves, MAOP
10 remediation of approximately 390 miles, and making approximately 75 percent of
11 Public Service's gas transmission system "piggable." In addition, through 2019
12 Public Service has reduced its ratio of repaired distribution main leaks per mile of
13 main by over 20 percent, and its ratio of services leaks per mile by over 50 percent,
14 from the system peaks in 2015. These statistics demonstrate the success of the
15 PSIA program, and its benefits in improving system infrastructure safety and
16 integrity, reducing environmental impacts from methane, and overall service
17 improvements. Reduced leak ratios further demonstrate that Public Service is
18 successfully targeting renewal of the highest-risk main and services through its
19 pipeline replacement Projects (DIMP AMRP and DIMP PPRP). The results are
20 safer, more reliable natural gas service for our customers, employees, and
21 communities.

1 **Q. HOW DOES THE PSIA INVESTMENT ALIGN WITH THE COMPANY'S**
2 **STRATEGIC PRIORITY TO LEAD THE CLEAN ENERGY TRANSITION?**

3 A. A co-benefit of the work of replacing or retrofitting pipelines under the PSIA
4 requirements is that we are upgrading to materials with a lower propensity to leak.
5 In this way, the PSIA work enables Public Service to further reduce emissions from
6 its LDC, even though it is not the primary purpose of the work. While I discuss the
7 interrelation of the PSIA and the State's targets in more detail later in my Direct
8 Testimony, it is important to remember that the investments being made as part of
9 the PSIA are required and focused on safety, addressing the highest threats on
10 the Company's system. Even though there are ancillary benefits in reduced
11 methane emissions from this work, the need to do the work itself is not changed
12 by the larger policy consideration. A separate conversation is currently underway
13 regarding how the gas LDC is impacted by the State's targets, yet work we have
14 been able to accomplish and will continue to perform under the PSIA is aligned
15 with the State's goals.

16 In the meantime, as a leader in the clean energy transition, Public Service
17 is committed to reducing natural gas emissions from our upstream producers and
18 interstate pipelines, from the operation of our LDC, and from our customers' homes
19 and business. An overview of our strategy can be found in our "Transitioning
20 Natural Gas for a Low-Carbon Future" report, which was released in 2020.²

² https://www.xcelenergy.com/environment/natural_gas_strategy.

1 **III. REGULATORY CONTEXT SUPPORTING THE REQUESTED PSIA EXTENSION**

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

3 A. In this section of my Direct Testimony, I provide a brief history of the PSIA, the
4 requirements for a PSIA extension as articulated in recent PSIA decisions, and
5 discuss how the Company has satisfied these requirements and supports the PSIA
6 extension.

7 **Q. WHAT SERIES OF EVENTS PRECIPITATED THE PSIA?**

8 A. As explained by Mr. Litteken in his Direct Testimony, a series of significant and
9 tragic events caused a seismic shift in the federal regulatory paradigm applicable
10 to pipeline safety and integrity, resulting in a change to how utilities and state
11 regulatory authorities alike approached integrity investments and the recovery of
12 those costs. On June 16, 2011, before the House of Representatives'
13 Subcommittee on Energy and Power of the Committee on Energy and Commerce,
14 PHMSA Administrator Quarterman provided testimony about PHMSA's safety and
15 integrity oversight of the country's more than 2.5 million miles of pipelines and
16 United States Department of Transportation Secretary LaHood's "Call to Action."

17 The Administrator testified, in part:

18 In the wake of several recent serious pipeline incidents, PHMSA is
19 taking a hard look at the nation's pipelines. The pipeline
20 infrastructure—like our roads, bridges, ports, and rail infrastructure—
21 needs more attention. Investments now will ensure the safety of the
22 American people and the integrity of the pipeline infrastructure to
23 deliver energy for future generations. We are issuing a call to action
24 for all pipeline stakeholders, including the public, the pipeline
25 industry and our State partners. Together, we need to chart a course
26 to accelerate the identification, repair, rehabilitation and replacement
27 of high risk pipeline infrastructure before it becomes a risk to people

1 or the environment. PHMSA is specifically calling on State Public
2 Utility Commissions to establish cost recovery mechanisms that
3 effectively address infrastructure replacement costs.
4

5 Thereafter, on July 24, 2013, the National Association of Regulatory Utility
6 Commissioners (“NARUC”) adopted a “Resolution Encouraging Natural Gas Line
7 Investment and Expedited Replacement of High-Risk Distribution Mains and
8 Service Lines.”³ This resolution emphasized the need for “sensible programs
9 aimed at replacing the most vulnerable pipelines as quickly as possible” and urged
10 state commissions to consider adopting alternative rate recovery mechanisms “to
11 accelerate the modernization, replacement and expansion of the nation’s natural
12 gas pipeline systems.” As I discuss in more detail below, the Commission and the
13 Company have, in partnership, responded to this call to action, through
14 establishment and continuation of the Company’s PSIA.

15 **Q. HAVE REGULATORY ENTITIES MORE RECENTLY VOICED CONTINUED**
16 **SUPPORT FOR FUNDING OF PIPELINE INFRASTRUCTURE REPLACEMENT**
17 **AND MODERNIZATION?**

18 A. Yes. PHMSA continues to call for ongoing cost recovery support for integrity
19 management programs. In January 2020, for example, the Department of
20 Energy/NARUC Natural Gas Infrastructure Modernization Partnership (“NGIMP”),
21 issued a report entitled “*Natural Gas Distribution Infrastructure Replacement and*
22 *Modernization: A Review of State Programs*” (the “NGIMP Report”), which noted
23 that “[t]he [PHMSA] recently highlighted the importance of the continued

³ <https://pubs.naruc.org/pub.cfm?id=53A08441-2354-D714-5173-84C451721EC4>.

1 collaboration between regulators and stakeholders on developing proper policies
2 that include mechanisms that give LDCs the financial capability to replace aging
3 infrastructure.”⁴ The NGIMP Report goes on to walk through the natural gas
4 infrastructure work underway in more than 40 states and the District of Columbia,
5 and highlights the prevalence of current cost recovery mechanisms across the
6 country. In fact, a wide variety of state public utility and public service commissions
7 have approved – and continue to support – riders and other timely cost recovery
8 for natural gas pipeline system safety and integrity work.

9 **Q. CAN YOU PROVIDE ADDITIONAL INFORMATION ABOUT THE EXTENT TO**
10 **WHICH STATE COMMISSIONS SUPPORT COST RECOVERY FOR SYSTEM**
11 **INTEGRITY PROGRAMS?**

12 A. Yes. The collaborative DOE/NARUC NGIMP Report illustrates that at least 40
13 other states have established rate mechanisms to encourage upgrades to and
14 replacement of older problematic pipes within their distribution systems.
15 Specifically, these states use riders,⁵ adjustments,⁶ or other alternative ratemaking
16 mechanisms⁷ to allow for recovery of gas utility infrastructure replacement and

⁴ <https://pubs.naruc.org/pub/45E90C1E-155D-0A36-31FE-A68E6BF430EE> (“The NGIMP seeks to bring together public utility commissioners, DOE leaders, and other stakeholders directly involved in the nation’s natural gas infrastructure. The NGIMP has convened technical workshops, organized infrastructure and innovation tours, produced handbooks and reports, and hosted other important gatherings to encourage collaboration and education on emerging technologies and practices in natural gas infrastructure modernization with the goal of further advancing safety and reliability”).

⁵ See e.g., N.H. Rev. Stat. §§ 1865, 1866, and 1867 (allowing utilities to apply to establish or change the costs associated with infrastructure replacement via riders) (discussed at page 18 of the NGIMP Report).

⁶ See e.g., Texas Util. Code Title 3, Chapter 104, Subchapter A (providing for interim adjustments to recover costs associated with additional invested capital without filing a full rate case) (discussed at page 15 of the NGIMP Report).

⁷ See e.g., MD. Code Pub. Util. § 4-210 (allowing for a gas infrastructure replacement surcharge via a plan that can be filed in conjunction with or separate from a utility’s rate case) (discussed at page 28 of the NGIMP Report).

1 modernization costs on a more current basis than through general rate case
2 proceedings. The NGIMP Report, combined with NARUC and PHMSA's support
3 for reasonable financial mechanisms that enable utilities to keep up with urgent
4 safety and integrity pipeline work, underscore the public interest value of riders like
5 the PSIA.

