

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

PROCEEDING NO. 23A-0600SEG

IN THE MATTER OF THE APPLICATION OF PUBLIC SERVICE COMPANY OF COLORADO, 1800 LARIMER STREET, DENVER, COLORADO, FOR AN ORDER AUTHORIZING (1) THE ISSUANCE OF SECURITIES WITH MATURITIES GREATER THAN ONE YEAR IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$2.5 BILLION, (2) AN EXTENSION IN THE COMPANY'S CURRENT AUTHORITY TO ISSUE \$800 MILLION IN UNSECURED LONG-TERM NOTES UNDER ITS MULTI-YEAR CREDIT AGREEMENTS, (3) ENTERING INTO TREASURY RATE LOCKS AND FORWARD STARTING SWAPS, AND (4) THE RECOVERY OF CERTAIN REFUNDING COSTS.

COMMISSION DECISION GRANTING APPLICATION

Mailed Date: January 10, 2024

Adopted Date: January 10, 2024

I. BY THE COMMISSION

A. Statement

1. On December 11, 2023, Public Service Company of Colorado (Public Service or the Company) filed an Application seeking authorization to issue securities in an aggregate principal amount not to exceed \$2.5 billion, to extend a short-term debt authority of \$800 million, to enter into treasury rate locks and forward starting swaps for hedging purposes, and to recover certain “refunding costs” as identified in the Application.

2. Public Service filed the Application in accordance with Rule 1303 of the Rules of Practice and Procedure, 4 *Code of Colorado Regulations* (CCR) 723-1; Rules 3002 and 3105 of the Rules Regulating Electric Utilities, 4 CCR 723-3; and Rules 4002 and 4105 of the Rules Regulating Gas Utilities, 4 CCR 723-4.

B. Procedural Background

3. The Commission noticed this Application on December 13, 2023, with an amended notice on December 14, 2023, setting a deadline of December 26, 2023 for pleadings to intervene or to participate as a party in this Proceeding. The notice further set this matter for a hearing to be held on January 10, 2024.

4. On December 22, 2023, the Colorado Office of the Utility Consumer Advocate (UCA) filed a notice of intervention of right and request for a hearing on the Application. UCA objects to Public Service's requests for pre-approval to recover the refunding costs as described in the Application, arguing that certain costs within the umbrella of refunding costs are not required to issue debt. UCA also argues that when the Company has used derivative transactions in the past, the result has generally been detrimental to ratepayers, costing tens of millions of dollars. UCA also argues generally that there is no need for pre-approval of derivative transactions or other refunding costs, because the Company can request recovery and demonstrate prudence of these expenses in a rate case.

5. On December 26, 2023, Staff of the Colorado Public Utilities Commission (Staff) also filed a notice of intervention of right and request for a hearing on the Application. Staff raises a concern over Public Service's statement in the Application that the Company *will commit to hedging* up to 25 percent of the securities to be issued. Staff explains that the Company's agreement with Staff and UCA from an earlier securities proceeding is that Public Service *may* hedge up to 25 percent of the debt securities.

6. On December 29, 2023, Public Service filed an amendment to the Application. The Company explains that the amendments were negotiated with counsel for UCA and Staff in exchange for their agreements each to withdraw their notices of intervention. Public Service states

that because the amendments are restrictive in nature, it is unnecessary to re-notice the filing of the application as amended.

7. On January 2, 2024, both UCA and Staff withdrew their interventions and requests for hearing in this matter.

8. By Decision No. C24-0008-I, issued on January 5, 2024, the Commission vacated the hearing scheduled on January 10, 2024.

C. Securities Authorization

9. Public Service seeks authority to issue and sell debt securities not to exceed \$2.5 billion. The debt would be issued and sold from time to time, prior to December 31, 2026, at the Company's option and in any combination. Such debt will take the form of either secured debt in one or more series, such as First Mortgage Bonds, or unsecured debt in one or more series pursuant to the Company's existing Senior Debt Securities Indenture.

