

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

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IN THE MATTER OF ADVICE LETTER NO.)
1906-ELECTRIC OF PUBLIC SERVICE)
COMPANY OF COLORADO TO REVISE ITS)
COLORADO PUC NO. 8-ELECTRIC TARIFF)
TO REVISE JURISDICTIONAL BASE RATE) PROCEEDING NO. 22AL-0530E
REVENUES, IMPLEMENT NEW BASE)
RATES FOR ALL ELECTRIC RATE)
SCHEDULES, AND MAKE OTHER)
PROPOSED TARIFF CHANGES)
EFFECTIVE DECEMBER 31, 2022.)

IN THE MATTER OF ADVICE LETTER NO.)
1902-ELECTRIC FILED BY PUBLIC)
SERVICE COMPANY OF COLORADO TO)
REVISE THE COMPANY'S TRANSMISSION) PROCEEDING NO. 22AL-0478E
COST ADJUSTMENT IN ITS COLORADO)
P.U.C. NO. 8-ELECTRIC TARIFF,)
EFFECTIVE JANUARY 1, 2023.)

NEARLY COMPREHENSIVE SETTLEMENT AGREEMENT

I. INTRODUCTION AND IDENTIFICATION OF PARTIES

1. This Nearly Comprehensive Settlement Agreement¹ ("Settlement Agreement" or "Settlement") is intended to resolve Public Service Company of Colorado's ("Public Service" or the "Company") Advice Letter No. 1906 – Electric to place into effect new base rates for all electric service customers. Along with Public Service, the parties

¹ The two issues reserved for litigation are related to: (1) the scope of the Transmission Cost Adjustment ("TCA") as discussed in Section III.K of this Settlement Agreement; and (2) whether to adopt the proposed coal depreciation proposal as discussed in Section III.J of this Settlement Agreement.

to this proceeding include Trial Staff of the Colorado Public Utilities Commission (“Staff”); the Colorado Office of the Utility Consumer Advocate (“UCA”); the City of Boulder (“Boulder”); the City and County of Denver, Colorado (“Denver”); Colorado Energy Consumers (“CEC”); the Colorado Energy Office (“CEO”); Climax Molybdenum Company (“Climax”); Molson Coors Beverage Company (“Molson Coors”); the Coalition for Community Solar Access (“CCSA”); Federal Executive Agencies (“FEA”); the Board of Water Works of Pueblo, Colorado (“Pueblo Water”), The Kroger Co. (“Kroger”); and Walmart Inc. (“Walmart”) (collectively, the “Parties”). As reflected below, each Party takes the following positions regarding the Settlement:

- Public Service, Staff, UCA, CEC, CEO, FEA, Molson Coors, and Walmart (“Settling Parties”) join all parts of the Settlement;
- Climax does not oppose the Settlement;
- Denver, CCSA, Kroger and Pueblo take no position on the Settlement; and
- Boulder opposes the Settlement.

2. This Settlement Agreement is a comprehensive settlement among the Settling Parties, following extensive negotiations, and proposes a resolution of all issues that have been raised or could have been raised in this proceeding except for two issues specifically identified herein. During this proceeding, in Direct, Supplemental Direct, Answer, Rebuttal, and Cross-Answer Testimony, the Parties took different positions on a number of the key revenue requirement, or Phase I, issues, including but not limited to the Company’s proposed test year, valuation of rate base, cost recovery for individual

capital projects, the Company's Weighted Average Cost of Capital ("WACC") including return on equity, the appropriate level of expenses including operations and maintenance ("O&M") expense and depreciation expense, the scope of the TCA rider, cash working capital matters, and ongoing deferrals and amortization of regulatory assets and liabilities. Not all issues involved specific revenue requirement impacts or determinations. Additionally, some Parties introduced additional requests or recommendations, including proposals related to coal plant depreciation, affordability programs, and Performance Incentive Mechanisms ("PIMs").

The Parties represent a wide variety of stakeholders and interests, bringing to the Commission a range of perspectives on the Company's Phase I rate request. This Settlement Agreement represents a compromise among the Settling Parties on all of these issues, reserving a select few for litigation. The diversity of interests represented in this proceeding helped ensure that this negotiated Settlement Agreement serves the public interest. If approved, this Settlement will result in just and reasonable rates and this Settlement is consistent with Colorado law. Therefore, the Settlement Agreement should be approved by the Commission.