6 **A. Initiation of the PSIA Rider and Subsequent Renewals**

7 **Q. WHEN WAS THE PSIA FIRST ESTABLISHED?**

8 A. By the time the Company's 2010 Gas Phase I rate case (Proceeding No. 10AL-
9 963G) was filed in December of 2010, it was clear that substantial capital
10 investments in pipeline safety and integrity were required that could not be
11 managed through normal ratemaking. As a result, the Company first proposed the
12 PSIA rider in that case to recover the capital and operations and maintenance
13 ("O&M") costs associated with TIMP, DIMP, AMRP, CAB, West Main, and
14 Edwards.⁸ The creation of the PSIA rider was supported by a settlement with both
15 Commission Trial Staff ("Staff") and the Colorado Office of Consumer Counsel
16 ("OCC").⁹ The decision approving the rate case settlement specified an initial PSIA
17 term of three years, from January 1, 2012 through December 31, 2014.¹⁰ As part
18 of the approved settlement, the Company also agreed to file a Phase I rate case
19 within three years of December 17, 2010 and at least every three years thereafter
20 for so long as the PSIA remained in effect.

⁸ "CAB" was the Cellulose Acetate Butyrate renewal project (completed in 2015). "West Main" was the West Main Transmission Line Replacement project (completed in 2016). "Edwards" was the Edwards-to-Meadow Mountain Transmission project (completed in 2012).

⁹ 2010 Gas Phase I, Settlement Agreement, filed May 25, 2011.

¹⁰ Decision No. R11-0743 in Proceeding No. 10AL-963G.

1 **Q. WHAT HAPPENED NEXT WITH RESPECT TO THE TERM AND SCOPE OF**
2 **THE PSIA?**

3 A. The PSIA was later extended another year to December 31, 2015, in the
4 Company's 2012 Phase I rate case ("Proceeding No. 12AL-1268G").¹¹ Thereafter,
5 in the Company's 2015 Gas Phase I rate case, Proceeding No. 15AL-0135G
6 ("2015 Gas Phase I"), the Company requested that the term of the PSIA be further
7 extended. Through Decision No. R15-1204, as modified by Decision No. C16-
8 0123, the Commission approved a PSIA extension through 2018, the Company's
9 request to include certain additional and accelerated projects in the PSIA, and the
10 Company's request to transfer two projects, CAB and Edwards, from the rider into
11 base rates. In addition, among other things, the following modifications were made
12 to the PSIA:

- 13 1) A quantitative risk assessment for certain initiatives was required for
14 determining the eligibility of projects for PSIA cost recovery;
15
16 2) Increased granularity of the information in the five-year plan was required
17 to better correspond with the annual November filing details; and
18
19 3) O&M expenses were removed from the PSIA rider.
20

21 **Q. DID THE ADMINISTRATIVE LAW JUDGE, IN HIS RECOMMENDED DECISION,**
22 **PROVIDE CRITERIA THAT HAD TO BE SATISFIED IN THE COMPANY'S**
23 **SUBSEQUENT REQUEST TO EXTEND THE PSIA?**

24 A. Yes. The Administrative Law Judge established the following requirements for a
25 subsequent PSIA extension, stating as follows:

¹¹ Decision No. C13-1568 in Proceeding No. 12AL-0268G.

1 Consistent with Decision No. R11-0743, Commissioner Baker's
2 decision initially approving the PSIA, Public Service must
3 demonstrate any continued need for extraordinary cost recovery
4 through a rate adjustment mechanism as a part of its next gas rate
5 case. Any such request for further extension of the PSIA is to include
6 a plan stating how the PSIA will be terminated in the future, including:
7 1) a thorough analysis of all projects to be included in an ongoing
8 PSIA; 2) the criteria used to determine whether future projects qualify
9 for PSIA treatment; 3) a timeline for all PSIA projects to be
10 completed; and, 4) a plan stating how remaining projects in the PSIA
11 and other future pipeline replacements or significant safety
12 expenditures will be addressed through the ordinary course of
13 business when the PSIA is terminated.¹²
14

15 **B. 2018 PSIA Extension**

16 **Q. PLEASE DISCUSS THE MOST RECENT PSIA EXTENSION REQUEST IN 2018.**

17 A. In April of 2018, Public Service initiated an Application proceeding to extend the
18 PSIA through 2020, seeking a two-year extension at that time. In Decision No.
19 C18-0407, the Commission determined that application was not complete and
20 dismissed it without prejudice, enabling Public Service to re-file at its convenience.
21 The Commission also provided guidance in Decision No. C18-0407 as to items
22 missing that should be addressed in a future filing, and further elaborated on the
23 requirements determined in the 2015 Gas Phase I. Specifically, the Commission
24 required that a complete application must include:

- 25
- 26 • An adequate plan to terminate the PSIA, including a timeline for all PSIA
27 projects to be completed;
 - 28 • A plan showing how future pipeline replacements or significant safety
29 expenditures can be addressed through the ordinary course of business
30 when the PSIA is terminated; and
31

¹² 2015 Gas Phase I, Recommended Decision No. R15-1204, p. 32, ¶ 111.

- 1 • The risk ranking must establish necessary criteria to determine whether
2 future projects qualify for PSIA treatment.¹³
3

4 On June 27, 2018, in the 2018 PSIA Extension, Public Service filed a new
5 Application for approval to extend the PSIA through 2020 and to terminate the
6 PSIA no later than 2024. This Application sought to continue the PSIA to recover
7 capital costs for 11 specifically-identified “Projects” encompassed by two of the
8 original PSIA initiatives – DIMP and TIMP. That Application was deemed complete
9 by the Commission.

10 **Q. WAS THERE SUPPORT FOR RENEWAL OF THE PSIA RIDER IN 2018?**

11 A. Yes. The only other parties to the case, Staff and the OCC, were supportive of the
12 PSIA extension from the outset, and entered into a global and comprehensive
13 settlement of that Application on October 1, 2018 (previously defined as the “2018
14 PSIA Settlement”), which, among other things: ¹⁴

- 15 • Provided for a three-year extension of the PSIA through December 31,
16 2021, with an option for the Company to file a request for Commission
17 approval of a second, up to three-year, extension to December 31, 2024;
- 18 • Specified the Projects the Company could include in the PSIA subject to
19 ongoing quantitative risk ranking for “Sub-Projects” that fall under each
20 Project;
- 21 • Established a definitive termination date for those same PSIA Projects,
22 as well as for the PSIA itself;
- 23 • Identified continuing and enhanced annual reporting requirements for
24 work performed under the PSIA;
- 25 • Addressed potential documentation of service improvements through
26 updates and improvements to the quality of service program (“QSP”)
27 (via a separate proceeding); and

¹³ Decision No. C18-0407 at paragraphs 12, 13, and 16.

¹⁴ 2018 PSIA Settlement, at pp. 5-6.

- 1 • Specified that the Company could seek cost recovery of future pipeline
2 repair and replacement work that is not included in the PSIA (before or
3 after its termination) through base rates, in the ordinary course of
4 ratemaking.

5 By Decision C18-0983 (mailed date Nov. 6, 2018), the Commission found
6 that the Application and 2018 PSIA Settlement provided adequate information for
7 the Commission to thoroughly explain and justify the three-year extension of the
8 PSIA and to address each issue of interest to the Commission. The Commission
9 therefore approved the 2018 PSIA Settlement, finding the settlement terms to be
10 just and reasonable.

11 **Q. PLEASE DESCRIBE, IN MORE DETAIL, WHY THE PARTIES AGREED TO A**
12 **THREE-YEAR EXTENSION IN THE 2018 PSIA SETTLEMENT?**

13 A. The parties articulated three factors: (1) the time needed to implement and then
14 evaluate a revised and enhanced QSP; (2) three years bisected the remaining six-
15 year potential lifespan of the PSIA; and (3) approximate alignment with
16 implementation of the PHMSA Gas Transmission rule, that “if adopted, may
17 impose new transmission safety and integrity requirements on Public Service.”¹⁵
18 This alignment proved out in many respects, with a portion of the Mega-Rule first
19 taking effect in 2020 and more to follow (as described in more detail by Mr. Litteken
20 in his Direct Testimony).¹⁶ The Settling Parties further agreed that while no costs
21 associated with the PHMSA Transmission Rule were allowed for inclusion in the
22 three-year extension of the PSIA through December 31, 2021, such costs could

¹⁵ 2018 PSIA Settlement at p. 7.

¹⁶ See PHMSA’s Notice of Proposed Rulemaking for “Pipeline Safety: Safety of Gas Transmission and Gathering Pipelines,” under Docket No. PHMSA-2011-0023 (the “Mega-Rule” or “Transmission Rule”).

