

Colo. utility regulator criticizes Xcel over gas infrastructure plan

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By Tom DiChristopher
S&P Global

Colorado utility regulators expressed disappointment and frustration with [Public Service Co. of Colorado](#)'s first fully litigated gas infrastructure plan, saying the proceeding exposed misaligned incentives that encourage potentially unwarranted system expansion.

The [Colorado Public Utilities Commission](#) is concerned about the [Xcel Energy Inc.](#) subsidiary's forecasting and its approach to assessing alternatives to fossil fuel infrastructure. Public Service Co., which does business in Colorado as Xcel, ignored the commission's directives to improve its forecasting and cost-benefit analysis, the PUC said in a June 4 filing (25A-0220G).

The PUC said inaccurate forecasting created the risk that Xcel would over-invest in the gas distribution system. Commissioners warned that they could deem Xcel's investments imprudent in future rate cases if the company did not start adhering to forecasting requirements in the PUC's gas infrastructure planning rule.

The PUC [finalized the rule](#) in 2022, requiring gas utilities to file gas infrastructure plans (GIP) every two years. GIPs would allow the PUC to scrutinize capital investments before companies seek cost recovery for capital investments. Commissioners developed GIPs to align future gas system planning with Colorado's greenhouse gas emission reduction goals.

The PUC said its review of Xcel's 2025-2030 GIP underscored a preexisting concern: The current cost-of-service regulatory model incentivizes gas utilities to expand capital spending and rate base in order to grow earnings, whether or not investment is in the public interest. That conclusion could impact how the PUC assesses future GIPs from [Atmos Energy Corp.](#), [Black Hills Colorado Gas Inc.](#) and [Colorado Natural Gas Inc.](#)

Weighing the evidence and Xcel's advocacy throughout the proceeding, the PUC found that the company's approach to major disputed issues "may be based as much on the company's financial incentives as the public interest." Consequently, the PUC concluded that "it seems increasingly important to explore and find ways to reduce or break the link between growth in marginal capital spending and the company's earnings."

In response, Xcel said its investments are "subject to rigorous regulatory oversight and are evaluated based on system safety, reliability needs, customer demand and long-term planning considerations."

"We carefully assess whether and where infrastructure is needed, particularly as Colorado's energy system evolves and electrification increases," Xcel told Platts, part of S&P Global Energy.

Discrepancy in forecasts

Xcel filed its first GIP in 2023, though it was not fully litigated. At the conclusion, the PUC [gave Xcel feedback](#) and launched a separate proceeding to develop guidance for aspects of the GIP that needed improvement, including forecasting and cost-benefit analysis (24M-0261G).

While the 2025-2030 GIP showed progress, the PUC said the company's forecasting methods were still not fully compliant with the gas infrastructure planning rule. Additionally, commissioners said Xcel continued to litigate issues addressed in the intervening docket without reasonably incorporating the PUC's guidance.

The PUC was particularly troubled that Xcel had forecast meaningful building electrification activity in its electric system planning and much lower adoption in its gas system planning. If the discrepancy persists, "customers will end up paying for expensive build-out of both systems," the PUC said.

The PUC directed Xcel to better incorporate building electrification activity driven by both market forces and programs proposed by the company in its [clean heat plan](#), a portfolio of resources that can replace gas infrastructure investments.

Commissioners also ordered Xcel to take into account municipalities with more stringent building energy codes and the [phaseout of gas line extension allowances](#).

The PUC directed Xcel to measure actual peak gas flows during cold snaps in order to assess the accuracy of its forecasts. Xcel must also update its methodology for calculating design day demand — a period of high usage during extreme cold — including by using more recent historical weather data, commissioners said.

Addressing cost-benefit analysis

The PUC was frustrated that Xcel did not incorporate prior guidance into its approach for evaluating whether portfolios of non-pipeline alternatives (NPA) are cost effective compared to projects to expand gas capacity. The record showed that Xcel did not make a good faith effort to apply that guidance to its cost-benefit analysis methodologies, commissioners said.

The commission said it had dedicated resources to doing "the hard work of evaluating many different perspectives and approaches to make real progress in this area." By choosing to ignore directives informed by that work, Xcel had stifled progress and hindered regulatory efficiency, the PUC said.

Xcel said it did work in good faith to incorporate commission guidance, saying it designed its planning process to "ensure safe, reliable, and affordable service" through Colorado's energy system evolution.

"Forecasting and investment decisions are complex and must balance uncertainty, changing customer demand and long-term reliability needs across both gas and electric systems," the company said. "While we continue to incorporate Commission guidance where feasible, some recommendations present practical limitations and we are carefully evaluating how to address them."

The PUC directed Xcel to update its cost-benefit analysis handbook and analyses within 60 days. The PUC issued 10 directives to Xcel, including to account for differing impacts on gas-only, electric-only and dual fuel customers; clarify the impact of federal, state and local incentives; quantify the impact of indoor air pollution from gas use; and remove electric system costs until Xcel resolves the discrepancy in its forecasts for building electrification activity.

In the 2025-2030 GIP, Xcel screened four gas capacity expansion projects but concluded NPAs were either infeasible or would result in higher net economic costs. In November 2025, the PUC approved a \$155 million NPA to resolve a gas supply constraint west of Denver through demand response and building electrification measures, supplemented by compressed and liquefied natural gas supply (25A-0044EG).

Supporting safety, denying capacity expansion

The PUC granted Xcel a certificate of public convenience and necessity (CPCN) for a \$22.8 million system safety project to mitigate exposed pipe on a critical 10-inch gas supply line in Rollins Pass. However, commissioners denied a CPCN for a \$42.7 million capacity expansion project on Colorado's Front Range, citing in part concerns about the company's forecasting.

Commissioners declined to grant a presumption of prudence for six new business projects, saying their development needs were too speculative and noting that the company did not conduct NPA analysis for the projects. The PUC deemed 29 system safety and improvement projects reasonably necessary but did not grant a presumption of prudence because Xcel was still developing cost estimates.

Xcel said it was pleased that the PUC approved several safety and reliability projects. However, the company expressed concern that the PUC did not support projects that facilitate customer fuel choice through system enhancements and expansions.

A coalition of environmental groups cheered the PUC order.

"We are pleased that the PUC denied much of Xcel's plan that would have locked Colorado into years of costly methane gas infrastructure," Leslie Coleman, senior attorney with Earthjustice's Rocky Mountain Office, said in a June 4 news release. "It is unconscionable for the state's largest utility to be proposing substantial new gas system investments rather than cheaper clean energy alternatives that further both customer affordability and our climate goals."

Ordering NPAs for safety investments

The PUC previously required Xcel to complete NPA analysis for all new business and capacity expansion projects — but not for system safety and integrity projects, which account for about two-thirds of the company's capital spending, according to the commission.

In its June 4 decision, the PUC directed Xcel to assess NPAs for certain safety investments, including mitigating identified risks through distribution integrity management programs and addressing [maximum allowable operating pressure](#) on pipelines.

The commission deferred action on Xcel's request to approve an expedited cost recovery method for NPAs. The PUC said it was not reasonable to approve a cost-recovery approach for NPAs until Xcel demonstrates a more robust and genuine pursuit of NPAs.

Commissioners wanted Xcel to explore NPAs for projects below \$3 million, the threshold for including projects in its GIP. It directed the company to develop a screening tool to consider NPAs for small projects, such as electrifying buildings rather than replacing short sections of gas main and service lines.

The PUC directed Xcel to propose a service line NPA pilot program by its next clean heat plan filing due on July 1, 2026, as well as three to four other pilots.

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