II. BACKGROUND

A. Public Service's 2022 Electric Phase I and TCA Filings

3. On November 1, 2022, Public Service filed Advice Letter No. 1902 – Electric in Proceeding No. 22AL-0478E with tariff sheets setting forth the applicable charge for its TCA to take effect January 1, 2023.

4. On November 30, 2022, Public Service filed Advice Letter No. 1906 – Electric (“Advice Letter”) in Proceeding No. 22AL-0530E. Public Service sought to amend its Colorado P.U.C. No. 8 – Electric tariff to reset the currently effective General Rate Schedule Adjustment (“GRSA”) and GRSA-Energy (“GRSA-E”) as applied to all base rates currently in effect and to make additional tariff changes. In this Advice Letter filing, Public Service requested to establish new base rates for Public Service’s Electric Department using a test year consisting of the 12 months ending December 31, 2023, with a requested rate effective date of September 7, 2023, after suspension. Public Service sought a net base rate revenue increase of \$312,178,374 reflecting both expenses and capital investments, after transferring into base rates the costs of projects previously recovered through the TCA and the costs for the Manchief Generating Facility currently in the Purchased Capacity Cost Adjustment (“PCCA”). This revenue increase was based on an overall proposed WACC of 7.45 percent including a Return on Equity (“ROE”) of 10.25 percent if the Company’s proposed test year was accepted. The Company’s request would have increased total revenue by 8.2 percent.

5. In addition to the requested change in base rate revenue, including the components of this change, and transferring costs from the TCA and PCCA into base rates, through its Advice Letter filing the Company requested Commission approval of the continuation or creation of several trackers and deferrals; amortization of previously-deferred costs; a re-set baseline for the Revenue Decoupling Adjustment; and approval of certain tariff revisions.

B. Procedural History Relevant to Settlement

6. By Decision No. C22-0833, issued on December 23, 2022, the Commission set for hearing and suspended the effective date of the tariff sheets filed with Advice Letter Nos. 1902 – Electric and 1906 – Electric for 120 days pursuant to § 40-6-111(1), C.R.S.

7. By Decision No. C23-0110-I, issued on February 16, 2023, the Commission established the parties in this Proceeding.

8. In Decision No. C23-0158-I, issued on March 3, 2023, the Commission adopted a consensus procedural schedule submitted by agreement of all parties, which required the filing of Supplemental Direct Testimony on March 29, 2023, Answer Testimony on May 3, 2023, Rebuttal and Cross-Answer Testimony on May 31, 2023, Settlements on or before June 14, 2023, Settlement Testimony on or before June 21, 2023, Prehearing Motions on or before June 28, 2023, and set an evidentiary hearing for July 6-7, 10-14, and 19-21, 2023.

9. By Decision No. C23-0190-I issued on March 20, 2023, the Commission granted the request for intervention filed by CEO.

10. On March 29, 2023, Public Service filed Supplemental Direct Testimony on behalf of nine witnesses to provide information requested by the Commission in Decision No. C23-0146-I and to address certain parties' requests for an informational historical test year ("HTY") consisting of the twelve months ended December 31, 2022.

11. On May 3, 2023, seven Intervenor parties, i.e., Staff, UCA, Boulder, CEC, CEO, FEA, and Walmart, filed Answer Testimony on behalf of 19 witnesses. The

Intervenor parties took a variety of positions on the Company's direct and supplemental direct case, as previously noted, and raised a number of new issues, including recommendations related to the Company's depreciation of certain production facilities, affordability programming, and PIMs.

12. On May 31, 2023, the Company filed Rebuttal Testimony from 19 witnesses. Also, three Intervenor parties, i.e., Boulder, Denver, and Pueblo Water,² filed Cross-Answer Testimony.

13. In Rebuttal, the Company updated and reduced its requested change in base rate revenue to \$258.4 million, after all transfers from either the TCA or PCCA to base rates, and to reflect certain concessions to reduce the number of contested issues in the case, certain updates, and corrections identified in the proceeding.

14. On June 14, 2023, in light of the Parties' intensive and ongoing, productive settlement negotiations, Public Service filed on behalf of all Parties a Notice of Settlement Progress and Anticipation of Filed Settlement. This Notice advised the Commission that the Parties to these proceedings believed they were nearing a settlement of most issues and a process for resolution of any remaining issues. The Notice further advised that the Parties would submit a subsequent filing by June 20, 2023, should a settlement be completed, moving for any changes to the procedural schedule that may be required to enable consideration of the Settlement by the Commission. The Parties thereafter

² The Commission granted the request for intervention filed by Pueblo Water on May 31, 2023, via Decision No. C23-0380-I mailed on June 7, 2023.

continued settlement negotiations, and ultimately reached this nearly-comprehensive settlement.