1 be evaluated by the Commission for possible inclusion in the PSIA at the time of a
2 request by the Company to extend the PSIA beyond December 31, 2021.

3 **Q. WERE THERE ANY CONDITIONS ON THE TERM OF THE PSIA EXTENSION?**

4 A. Yes. The Settling Parties agreed that (1) only capital costs for eligible projects
5 could be recovered through the PSIA; (2) a second, up-to-three year PSIA
6 extension may be necessary and was neither requested for approval nor
7 foreclosed by the 2018 PSIA Settlement; and (3) the PSIA will not extend beyond
8 December 31, 2024.

9 **Q. WHAT PROJECTS WERE ELIGIBLE FOR RECOVERY IN THE PSIA**
10 **EXTENSION?**

11 A. The Settling Parties agreed that the six DIMP and five TIMP Projects set forth in
12 Table SPB-D-3 below, which were then eligible for PSIA cost recovery through the
13 end of 2018, would continue to be eligible for PSIA cost recovery through the end
14 of 2021 subject to the specific PSIA Project wind-down requirements set forth in
15 the 2018 PSIA Settlement. Under those provisions, the parties agreed that certain
16 PSIA Projects would become ineligible for PSIA recovery earlier than proposed by
17 the Company. This PSIA cost recovery wind-down schedule for the 2019-2021
18 extension period, as well the PSIA cost recovery wind-down for a potential 2022 –
19 2024 extension, are reflected in the 2018 PSIA Settlement. The post-2021
20 schedule was the Company's own version, and the other parties to the 2018 PSIA
21 Settlement reserved all rights to suggest their own framework for stepping down
22 projects from 2022 to 2024.

1

**Table SPB-D-3
 Wind-Down of PSIA (2018 – 2024)**

Project	Addition of New Project Costs to PSIA Ends by December 31 of:
DIMP – Bridge Crossings/Exposed Pipe	2018
DIMP – Above Ground Facility Protect	2018
TIMP – Above Ground Facility Protect	2018
DIMP – Shorted Casings	2020
TIMP – Shorted Casings	2020
DIMP – PPRP – Aldyl-A*	2021
DIMP – Distribution Valve Replacement	2021
TIMP – ASV/RCV	2022
DIMP – PPRP – Coupled IP*	2024
DIMP – PPRP – Vintage Steel*	2024
DIMP – AMRP	2024
TIMP – MAOP	2024
TIMP – Pipeline Assessments & Repairs	2024

2

*PPRP is a single PSIA Project, but given its size was broken down into three components.

3

Q. DID THE 2018 PSIA SETTLEMENT SPECIFY ADDITIONAL CRITERIA FOR PROJECT AND SUB-PROJECT PSIA ELIGIBILITY AND TIMELINES?

4

5

A. Yes. In Section III of the 2018 PSIA Settlement, the Settling Parties agreed to the addition of four criteria for future PSIA eligibility for Projects and Sub-Projects. These criteria pertained to the types of eligible Projects, the scope of work within each Project, the applicable risk assessment requirements, and an agreement that “no new Project or Sub-Project costs will be eligible for PSIA recovery after the PSIA is terminated no later than December 31, 2024, in the event the Company proposes to further extend the PSIA for an additional up to three-year period starting in 2021 and such an extension is granted.”¹⁷ Section IV of the 2018 PSIA

6

7

8

9

10

11

12

¹⁷ 2018 PSIA Settlement at p. 12.

1 Settlement provided information regarding, among other things, the PSIA cost
2 recovery wind-down schedule, which I discussed earlier.

3 **Q. PLEASE ELABORATE ON THE 2018 PSIA SETTLEMENT AGREEMENT'S**
4 **PROVISIONS REGARDING EXTENSIONS OF THE PSIA AFTER 2021 AND ITS**
5 **ULTIMATE TERMINATION.**

6 A. First, while the 2018 PSIA Settlement only included an extension of the PSIA
7 through 2021, it recognized the Company can request an extension of the PSIA
8 up through December 31, 2024 (subject to true-up) and that such an extension
9 may be necessary.¹⁸ However, it also explicitly left the potential approval of such
10 a further extension to a future proceeding before the Commission. Second, the
11 2018 PSIA Settlement clarified that while it included estimated wind-down dates
12 for certain projects after 2021, these were illustrative estimates only and were not
13 intended to bind a future PSIA extension request. Third, the 2018 PSIA Settlement
14 specified that it was not intended to foreclose the Company from seeking cost
15 recovery in the ordinary course of business for ongoing pipeline work. Finally, the
16 2018 PSIA Settlement specified that:

¹⁸ The settlement included true-up provisions should the PSIA be terminated on December 31, 2021, providing the Company with the option to undertake this process through base rates. As I discuss later in my Direct Testimony, the Company is proposing an alternative wind-down process that is easier to administer.

1 The Settling Parties acknowledge that it is not possible to foresee all
2 possible future requirements for pipeline safety and integrity work
3 that may warrant the addition of new future initiatives to the PSIA.
4 The PSIA cost recovery wind down set forth in this Agreement is not
5 intended to foreclose the possibility of further discussion between
6 interested parties in the event of new (and sizeable in cost) pipeline
7 safety and integrity initiatives caused by new PHMSA rules or any
8 other pipeline safety rules and regulations not within the Company's
9 control. However, in no event will cost recovery through the PSIA
10 extend beyond December 31, 2024 as set forth in Section VIII.A of
11 this Agreement, nor will O&M costs be included in the PSIA absent
12 a subsequent proposal by the Company and approval by the
13 Commission.¹⁹

14 **Q. HOW DID THE 2018 PSIA SETTLEMENT ADDRESS ANNUAL PSIA**
15 **REPORTING REQUIREMENTS?**

16 A. Section VI of the Settlement set forth a cadence consistent with the established
17 reporting requirements, including filing a November advice letter setting forth
18 upcoming year PSIA revenue requirements and five-year plan, and the April
19 Annual Report showing actual PSIA costs for the prior calendar year as compared
20 to the estimates contained in the relevant November advice letter filing.

21 **Q. HAVE THESE REPORTING REQUIREMENTS BEEN FURTHER ADJUSTED**
22 **SINCE THE 2018 PSIA SETTLEMENT?**

23 A. Yes. When the Company files its April Annual Report, the Commission provides
24 notice of its filing, advising that any person desiring to request a hearing, including
25 Commission Staff, can request a hearing. As a consequence of that protest
26 process, the Company has agreed to provide additional information in both its
27 November and April filings. For example, last April, the Company agreed to

¹⁹ 2018 PSIA Settlement at p. 16.

1 provide the stage gate status and description of each gate for certain PSIA Projects
2 in its November filings going forward.

3 **Q. HAS THE COMPANY CONSIDERED THE CONSTRUCT OF THE 2018 PSIA**
4 **SETTLEMENT IN FORMULATING ITS REQUESTS IN THIS CASE?**

5 A. Yes. The Company is mindful of not only the articulated PSIA extension criteria
6 that precipitated the 2018 PSIA Extension filing, but also the requirement that the
7 PSIA be closed to new investment after December 31, 2024, if the rider is
8 extended. Consistent with its commitment to wind down the PSIA, the Company
9 is not seeking to expand the scope of the rider through this filing, even in the face
10 of increasing federal mandates and the need for ongoing work. For example, as
11 explained in more detail by Mr. Litteken in his Direct Testimony, the Company is
12 not adding any new cost to the PSIA as a result of the Mega-Rule, even though
13 the existing work helps to assure Mega-Rule compliance and that possibility was
14 left open by the 2018 PSIA Settlement. Rather, Public Service is choosing to limit
15 the extension request to five identified Projects already determined to be
16 appropriately included within the PSIA, as projected by the Company in the 2018
17 PSIA Settlement. In addition, the Company is not seeking to change either the
18 scope or the mechanics of the PSIA and proposes to maintain the current Project
19 and Sub-Project eligibility criteria and reporting requirements. I discuss these
20 mechanics and the eligibility criteria later in my Direct Testimony, as does Mr.
21 Litteken in his Direct Testimony.