10. Upon the Commission approval of the Application, Public Service proposes to cancel the remaining long-term authority to issue and sell debt securities granted by Decision No. C21-0837 and to replace that canceled authority with a new authority approved in this Proceeding.

11. Public Service states in the Application that the type, amount, and length of maturity of the debt securities will be decided at the respective times of issuance. In addition, the interest rates (either fixed or variable) and other terms, if any, will be determined with purchasers, underwriters, or managers at the time of the pricing of the securities. For instance, the Company may issue and sell the debt securities through a public offering that would be registered with the Securities and Exchange Commission pursuant to the shelf registration provisions of Rule 415 of the Securities Act of 1933, as amended, or such other rule as may be appropriate, or through a private placement pursuant to an exemption from the registration requirements of the

Securities Act and may, but need not, subsequently register such privately placed securities under the Securities Act or exchange such securities for registered securities.

12. With respect to the need for such debt issuances, Public Service identifies its first mortgage bonds that are due in May 2025 totaling \$250 million at a rate of 2.9 percent. The Company further identifies planned capital expenditures of \$2.6 billion in 2024, \$2.9 billion in 2025, and \$3.0 billion in 2026. All proceeds will be used to support the Company's utility operations in Colorado.

13. Public Service explains in the Application that, pursuant to the Company's Indenture of Mortgage, dated October 1, 1993, between the Company and U.S. Bank Trust National Association, as supplemented, the Company has issued and had outstanding as of September 30, 2023, \$7,550,000,000 of first mortgage bonds.

14. Public Service further states that the granting of the Application is not expected to have any adverse effect on Public Service's credit quality. The Company explains that, in keeping with its goal to strengthen or maintain its credit quality, it expects to continue to fund its capital expenditures with a combination of internally generated funds, issuance of new debt and equity infusions from its parent, Xcel Energy, Inc.

15. In the amendment to the Application, Public Service states that, consistent with the Company's agreement with Staff and UCA in Proceeding No. 16A-0848SEG, the Company may hedge up to 25 percent of the securities to be issued. After the closing of each debt securities issuance, Public Service will notify the Commission through a report identifying the issuance(s).

D. Request to Extend Authority Under Multi-year Credit Agreements

16. Public Service explains in the Application that the Company is currently authorized to enter into multi-year unsecured revolving credit agreements with terms no longer than six years

and 364-day or multi-year unsecured revolving credit agreements with terms no longer than six years that have extension or term-out provisions and to issue up to \$800 million at any time outstanding of long-term unsecured notes to evidence the loans made under such revolving credit facilities.

17. Public Service requests authority to extend this existing authorization, initially granted in Decision No. C16-1064, until December 31, 2026. Public Service will continue to restrict the indebtedness outstanding at any time under both its short-term debt authorization and the authorization of the unsecured long-term notes under such multi-year unsecured revolving credit facilities to a total of \$800 million at any one time outstanding.

18. The interest rates on the long-term notes issued under multi-year credit agreements will be the prevailing rates at the time of issue, which are intended to reflect borrowing costs for companies of comparable credit standing. The costs of issuance of the notes under the multi-year credit agreements are not expected to exceed one percent of the amount of the credit agreement.

19. Public Service intends to use the proceeds from any direct borrowings under the multi-year credit agreements for working capital, capital expenditures, and other general corporate purposes, including temporary investments, refunding outstanding long-term debt, and as a back stop for Public Service's commercial paper program. All proceeds will be used to support Public Service's Colorado operations.

20. As of September 30, 2023, the Company did not have any short-term indebtedness or long-term indebtedness outstanding under its multi-year credit agreement.

E. Treasury Rate Locks and Forward Starting Swaps Authorization

21. In connection with the long-term debt authority requested by the Application, Public Service requests authority to enter into treasury rate locks and forward starting swaps.

Treasury rate locks and forward starting swaps are used to reduce market risk exposure as a result of changes in interest rates. Public Service will only enter into treasury rate locks and forward starting swaps related to long-term debt that has been approved by Public Service's Board of Directors.