15. This Settlement Agreement represents a negotiated outcome among the Settling Parties to resolve or provide a framework for resolving all of the outstanding issues that were raised or could have been raised in these Proceeding Nos. 22AL-0530E and 22AL-0478E, and the Settling Parties agree that the Settlement is in the public interest. All Parties (except Boulder) are either Settling Parties or otherwise do not oppose (or take no position on) approval of the Settlement.

16. This resulting Settlement Agreement incorporates by reference Attachments 1 - 4, appended hereto, which are identified as follows:

- Attachment 1:
 - o Attachment 1(a): Settlement Test Year Revenue Requirement and GRSA and GRSA-E Summary without Coal Depreciation Expense Deferral; and
 - o Attachment 1(b): Revenue Requirement, GRSA, and GRSA-E Summary with Coal Depreciation Expense Deferral;
- Attachment 2 – Revenue Requirements for TCA and PCCA amounts transferred to base rates;
- Attachment 3 – Incremental 2023 TCA Rider Revenue Requirement; and
- Attachment 4 – Bill Impacts.

17. The Settling Parties further anticipate and acknowledge that revisions to Public Service’s Colorado P.U.C. No. 8 – Electric tariff (“Electric Tariff”) will be necessary to reflect this Settlement Agreement, if approved. The Company anticipates submitting revised tariff sheets as part of a compliance filing upon receipt of a final decision from the Commission.

III. SETTLEMENT TERMS

The Settling Parties agree as follows for settlement purposes:

A. Test Year

18. The Settling Parties agree that the test year is the 12-month period ended December 31, 2022 (“Settlement Test Year”). The December 31, 2022 informational historical test year revenue requirement study set forth in the Supplemental Direct Testimony of Company witness Arthur P. Freitas (Hearing Exhibit 129, Attachment APF-23) forms the basis for the Settlement Test Year except as modified in this Settlement Agreement.

B. Revenue Requirement and Deficiency

19. Based on all the components of the settled revenue requirement, the Settling Parties agree to a Settlement Test Year base rate revenue requirement of \$2,175,988,880, not including proposed changes to the depreciation of certain coal assets as described in Section III.K of this Settlement Agreement.³ Compared to the

³ Unless otherwise noted, the dollars reflected in this Settlement Agreement are without the coal depreciation expense deferral. See Attachment 1(b) for the revenue requirement, GRSA, and GRSA-E summary with the coal depreciation expense deferral. With the coal depreciation expense deferral, the

Settlement Test Year present revenue of \$2,130,979,695, the resulting base rate revenue change is \$45,009,185 as detailed in Table 1 below.⁴ The components of this revenue requirement are set forth in Attachment 1(a) to this Settlement Agreement. Attachment 2 sets forth the portion of the Settlement Test Year revenue requirement associated with TCA and PCCA amounts transferred to base rates. Attachment 3 sets forth the transmission revenue requirement that will be the basis for calculating the TCA beginning with the effective date of rates from this case.

20. Simultaneous with the implementation of the GRSA and GRSA-E in this proceeding, the Company will implement changes to the Demand Side Management Cost Adjustment (“DSMCA”) consistent with Section III.L of this Settlement Agreement, transferring \$89,452,103 in revenues currently collected through base rates to collection through the DSMCA. This transfer will be revenue neutral to the Company and its customers.

21. Conversely, a portion of the base rate revenue change is associated with the transfer of recovery of certain transmission investment from the TCA and Manchief from the PCCA into base rates, based on currently effective rates. Changes to the TCA and PCCA authorized by this Settlement Agreement will be effectuated simultaneous with

base rate revenue requirement would be \$2,128,016,409 and the resulting base rate revenue change would be \$(2,963,286).

⁴ Implementing any changes in relation to the reserved issue related to the coal depreciation proposal as set forth in Section III.J of this Settlement Agreement would reduce the base rate revenue change to a decrease of \$(2,963,286). Any changes to the TCA tariff resulting from resolution of the contested TCA issues identified in Section III.K of this Settlement Agreement will not affect base rate revenues in this proceeding.

implementation of the GRSA and GRSA-E in this proceeding and will also be revenue neutral to the Company and its customers.