1 **C. Satisfaction of Commission Criteria for Requested PSIA Extension**

2 **Q. HOW IS THE COMPANY SATISFYING THE CRITERIA FOR PSIA EXTENSIONS**
3 **FROM DECISION NOS. R15-1204 AND C18-0407 THAT YOU IDENTIFIED IN**
4 **THE PRIOR SECTION OF YOUR DIRECT TESTIMONY?**

5 A. The Commission has ordered that any proposal for additional PSIA extensions
6 would need to include a plan for how the PSIA will be terminated in the future, as
7 well as meet four additional requirements. With the termination date of the PSIA
8 already established, I walk through each of the four requirements below, and
9 identify how the Company addresses each:

10 **1. A thorough analysis of all projects to be included in an ongoing PSIA:**

11 Mr. Litteken thoroughly explains the Projects to be included in the PSIA,
12 including that they are a subset of those previously approved due to their
13 significance, high-risk factors, and need to comply with federal mandates. Of
14 the five ongoing projects, additional work for one will be removed from the PSIA
15 in 2022, and the remainder will have continued investment under the PSIA
16 through 2024. All of these projects, however, will have ongoing work in some
17 form after 2024 due to current or pending PHMSA requirements – but cost
18 recovery will no longer be available through the PSIA. This is discussed by Mr.
19 Litteken in his Direct Testimony.

1 **2. The criteria used to determine whether future projects qualify for PSIA**
2 **treatment:**

3 Mr. Litteken identifies and details the criteria for future Projects and Sub-
4 Projects to be eligible for PSIA recovery, again following previous Commission-
5 approved methods, including:

- 6 • The first criterion is that the only Projects eligible for PSIA recovery are
7 the five continuing Projects specifically identified in my Direct Testimony.
8
- 9 • The second criterion is that PSIA recovery may continue for Sub-
10 Projects that have been previously approved for PSIA recovery, to the
11 extent they fall under a continuing PSIA Project and continue to meet
12 the existing risk ranking criteria.
13
- 14 • The third criterion is that new Sub-Projects must (a) fall within the scope
15 of an ongoing PSIA Project; and (b) have a risk ranking of moderate to
16 high risk, or not require a risk ranking, consistent with previously-
17 approved and well-established risk ranking criteria.
18
- 19 • Fourth and finally, no Project or Sub-Project will be eligible for PSIA
20 recovery after December 31, 2024. except to continue existing recovery
21 until PSIA amounts are moved to base rates as I describe below.
22

23 **3. A timeline for all PSIA projects to be completed:**

24 Mr. Litteken discusses the timelines by which Projects will conclude for
25 purposes of the PSIA. In addition, Mr. Litteken explains the work that will be
26 ongoing for the foreseeable future due to new PHMSA requirements (as with
27 Mega-Rule requirements relating to MAOP assessments); due to existing
28 PHMSA requirements that require longer-term work (as with ILI
29 Assessment/Repairs); or due to areas of work where the Company has made
30 extensive progress but requires additional system integrity management work.
31 Apart from the PSIA, routine pipeline safety, integrity, and maintenance work

1 will always be a part of Public Service's service obligation. This is true of all
2 natural gas utilities.

3 **4. A plan stating how remaining projects in the PSIA and other future**
4 **pipeline replacements or significant safety expenditures will be**
5 **addressed through the ordinary course of business when the PSIA is**
6 **terminated:**

7 Mr. Litteken explains that as certain work is ongoing after the end of the PSIA
8 extension, the Company anticipates decreased investments and managing the
9 work in the ordinary course of business. As I describe in Section V.B of my
10 Direct Testimony, absent the PSIA Public Service currently expects that all of
11 these costs will be recovered through future rate cases. While the Company
12 cannot rule out some change in federal law or other circumstance that causes
13 the Company and Commission to determine a different approach becomes
14 warranted, the Company currently intends to transition recovery of the costs of
15 integrity work to base rates after the conclusion of this extension.

16 **Q. HAS THE COMMISSION ALSO CONSIDERED OTHER STANDARDS AND**
17 **POLICY DRIVERS IN APPROVING RIDERS IN THE PAST?**

18 A. Yes. The Commission has never established rider approval criteria required for all
19 circumstances but has instead considered a variety of factors and sometimes
20 tailored its criteria to the specific type of rider requested. With respect to initial
21 establishment of the PSIA, for example, the Hearing Commissioner acknowledged
22 traditional considerations such as the proposed costs being significant in amount,
23 potentially volatile, and largely outside the Company's control, but focused on

1 the role that governmental statutes and regulations can have on the
2 rate structures for cost recovery. In this case, we have pipeline safety
3 inspection and repair directives mandated by the federal
4 government. Additionally, the recent high profile pipeline accidents
5 have focused public attention on the need to improve safety and
6 inspection protocols on an industry wide basis. No party argued
7 Public Service should not invest in maintaining the integrity of the
8 transmission and distribution system. The Settling Parties argue the
9 PSIA represents a fair balance that does not penalize the Company
10 for making needed safety investments, brings transparency to those
11 improvements, and protects ratepayers by not setting a baseline for
12 improvements, that will stay in rate base.²⁰
13

14 As the PSIA has matured, the Commission's PSIA extension approvals have been
15 centered on the more specific PSIA criteria identified in Decision No. R15-1204,
16 which I discussed above. In particular, the Commission's finding of completeness
17 of the Company's Application in Decision No. C18-0983 and subsequent approval
18 of the 2018 PSIA Settlement focused on satisfaction of these criteria from the 2015
19 extension, as well as the associated Commission comments in Decision No. C18-
20 0407.

21 **Q. DOES THE PSIA NONETHELESS ALSO ALIGN WITH THE MORE GENERAL**
22 **POLICY CONSIDERATIONS SUPPORTING RIDER APPROVALS?**

23 A. Yes. Integrity management work included in the PSIA continues to be governed
24 by PHMSA mandates for system and public safety. This underscores not only the
25 importance of this work, but also that the need to conduct it is largely outside the
26 Company's control. Further, Mr. Litteken discusses the magnitude of PHMSA
27 requirements and associated costs in his Direct Testimony, while I address the
28 resulting revenue requirements. Mr. Litteken also addresses how PSIA work

²⁰ Decision No. R11-0743 at 52.

1 addresses aging infrastructure on the system. In turn, these efforts at times result
2 in the need for additional, sometimes unexpected, safety work in order to protect
3 our customers and our communities.

4 Overall, we believe that the prior support for the PSIA underscores the value
5 of both the work being undertaken and the rider as a valid means of cost recovery.
6 Further, the annual true-up ensures customers pay no more or less than the actual
7 costs of these important projects, and the ongoing reporting through the PSIA
8 facilitates transparency, encourages the exchange of information, and provides
9 greater Commission and stakeholder oversight into the Company's PSIA integrity
10 work. Lastly, a final extension of the PSIA is consistent with the findings of
11 regulatory bodies across the country, as I noted earlier in my Direct Testimony.

1 **IV. THE PSIA COMPLEMENTS LONG-TERM GAS INFRASTRUCTURE PLANNING**

2 **Q. PLEASE IDENTIFY THE ISSUES ADDRESSED IN THIS SECTION OF YOUR**
3 **DIRECT TESTIMONY.**

4 A. In this section of my Direct Testimony, I discuss how the PSIA complements the
5 Company's commitment to long-term Gas planning, including benefits emanating
6 from the PSIA aside from the primary focus on safety and integrity. I specifically
7 discuss the continued need for the PSIA while the State of Colorado moves toward
8 its greenhouse gas emission reduction targets required under HB19-1261, and I
9 also address the topics that were recently posed by the Commission in Black Hills
10 Colorado Gas Inc.'s ("Black Hills") and Colorado Natural Gas, Inc.'s ("CNG") recent
11 requests for System Safety and Integrity Riders ("SSIR"). While some of the
12 Commission's inquiries were unique to those utilities or have been addressed by
13 existing aspects of Public Service's established PSIA rider processes, it is
14 important to the Company to be responsive to them, to the extent applicable.

15 **A. PSIA and Greenhouse Gas Emissions**

16 **Q. HOW IS THE PSIA RELATED TO METHANE EMISSIONS REDUCTION**
17 **EFFORTS ON THE GAS SYSTEM?**

18 A. The investments made through the PSIA are required for the safety and integrity
19 of the existing natural gas system and to meet federal regulations. As long
20 as natural gas is flowing on our system, meeting these safety and integrity
21 requirements is essential – and required by the Commission – to maintain safety
22 for our customers and the public. A co-benefit of the work of replacing or retrofitting
23 pipelines under the PSIA requirements is that we can upgrade to materials with a

1 lower propensity to leak. In this way, the PSIA work will enable Public Service to
2 further reduce emissions from the LDC, even though it is not the primary
3 purpose of the work.