22. Public Service explains in the Application that the Company can mitigate interest rate volatility associated with the U.S. Treasury market by entering into a treasury rate lock. The Company states that the benchmark U.S. Treasury security generally is the largest component in pricing a bond. Public Service further states that a forward starting swap will likewise allow the Company to lock in the associated risk premium for its corporate bonds.

23. Public Service further states that the Commission has previously authorized the Company to enter into treasury rate locks and forward starting swaps but has not granted the Company preapproval for cost recovery of those instruments.

24. In the amendment to the Application, Public Service clarifies that it is not asking for pre-approval of any costs related to interest rate hedging through rate locks of forward swaps and that any request for recovery of such costs would occur in a future rate case through evidence demonstrating the prudence of those transactions.

25. As stated above, Public Service will notify the Commission within seven days of initiating a hedge transaction consistent with the Company's agreement with Staff and the UCA in Proceeding No. 16A-0848SEG. Additionally, the Company will include a detailed report on hedging transactions to the Commission that includes, but is not limited to, why the hedge was made, the details of the hedge, and the financial results and relevant market information at or around the time of the transaction.

F. Recovery of Certain Refunding Costs

26. Finally, Public Service seeks pre-approval of the recovery of redemption premiums, unamortized underwriting costs, and expenses associated with any long-term debt that it refunds prior to maturity. The Company intends to cover these “refunding costs” with proceeds from the securities issued or from other general corporate funds. The pre-approval sought by Public Service applies only to costs incurred to the extent the refund maintains or lowers the Company’s embedded cost of debt. Public Service lists prior decisions of the Commission authorizing the Company to recover and amortize underwriting costs and the expenses of issuing the securities including certain “refunds.”

27. Public Service states in the Application that obtaining pre-approval of the refunding costs, the Company would have to demonstrate the prudence of the pre-approved costs in a later rate case or other proceeding. The Company would only enter into liability management activities to call or refund an existing debt issuance if market conditions were such that it led to the same or lower overall cost of debt. This prudence would be proven by the Company through the schedules introduced into evidence in a rate case request for approval of the cost of debt and that provide the details of any refunding transactions.

28. In the amendment to the Application, Public Service further clarifies that the Company does not consider the pre-approval of security or debt issuances to be a presumption of prudence for future cost recovery.

G. Findings and Conclusions

29. Public Service is a Colorado corporation qualified to do business within the State of Colorado. Its Amended and Restated Articles of Incorporation have been filed with this

Commission, and it is in good standing with the Colorado Secretary of State. Public Service provides electric, gas, and steam utility service to various areas in the State of Colorado.

30. Public Service and the issuance of the Debt Securities are subject to the jurisdiction of this Commission in accordance with § 40-1-104, C.R.S.

31. Because no party has intervened in connection with the Application, we consider this matter without a hearing in accordance with § 40-6-109(5), C.R.S., and 4 CCR 723-1-1403.

32. We find the issuance of the Debt Securities, as stated in the Application, will be consistent with the provisions of the public utilities law, is for a lawful purpose, and is not inconsistent with the public interest.

33. We find the Application should be granted and the issuance of the Debt Securities referenced herein should be authorized and approved.

II. ORDER

A. The Commission Orders That:

1. The Application of Public Service Company of Colorado (Public Service or Company) filed on December 11, 2023 and amended on December 29, 2023, is deemed complete and granted, consistent with the discussion above.

2. Nothing contained herein shall be construed to imply any recommendation or guaranty of any obligation with regard to Public Service's Debt Securities approved under the Application on the part of the State of Colorado.

3. The 20-day period provided for in § 40-6-114, C.R.S., within which to file applications for rehearing, reargument, or reconsideration begins on the first day following the effective date of this Decision.

4. This Decision is effective upon its Mailed Date.

**B. ADOPTED IN COMMISSIONERS' WEEKLY MEETING
January 10, 2024.**

(S E A L)



ATTEST: A TRUE COPY

Rebecca E. White,
Director

THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

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MEGAN M. GILMAN

TOM PLANT

Commissioners