22. The resulting net base rate revenue increase for the Settlement Test Year is \$45,009,185, as set forth in Table 1 below:⁵

⁵ As previously noted, the total change in base rate revenue and net change may be different depending on whether the Commission accepts the coal depreciation expense deferral proposal remaining at issue in the proceeding.

**Table 1:
Proposed Change in Revenues**

	Description	Without Coal Depreciation Expense Deferral	%	With Coal Depreciation Expense Deferral	%
1	Base Rate Revenue	\$ 94,798,169	4.43%	\$ 46,825,698	2.19%
2	Effect of TCA Shift to Base Rates	30,750,114		30,750,114	
3	Effect of Manchief Generating Station Shift to Base Rates	8,913,005		8,913,005	
4	Effect of DSM shift from Base Rates to the DSMCA	(89,452,103)		(89,452,103)	
5	Total Base Rate Revenue Including Roll-Ins	\$ 45,009,185	2.10%	\$ (2,963,286)	-0.14%
	Non-Fuel Revenue⁶				
6	DSMCA	89,452,103		89,452,103	
7	RESA	1,037,112		557,387	
8	CEPA	1,037,112		557,387	
9	RDA	--		--	
10	TEPA	--		--	
11	TCA	(30,750,114)		(30,750,114)	
12	EAP	--		--	
13	Net Non-Fuel Revenue	\$ 60,776,212		\$ 59,816,763	
14	Fuel and Purchased Power Energy Revenue (includes ECA and PCCA)	--		--	
15	Manchief Generating Station	(8,913,005)		(8,913,005)	
16	Total Retail Revenue	\$ 96,872,392	2.96%	\$ 47,940,472	1.46%

23. In settlement of the various issues raised or which could have been raised in this proceeding, the Settling Parties agree that this overall base rate revenue

⁶ Amounts for the Demand Side Management Cost Adjustment (DSMCA), Renewable Energy Standards Adjustment ("RESA"), Colorado Energy Plan Adjustment ("CEPA"), Revenue Decoupling Adjustment ("RDA"), Transportation Electrification Plan Adjustment ("TEPA"), Transmission Cost Adjustment (TCA), and Energy Affordability Program ("EAP").

requirement of \$2,175,988,880, and resulting increase of \$45,009,185 over current annual base rate revenue of \$2,130,979,695, are just and reasonable.

24. To recover the base rate revenue deficiency established via this Settlement Agreement, the Company will implement a GRSA and GRSA-E effective September 1, 2023, calculated in the manner set forth in the Direct Testimony of the Company. The resulting GRSA and GRSA-E are anticipated to be as set forth in Attachment 1 to this Settlement Agreement.⁷

25. The anticipated Phase I bill impacts resulting from this Settlement Agreement are set forth in Attachment 4 to this Settlement Agreement.⁸

C. Rate Base Convention and Adjustments

26. The Settlement Test Year revenue requirement is calculated on a December 31, 2022 year-end basis for all plant and plant-related balances included in rate base.

27. With respect to the calculation of rate base, the Settling Parties further agree that:

- a. The Company's plant and plant-related balances included in rate base for the period from January 1, 2022 through December 31, 2022 are based upon the data provided by Company witness Mark

⁷ As with the overall revenue requirement and revenue deficiency, the final GRSA, GRSA-E, and bill impacts may change somewhat depending on the Commission's decision with respect to Section III.J of this Settlement Agreement. Further, the GRSA and GRSA-E adopted in this proceeding will be addressed in the separately pending Phase II Electric rate case in Proceeding No. 23AL-0243E.

⁸ Attachment 4 provides bill impacts of the Settlement with and without the coal depreciation expense deferral. Attachment 4 also includes Settlement bill impacts with and without the short-term "catch-up" necessary for the Company to recover 2023 TCA costs between the rate effective date and the end of the 2023 calendar year, as set forth in Section III.K of the Settlement Agreement.