4 **Q. WHAT STATE OR POLICY EFFORTS ARE UNDERWAY TO ADDRESS**
5 **METHANE EMISSIONS ON THE NATURAL GAS DISTRIBUTION SYSTEM?**

6 A. The State of Colorado is pursuing a broad array of sector-specific policies to
7 address greenhouse gas emissions in the state to fulfill the greenhouse gas
8 reduction targets required under HB19-1261. The Company is participating in and
9 monitoring these processes to ensure cost-effective solutions for our customers.
10 To highlight a few, the Air Quality Control Commission (“AQCC”) will be taking up
11 regulation for both the oil and gas sector and the building sector in 2021, which
12 has the potential to regulate emissions from the distribution pipeline system even
13 though they make up a small portion of these sector emissions. We will also be
14 providing our data on greenhouse gas emissions from the LDC through Regulation
15 22 reporting in support of the state’s greenhouse gas inventory. Lastly, we are
16 participating in Proceeding No. 20M-0439G, most recently through a
17 Commissioners’ Information Meeting, to evaluate and inform emissions reductions
18 efforts on the natural gas system.

19 **Q. PLEASE DESCRIBE HB19-1261 AND THE ROLE OF THE GAS SYSTEM IN**
20 **ACHIEVING THOSE GOALS.**

21 A. The 2019 legislative session was a dynamic policy environment that led to the
22 creation of aggressive climate targets for the State of Colorado. HB19-1261
23 specifically calls for economy-wide reductions in greenhouse gas reductions of 26

1 percent by 2025, 50 percent by 2030 and 90 percent by 2050. The law does not
2 lay out sector-specific approaches and does not specifically indicate what
3 emissions reductions might be expected from any given industry or emitting
4 entity. Given the different level of technology and emissions abatement strategies
5 available in each sector, we expect that each sector will be on a slightly different
6 emissions reductions trajectory. The AQCC is responsible for determining the
7 regulations required to achieve this statewide target and they have plans to
8 promulgate rules for several sectors in the coming year. As such, the natural gas
9 distribution system is included in the economy-wide targets, but the
10 actual emissions reduction trajectory from this industry, either due to methane
11 emissions on the system or customer carbon emissions, has not been
12 determined.

13 **Q. WHAT ARE THE METHANE EMISSIONS ASSOCIATED WITH NATURAL GAS**
14 **RELATIVE TO THE STATE'S EMISSIONS?**

15 A. Public Service tracks methane emissions by following approved methods from the
16 Environmental Protection Agency ("EPA"), and we are working on more
17 comprehensive reporting that includes emissions below the EPA reporting
18 threshold through our involvement in Our Nation's Energy Future (ONE Future)
19 and the Natural Gas Sustainability Initiative. As of 2019, the Company's natural
20 gas system emits about 185,000 metric tons of carbon dioxide equivalent per
21 year. Based on the recent *Greenhouse Gas Pollution Reduction Roadmap*, the
22 methane emissions associated with Public Service's LDC is about 0.145 percent
23 of the state total. Public Service continues to make efforts to reduce these

1 emissions but focusing on methane emissions from the LDC is unlikely to be the
2 most effective or impactful means to achieve the state's targets.

3 **Q. DOES THE PSIA WORK SUPPORT PUBLIC SERVICE'S ABILITY TO ACHIEVE**
4 **EMISSIONS REDUCTIONS?**

5 A. Yes. As mentioned above, the PSIA is focused on maintaining a safe system, but
6 has the co-benefit of helping to install pipes with materials that have a lower
7 probability of leaking methane. Therefore, the PSIA work will enable a certain
8 amount of methane reductions from the existing system in support of the
9 greenhouse gas targets. These pipeline replacements are one of the many things
10 Public Service is doing to reduce emissions on our system.

11 **Q. HOW DOES PUBLIC SERVICE PLAN TO ADDRESS THE HB19-1261**
12 **TARGETS?**

13 A. Public Service is very involved in the conversations to find the most cost-effective
14 pathways to achieving the state targets and remains committed to doing so. In
15 Public Service's 2020 Gas Rate Case Settlement,²¹ we made a commitment to
16 work on a long-term planning process with Staff, the OCC, the Colorado Energy
17 Office, other LDCs, and other interested parties to the case, once either the
18 Colorado Department of Public Health and Environment ("CDPHE") or the
19 AQCC promulgates a rule (the "Rule") addressing greenhouse gas emissions from
20 Public Service's natural gas infrastructure or from the end-use of Public Service's
21 gas commodity, pursuant to House Bill 19-1261. It is imperative that we have the

²¹ Proceeding No. 20AL-0049G. The Unopposed and Comprehensive Settlement Agreement in that case was approved by Decision No. R20-0673.

1 regulations first so that we understand the emissions reductions that are expected
2 from our natural gas infrastructure or from the end use of the Company's gas
3 commodity. Once we have certainty on these regulations, Public Service has
4 agreed to take the following actions:

- 5 1. Begin preparation of a new depreciation study within three months of the
6 effective date of the Rule to determine their impact on system assets.
- 7 2. Meet with interested parties to the case to discuss processes for regular
8 reporting to the Commission on long-term utility transmission and
9 distribution capacity and infrastructure planning consistent with the Rule.
- 10 3. Submit a petition for rulemaking to address long-term gas capacity and
11 infrastructure planning rules within three months of the effective date of the
12 Rule.

13 In addition to the commitments made for long-term planning, we are
14 currently working toward filing a petition for rulemaking for short-term gas capacity
15 and infrastructure planning in April 2020, another commitment made in the 2020
16 Gas Rate Case Settlement. Through these commitments, we will be able to align
17 our system with the desired policy outcomes of the state. In the meantime, we are
18 also pursuing an aggressive strategy to reduce our own emissions, work with our
19 suppliers to reduce their methane emissions, and also help our customers reduce
20 their carbon dioxide emissions, all through voluntary efforts. This comprehensive

1 strategy can be found in our report “Transitioning Natural Gas for a Low-Carbon
2 Future.”²²

3 **Q. WHY IS IT CRITICAL TO EXTEND THE PSIA WHILE NEW GREENHOUSE GAS**
4 **RULES ARE BEING FORMULATED?**

5 A. Regardless of where these regulations end up, we know that customers continue
6 to rely on natural gas for use in their homes and businesses, making the PSIA
7 work essential to delivering that energy safely. Further, this work is addressing the
8 existing system through primarily like-for-like replacements that are essential
9 to delivering natural gas to customers that rely on it today and required to comply
10 with federal regulations.

11 **B. Questions of the Commission in the Black Hills and CNG SSIR**
12 **Proceedings**

13 **Q. PLEASE BRIEFLY DESCRIBE THE INTEGRITY RIDER REQUESTS OF BLACK**
14 **HILLS AND CNG.**

15 A. According to Commission Decision No. C20-0757-I in Proceeding No. 20A-0379G,
16 Black Hills seeks to implement a new SSIR to “recover the costs of certain system
17 safety and integrity projects through rate riders on customer bills. The SSIR would
18 allow [Black Hills] to recover... eligible integrity investments” for its gas system.²³
19 Black Hills predicted the need for an SSIR through 2031 and sought approval of
20 an initial five-year term beginning on January 1, 2021. Similarly, according to
21 Commission Decision No. C20-0610-I in Proceeding No. 20A-0284G, CNG seeks

²² https://www.xcelenergy.com/environment/natural_gas_strategy.

²³ Decision No. C20-0757-I at ¶ 4.

1 to implement a new SSIR to recover the costs of six identified safety and integrity
2 programs. CNG requests an initial SSIR term of three years, through December
3 31, 2023.

4 **Q. ARE THESE RIDER REQUESTS THE SAME AS THE COMPANY'S PSIA?**

5 A. No. While there are similarities in that both pertain to gas system integrity
6 investments and have some common programs, Public Service's PSIA is an
7 established rider with a set expiration date and a history of clear criteria and
8 extensive reporting requirements. Public Service has worked closely with the
9 Commission, Staff, and the OCC over the past eight years to shape a rider program
10 that provides value to customers through focused safety and compliance work for
11 both the Company's transmission and distribution systems. The Black Hills and
12 CNG SSIRs would each be new riders for those utilities, with criteria and scope
13 yet to be established, while the Company's request to extend the PSIA allows the
14 Company to wind down PSIA cost recovery, transitioning ongoing work to normal
15 course of business execution and cost-recovery through rate cases.

16 **Q. AS RELEVANT TO PUBLIC SERVICE, PLEASE ADDRESS THE QUESTIONS**
17 **POSED BY THE COMMISSION IN THE BLACK HILLS AND CNG CASES.**

18 A. As mentioned earlier, some of the topics covered by the posed questions are very
19 specific to Black Hills and/or CNG, who are requesting first-time integrity riders and
20 others have been addressed in the past by the Company as part of prior PSIA
21 extension requests. However, the Company recognizes that the questions posed
22 could present areas of interest for Public Service's PSIA extension request. Rather
23 than respond to the individual questions posed to the other utilities, I have divided

1 them into the three main topics they appear to cover: (a) criteria for including
2 Projects (and Sub-Projects) in the PSIA, including relative levels of risk; (b)
3 determining when PSIA recovery is no longer required; and (c) future customer
4 demand and alternatives to PSIA investment. I address each of these topics
5 below.

6 **Q. PLEASE DISCUSS THE FIRST TOPIC: CRITERIA FOR INCLUDING**
7 **PROJECTS (AND SUB-PROJECTS) IN THE PSIA, INCLUDING RELATIVE**
8 **LEVELS OF RISK.**

9 A. The criteria for including Projects and Sub-Projects in the PSIA have been
10 determined by the Commission to be just and reasonable in prior proceedings, as
11 further discussed by Mr. Litteken in his Direct Testimony. The Company is seeking
12 to continue a subset of the PSIA Projects that have previously been approved for
13 PSIA cost recovery. New Sub-Projects, however, must have a risk ranking of
14 moderate to high risk, or not require a risk ranking, in order to be included in the
15 PSIA, consistent with the Commission's decision in the 2015 Gas Phase I, and as
16 agreed to by the parties to the 2018 PSIA Settlement.

17 **Q. PLEASE DISCUSS THE SECOND TOPIC: DETERMINING WHEN PSIA**
18 **RECOVERY IS NO LONGER REQUIRED.**

19 A. As distinguished from Black Hills and CNG, who do not currently have an integrity
20 rider, Public Service's PSIA has been in place since 2012, and the 2018 PSIA
21 Settlement expressly requires that continued investment cannot be included in the
22 Company's PSIA after 2024, assuming an extension of the PSIA. As explained in
23 my Direct Testimony as well as that of Mr. Litteken, the extension of the PSIA

1 through 2024 is needed in order to continue the important mission of the PSIA and
2 reach targeted milestones in this federally-mandated work. However, new and
3 continuing integrity work, including ongoing post-PSIA work covered by current
4 and former PSIA Projects, will also require ongoing investment after the PSIA
5 expires, particularly in light of the PHMSA Mega-Rule. This is discussed by Mr.
6 Litteken in his Direct Testimony.

7 **Q. PLEASE DISCUSS THE THIRD TOPIC: FUTURE CUSTOMER DEMAND AND**
8 **ALTERNATIVES TO PSIA INVESTMENT.**

9 A. The PSIA is a rider established to provide the Company with cost recovery for work
10 completed to comply with federal regulations governing the safety and integrity of
11 natural gas pipeline systems. These projects are driven by safety, not growth, for
12 a system that our customers will continue to rely on, and therefore do not produce
13 incremental revenue to offset the costs. Further, in compliance with PHMSA
14 regulations, the Company is expected to take prudent measures to know its assets,
15 identify the risks and threats to its assets, and be proactive in mitigating those risks
16 and threats. To this end, the very mission of the PSIA is to address the higher-risk
17 infrastructure integrity work on the natural gas system, which is the particular focus
18 of PHMSA's mandates. The Projects currently included in the PSIA (and proposed
19 to remain in the PSIA through its conclusion) are likewise uniquely targeted to meet
20 these high-priority safety goals – goals that must be achieved even in a declining
21 gas usage scenario. And the Company seeks to execute this work in the most
22 efficient and cost-effective manner, which is facilitated by timely recovery through

1 the PSIA rider. Thus, from the Company's perspective, there is no alternative to
2 PSIA investment.

1 **V. MECHANICS OF THE PSIA RIDER AND WIND-DOWN**

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

3 A. The purpose of this section of My Direct Testimony is to provide a general overview
4 of the mechanics of the PSIA Rider, request removal of the rate case filing
5 requirement, and provide the estimated PSIA Extension revenue requirements. I
6 also outline the Company's proposed PSIA rider wind-down process for after 2024,
7 when no new investment will be included in the PSIA. Finally, I request a
8 Commission decision, if possible, by November 1, 2021, and discuss associated
9 processes.

10 **A. PSIA Rider Mechanics and the PSIA Revenue Requirements**

11 **Q. PLEASE PROVIDE AN OVERVIEW OF HOW THE PSIA RIDER WORKS AND**
12 **ASSOCIATED REPORTING REQUIREMENTS.**

13 A. The filings associated with the PSIA include (a) a November advice letter setting
14 forth the upcoming year's forecasted PSIA revenue requirements and proposed
15 new PSIA rate to be effective on January 1, as well as a five-year plan; and (b) the
16 April Annual Report showing, among other things, actual PSIA costs for the prior
17 calendar year as compared to the relevant November advice letter filing. True-ups
18 for prior years' revenue requirements and revenue collected are included on a two-
19 year lag in the November advice letter such that, for example, true-ups associated
20 with calendar year 2020 will be in rates over the course of calendar year 2022.
21 Periodic updates are also provided to Staff and the OCC. Mr. Litteken discusses
22 the PSIA Project-related reporting in more detail in his Direct Testimony.

1 **Q. IS THE COMPANY PROPOSING ANY CHANGES TO THE EXISTING FILING**
2 **CADENCE OR REPORTING REQUIREMENTS IN ITS EXTENSION REQUEST?**

3 A. No.

4 **Q. WHAT IS THE COMPANY PROPOSING WITH RESPECT TO THE**
5 **REQUIREMENT TO FILE A BASE RATE CASE EVERY THREE YEARS WHILE**
6 **THE PSIA IS IN EFFECT?**

7 A. Public Service proposes to eliminate this requirement. As mentioned earlier in my
8 Direct Testimony, the requirement to file a base rate case every three years while
9 the PSIA is in effect was established in 2012 along with inception of the PSIA. In
10 the 2018 PSIA Settlement, the parties acknowledged that the Company could
11 request elimination of this requirement, which it is choosing to do in this case.²⁴ In
12 2020, the Company filed a combined Phase I and II rate case, which is still in the
13 process of being fully implemented. Given this recent filing and the closure of the
14 PSIA to new costs by the end of 2024, the aforementioned rate case filing
15 requirement is no longer necessary.

16 **Q. ARE THERE ADDITIONAL REASONS WHY IT IS APPROPRIATE TO**
17 **ELIMINATE THIS REQUIREMENT?**

18 A. Yes. The Company files annual reports that detail the full cost of service and
19 resulting earned return each year. These annual reports have shown the
20 Company has earned below its authorized return in every year the PSIA has been
21 in place. This historical under earning is largely driven by the use of historical test

²⁴ 2018 PSIA Settlement at p. 18.

1 years to set base rates. In the Company's most recent rate case, historical data
2 was primarily used to set rates, making the continued under-earning experienced
3 over the past eight years likely to continue during the extension period or
4 thereafter. Nevertheless, the annual reports will continue to be a resource for the
5 Commission and intervening parties to review the Company's performance.
6 Imposing an arbitrary requirement to file a rate case when one may not be
7 necessary is not in our customers' best interest and does not promote regulatory
8 efficiency.

9 **Q. IS THE COMPANY PROPOSING ANY CHANGES TO THE EXISTING TARIFF**
10 **FOR THE PSIA IN THIS PROCEEDING?**

11 A. No. The Company is not proposing any tariff changes, but recognizes that it is
12 possible that tariff changes may be required to implement the Commission's
13 ultimate decision in this proceeding. Should such changes be required, the
14 Company would make a compliance filing to implement those changes after the
15 final decision in this proceeding, as I outline later in my Direct Testimony.

16 **Q. PLEASE GENERALLY DESCRIBE WHAT IS INCLUDED IN THE REVENUE**
17 **REQUIREMENTS FOR THE PSIA UNDER THE CURRENT TARIFF.**

18 A. The PSIA revenue requirements as stated in the tariff includes a return on rate
19 base at the Company's weighted average cost of capital ("WACC") and the plant-
20 related ownership costs associated with the plant in-service, including depreciation
21 and taxes. Rate base includes accumulated deferred income taxes as a reduction
22 to net plant and is calculated on a 13-month average.

1 **Q. HAVE YOU FORECASTED REVENUE REQUIREMENTS FOR THE PSIA IN**
 2 **THE YEARS OVER WHICH THE EXTENSION IS BEING SOUGHT?**

3 A. Yes. Attachment SPB-1 to my Direct Testimony provides the forecasted revenue
 4 requirements annually for 2022 through 2024. I have also summarized the
 5 forecasted revenue requirements in Table SPB-D-4 below. The Company is not
 6 requesting specific Commission approval of these revenue requirements at this
 7 time; rather, Public Service is providing these forecasts for illustrative purposes
 8 and will provide updated revenue requirement forecasts in each pertinent
 9 November advice letter filing.

10 **Table SPB-D-4**
Forecasted 2022 – 2024 PSIA Revenue Requirements

Component	2022	2023	2024
Rate Base	\$1,050,538,942	\$1,173,088,731	\$1,293,580,399
WACC	6.86%	6.87%	6.86%
Return on Rate Base	\$72,066,971	\$80,591,196	\$88,739,615
Depreciation	\$32,959,435	\$37,105,072	\$41,189,303
Income Taxes	\$17,229,183	\$19,538,223	\$21,552,372
Total Revenue Requirements	\$122,255,590	\$137,234,491	\$151,481,290

11 **B. Transition to Normal Course of Business Investment and Cost Recovery**
 12 **after 2024**

13 **Q. WHAT GUIDANCE WAS PROVIDED BY THE COMMISSION REGARDING THE**
 14 **TRANSITION FROM THE PSIA TO A NORMAL COURSE OF BUSINESS**
 15 **CADENCE?**

16 A. The Commission provided the following guidance in Decision No. C18-0407:

1 Any future request to extend the PSIA must include a plan
2 explaining the process for future pipeline replacements or
3 significant safety expenditures that can be addressed through
4 the ordinary course of business, without replacing the rate
5 recovery of the PSIA with another mechanism to implement
6 continued rate increases for these expenditures when the
7 PSIA is terminated.
8

9 Clearly, the Commission wished to know how Public Service can fund pipeline
10 replacements and safety expenditures without requiring a rider mechanism. The
11 Company can speak to current regulations and plans, with the caveat that it cannot
12 control or fully predict what future regulation might look like.

13 **Q. DESCRIBE HOW THE COMPANY WILL RECOVER THESE COSTS ASSUMING**
14 **THE PSIA IS CLOSED TO NEW INVESTMENT AT THE END OF 2024.**

15 A. As discussed earlier in my Direct Testimony and by Mr. Litteken in his Direct
16 Testimony, if the PSIA is extended to the end of 2024, the Company will have
17 made significant progress toward its goals and compliance requirements.
18 Attachment LAL-5 to Mr. Litteken's Direct Testimony also shows a reduction in
19 integrity capital investment after the PSIA extension, as Mr. Litteken discusses. As
20 a result, Public Service anticipates seeking subsequent cost recovery for new
21 pipeline investments in a Phase I rate case, which is consistent with ordinary
22 course of business recovery. The use of historical, current, or future test years in
23 such cases may affect how frequently the Company must file rate cases to recover
24 ongoing safety and integrity investments, as might the use of other rate case
25 mechanisms such as deferrals. However, the Company is not making any such
26 proposal at this time; any such issues can be addressed in the context of future
27 rate cases.

1 **Q. HOW WILL THE COMPANY ADDRESS ANY NEW PIPELINE REGULATIONS**
2 **THAT REQUIRE SIGNIFICANT COSTS FOR COMPLIANCE?**

3 A. As Mr. Litteken discusses in detail in his Direct Testimony, it is likely that additional
4 pipeline regulations (such as subsequent phases of the recently-issued Mega-
5 Rule) could be implemented before the end of the PSIA in 2024 and would again
6 require elevated capital investments or new O&M expenses for compliance. The
7 Company is not at this time proposing to add additional costs for pending or future
8 federal regulation to the PSIA. However, we are closely monitoring the pending
9 PHMSA rulemaking. Should there be a need to address the costs of those
10 regulations with the Commission, the Company will do so at the appropriate time.

11 **C. Wind-Down of the PSIA After 2024**

12 **Q. IF THE REQUESTED PSIA EXTENSION IS APPROVED, HAS THE COMPANY**
13 **CONTEMPLATED A PROCESS FOR HOW TO TREAT RIDER RECOVERY**
14 **AFTER DECEMBER 31, 2024, WHEN NEW PSIA INVESTMENT WILL NO**
15 **LONGER BE INCLUDED IN THE RIDER?**

16 A. Yes, the Company has considered how to eventually move the recovery of projects
17 approved in the PSIA to base rates in the most efficient way possible. To ensure
18 there is not a lapse in recovery for investment approved under the PSIA and to
19 avoid multiple changes to base rates to capture the correct level of recovery and
20 true-up of prior year's PSIA costs, we propose to continue the rider (albeit closed
21 to new costs) until PSIA costs can be transferred into base rates through a rate
22 case.

1 **Q. PLEASE STEP THROUGH THE PROCESS TO CONTINUE THE RIDER WHILE**
 2 **ENSURING THERE IS NO NEW INVESTMENT RECOVERED IN THE RIDER.**

3 A. The Company proposes to continue the November and April filings until PSIA costs
 4 are fully trued up and ultimately transferred to base rates. There would be no new
 5 investment included in the revenue requirements, and true-ups would continue as
 6 they had throughout the extension period. The below table illustrates the filings
 7 assuming no rate case is filed during the period represented.

8 **TABLE SPB-D-5
 Proposed PSIA Wind-Down Process**

Filing Date	Filing Purpose	Revenue Requirements	Revenue Requirements True-up Included in Rates	Revenue True-up Included in Rates
Nov-21	Set Rates 1/1/22 Revenue Requirements	2022 Forecasted	2020 Actual	2020 revenue
Apr-22	True-up	2021 Actual	N/A	N/A
Nov-22	Set Rates 1/1/23 Revenue Requirements	2023 Forecasted	2021 Actual	2021 revenue
Apr-23	True-up	2022 Actual	N/A	N/A
Nov-23	Set Rates 1/1/24 Revenue Requirements	2024 Forecasted	2022 Actual	2022 revenue
Apr-24	True-up	2023 Actual	N/A	N/A
Nov-24	Set Rates 1/1/25 Revenue Requirements	2024 Forecasted	2023 Actual	2023 revenue
Apr-25	True-up	2024 Actual	N/A	N/A
Nov-25	Set Rates 1/1/26	2024 Actual	2024 Actual collected in 2024	2024 revenue
Nov-26	Set Rates 1/1/27	2024 Actual	2024 Actual collected in 2025	2025 revenue

1 **Q. WHAT WILL HAPPEN WHEN A RATE CASE IS FILED AFTER CONCLUSION**
2 **OF THE PSIA IN 2024?**

3 A. Any costs remaining in the PSIA would be transferred to base rates in that rate
4 case, subject to true-up as I describe below, at the applicable test year level.
5 When new base rates become effective, PSIA collection will terminate and any
6 remaining true-ups will need to be collected or refunded to customers.

7 **Q. HOW WILL ANY REMAINING TRUE-UPS BE COLLECTED OR REFUNDED?**

8 A. The most efficient method to ensure that remaining true-ups are collected or
9 refunded would be to calculate the exact amount of the true-up and include it in
10 the deferred account within the GCA. This would avoid continuation of the PSIA
11 or a temporary General Rate Schedule Adjustment for what would likely be an
12 immaterial true-up amount.

13 **Q. IS THE COMPANY OPEN TO DISCUSSING THE PROCESS LAID OUT ABOVE**
14 **WITH INTERVENING PARTIES, TO SEEK CONSENSUS?**

15 A. Yes. The Company believes this proposal is the most efficient and effective
16 process to reduce changes in rates and additional filings with the Commission.
17 However, we are open to views of other parties with respect to this process and
18 would like to achieve consensus. Ultimately, the Company is seeking no gap in
19 recovery.

1 **Q. WHAT IF THE REQUESTED PSIA EXTENSION IS NOT APPROVED?**

2 A. If the Commission does not approve an extension and the PSIA is closed to new
3 investment as of December 31, 2021, the Company would propose the same
4 process above but with the dates adjusted accordingly.

5 **Q. DID THE 2018 PSIA SETTLEMENT ESTABLISH A PARTICULAR PROCESS**
6 **FOR PSIA WIND-DOWN?**

7 A. In the 2018 PSIA Settlement, the parties agreed that if the PSIA is not extended
8 beyond December 31, 2021, the “Company *may* seek to recover through base
9 rates the level of PSIA revenue requirements at the end of 2021 through the filing
10 of an advice letter with rates effective January 1, 2022” (emphasis added).²⁵ True-
11 ups thereafter would then be in base rates. The Company believes, however, that
12 the PSIA rider wind-down process proposed herein, whether or not the PSIA is
13 extended, is more efficient, would require fewer filings, and, from a customer
14 perspective, keeps the rate changes within the PSIA line that customers currently
15 see on their bills rather than having the effect of periodic changes to base rates.
16 This process is revenue neutral to the Company.

²⁵ 2018 PSIA Settlement at Section VIII.

1 **D. Timing of Commission Decision and November 2021 Filing**

2 **Q. DO YOU HAVE A REQUEST OF THE COMMISSION AS RELATED TO THE**
3 **TIMING OF THE DECISION IN THIS CASE AND THE UPCOMING NOVEMBER**
4 **15, 2021 PSIA ADVICE LETTER FILING?**

5 A. Yes. The statutory deadline for a final decision on this Application will expire after
6 the deadline for the November Filing, but prior to the end of the year. Given the
7 November 15, 2021 deadline, the Company requests that the Commission issue
8 a final decision in this case by November 1, 2021. The Company is willing to work
9 with the parties and the Commission to develop a procedural schedule to enable
10 a final decision by that date. In that event, the Company expects it will be able to
11 make the November 15, 2021 filing on schedule, in compliance with such decision,
12 with new rates to go into effect on January 1, 2022.

13 **Q. WHAT DOES THE COMPANY PROPOSE IF A DECISION BY NOVEMBER 1,**
14 **2021 IS NOT POSSIBLE?**

15 A. If a final decision issues later, it would not be possible to incorporate decisions of
16 the Commission into the November 2021 Filing. However, the Company proposes
17 that it still make the November Filing on schedule, incorporating therein any April
18 2021 true-up amounts as well as forecasted PSIA investment for 2022. The
19 Company would thereafter amend its November Filing, if required, so that the rates
20 going into effect on January 1, 2022 are reflective of the decisions in this case.
21 Recognizing that this process would potentially increase Company and
22 stakeholder work, the Company is open to discussing other procedural options to

1 facilitate implementation of the Commission's final decision in this case and the
2 January 1, 2022 rate adjustment.

1 **VI. CONCLUSION AND REQUESTS OF THE COMMISSION**

2 **Q. PLEASE SUMMARIZE THE COMPANY'S PROPOSAL FOR A PSIA**
3 **EXTENSION IN THIS PROCEEDING.**

4 A. As identified earlier in my Direct Testimony, the Company is proposing to extend
5 the PSIA from January 1, 2022 through December 31, 2024, consistent with the
6 concept identified (though not approved) in our 2018 PSIA Extension proceeding.
7 However, the extension would be limited to a subset of the previously-approved
8 Projects, including their Sub-Projects. The five Projects eligible for PSIA cost
9 recovery through the extension would be: DIMP – AMRP; DIMP – PPRP; TIMP –
10 ASV/RCV; TIMP – MAOP; and TIMP ILI Assessments/Repairs.

11 The Company proposes to maintain the same eligibility criteria, as well as
12 the same overall risk ranking approach and reporting/true-up structures that are,
13 by now, relatively well-established for this rider. At the end of 2024, the PSIA
14 would be closed to new costs and kept open solely to recover historical
15 investments and manage an orderly true-up of annual PSIA costs until transition
16 to base rates can occur. In addition, as discussed by Mr. Litteken in his Direct
17 Testimony, after the end of 2024, former PSIA Projects that have ongoing work will
18 be undertaken and recovered in the ordinary course of business.

19 **Q. WHY SHOULD THE COMMISSION APPROVE THIS REQUEST?**

20 A. As I discussed earlier in my Direct Testimony, the Commission and the Company
21 have, in partnership, responded to PHMSA's mandate to focus on pipeline safety
22 and integrity. While much has been accomplished through the PSIA work
23 completed thus far, there is more to do before closing the PSIA to new costs at the

1 end of 2024. Furthermore, as demonstrated through the Direct Testimonies of the
2 Company's witnesses in this case, the Company has satisfied all of the
3 Commission's requirements for extension of the PSIA. We seek to finish executing
4 on the plan to transition safety and integrity investment to the normal course of
5 business, which will set the stage for a long-term system planning process once
6 new greenhouse gas rules are promulgated by either the CDPHE or the AQCC.

7 **Q. PLEASE SUMMARIZE THE REQUESTS OF THE COMPANY IN THIS**
8 **PROCEEDING.**

9 A. As described above and in the Direct Testimonies of the other witnesses in this
10 case, Public Service requests that the Commission issue a decision:

11 1. Extending the PSIA rider from January 1, 2022 through December 31, 2024,
12 allowing for PSIA Projects to be undertaken in those years as part of the
13 PSIA. The cost recovery for the PSIA rider would continue to be limited to
14 capital costs only, and to the following five DIMP and TIMP Projects that are
15 currently included in the PSIA:

- 16 • DIMP AMRP;
- 17 • DIMP PPRP;
- 18 • TIMP ASV/RCV;
- 19 • TIMP MAOP; and
- 20 • TIMP ILI Assessments/ Repairs.

21 2. If the extension is approved, continuing to maintain the same scope of the
22 PSIA in terms of program, Project, and Sub-Project eligibility (such that
23 there is no change to eligibility criteria), as well as the same overall risk

1 ranking approach and the existing reporting requirements, including those
2 for both the November Filing and the April Annual Report;

- 3 3. Approving the Company's proposal to wind-down PSIA cost recovery as
4 proposed herein, allowing the PSIA rider mechanism itself to remain in
5 place until PSIA costs can be transferred to base rates through a rate case,
6 with any subsequent true-ups addressed through the GCA;
- 7 4. If the Commission does not approve an extension and the PSIA is closed
8 to new investment as of December 31, 2021, approving the same wind-
9 down process described herein (albeit beginning in 2022); and
- 10 5. Removing the requirement to file a Phase I base rate case every three years
11 so long as the PSIA remains in effect, as established by operation of a
12 settlement approved by Decision No. R11-0743 in Proceeding No. 10AL-
13 963G.

14 For continuity, new rates for the PSIA Extension would go into effect on
15 January 1, 2022. Thus, as noted earlier, the Company also requests a final order
16 in this Proceeding by November 1, 2021, to facilitate adjustment of the PSIA rates
17 through the required November 15, 2021 advice letter filing (to be effective January
18 1, 2022). If a final decision is issued later, the Company proposes that it still make
19 the November Filing on schedule, incorporating therein any required April 2021
20 true-up amounts as well as forecasted PSIA investment for 2022. The Company
21 would thereafter amend its November Filing, if required, so that the rates going
22 into effect on January 1, 2022 are reflective of the decisions in this case. Any
23 required compliance tariff changes could be made within that same filing, or

1 through a separate compliance advice letter filing on not less than two business
2 days' notice.

3 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

4 **A.** Yes, it does.

Statement of Qualifications

Steven P. Berman

I accepted the position of Director, Regulatory Administration in January 2020. In that role, I am responsible for providing leadership, direction, and technical expertise related to regulatory processes and functions for Public Service Company of Colorado. In my prior role with Xcel Energy, Manager of Revenue Analysis, I 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.

I accepted the position of Revenue Analysis Manager with Xcel Energy in April 2015 and have worked in the energy industry for over 13 years. Over that time, I have 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

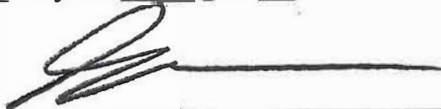
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IN THE MATTER OF THE VERIFIED)
APPLICATION OF PUBLIC SERVICE)
COMPANY OF COLORADO FOR)
APPROVAL TO EXTEND THE) PROCEEDING NO. 21AL-___G
COMPANY'S PIPELINE SYSTEM)
INTEGRITY ADJUSTMENT ("PSIA"))
RIDER FOR CERTAIN PROJECTS)
THROUGH 2024, WITH SUBSEQUENT)
WIND-DOWN OF THE RIDER.)

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

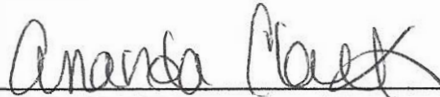
I, Steven P. Berman, being duly sworn, state that the Direct Testimony and attachments were prepared by me or under my supervision, control, and direction; that the Direct Testimony and attachments are true and correct to the best of my information, knowledge and belief; and that I would give the same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

Dated at Denver, Colorado, this 9th day of Feb., 2021.



Steven P. Berman
Director, Regulatory Administration

Subscribed and sworn to before me this 9th day of Feb., 2021.



Notary Public

My Commission expires 3/25/2024

AMANDA CLARK
Notary Public
State of Colorado
Notary ID # 20164004880
My Commission Expires 03-25-2024