P. Moeller in Attachment MPM-7 to his Supplemental Direct Testimony (Hearing Exhibit 126).

- b. Cash Working Capital is calculated based on the methodology used in the Company's 2021 Electric Phase I rate case, rather than the methodology proposed by Company witness Mr. Scott A. Watson (Hearing Exhibit 119).
- c. The Settling Parties agree that the prepaid pension asset and prepaid retiree medical asset will be included in rate base on a 13-month average basis as of December 31, 2022, and will earn a return at the Company's WACC.
- d. Consistent with the recommendation of CEC witness Mr. Kevin Higgins at 35:20-21 (Hearing Exhibit 900), the Settling Parties agree that the Company will not amortize the prepaid retiree medical asset. The Company will also continue the amortization of the prepaid pension asset in the annual amount of \$3,125,458, as stipulated in Proceeding No. 21AL-0317E.
- e. The Settling Parties agree that the Company will not implement an Information Technology Deferral as proposed by Company witnesses Ms. Megan Scheller and Ms. Marci McKoane.
- f. The Settling Parties agree that the Cabin Creek Hydroelectric Station ("Cabin Creek") costs, including the Cabin Creek Facility Project⁹ costs in-service as of December 31, 2022, will be included in the settled cost of service at the levels included in the 2022 Settlement Test Year, without further adjustment in this proceeding. The holistic prudence review of the Cabin Creek Facility Project will proceed pursuant to and as provided in the settlement in ECA Proceeding No. 22A-0345E and such holistic review may include the capital expenditures and operating and maintenance costs associated with the Cabin Creek Facility Project. The Company will include a revenue requirement for the Cabin Creek Facility Project in connection with its standalone application proceeding contemplated by the settlement in Proceeding No. 22A-0345E.

⁹ The "Cabin Creek Facility Project" consists of: (1) upgrades to Units A and B to increase generating capacity and improve efficiency (the "Upgrade Project"), and (2) the extension of the upper reservoir dam to allow for additional storage capacity (the "Upper Reservoir Expansion Project").

D. Weighted Average Cost of Capital

28. The Settling Parties agree that the Company's authorized WACC will be 6.95 percent, which is based the Company's actual capital structure as of December 31, 2022 of 55.69 percent equity, 43.40 percent long-term debt, and 0.91 percent short-term debt as set forth in the Rebuttal Testimony of Company Witness Mr. Paul A. Johnson (Hearing Exhibit 132).

29. The Settling Parties agree that the cost of long-term debt for the Settlement Test Year will be 4.01 percent and the cost of short-term debt for the Settlement Test year will be 3.81 percent as set forth in the Rebuttal Testimony of Mr. Johnson (Hearing Exhibit 132).

30. The authorized cost of equity will be 9.30 percent.

E. Test Year Present Revenue

31. The Settling Parties agree to the use of a 10-year weather normalization methodology applied to the Settlement Test Year as reflected in Attachment APF-23-001 to the Supplemental Direct Testimony of Mr. Freitas (Hearing Exhibit 129).

32. The Settling Parties further agree that the Settlement Test Year revenue requirement will include revenue for the provision of Flex Reserves as a result of certain wholesale transmission customers suspending plans to establish a reserve sharing adjustment, as set forth in the Rebuttal Testimony of Mr. Freitas at 9:23-26 (Hearing Exhibit 148).

F. O&M Expense

33. The Settling Parties agree the Settlement Test Year O&M expense shall be based upon 2022 historical O&M inclusive of known and measurable adjustments as included in the Company's Informational Historical Test Year attached to the Supplemental Direct Testimony of Company witness Mr. Arthur P. Freitas (Hearing Exhibit 129, Attachment APF-23), except that the Settling Parties agree to the following adjustments for the purposes of settlement:

- a. The Settlement Test Year revenue requirement shall reflect capping the Company's Annual Incentive Plan ("AIP") expense at 15 percent of base salary, calculated on an employee-by-employee basis.
- b. The Settlement Test Year revenue requirement shall reflect the time-based portion of the Company's Long-Term Incentive ("LTI") expense, but not the environmental portion of LTI expense.
- c. The Settlement Test Year revenue requirement shall exclude non-recoverable Employee Expenses consistent with adjustment as set forth in the Rebuttal Testimony of Mr. Freitas at 9:4-7 (Hearing Exhibit 148).
- d. The Settlement Test Year revenue requirement shall include the cost of service for the change in the allocation of the Pueblo water contract following the retirement of Comanche 1, consistent with adjustment as set forth in the Rebuttal Testimony of Mr. Freitas at 10:3-7 (Hearing Exhibit 148).

e. The Settlement Test Year revenue requirement shall exclude O&M costs associated with the solar gardens, consistent with adjustment as set forth in the Rebuttal Testimony of Mr. Freitas at 9:27-10:2 (Hearing Exhibit 148).

G. Revenue Decoupling Adjustment (“RDA”)

34. The RDA Pilot will end as of the first day of the month in which rates become effective, and the Company will no longer measure Lost Fixed Cost Recovery after that date.

35. RDA Deferrals¹⁰ remaining after the two-year deferral period provided for under the RDA Pilot Tariff will be used to offset other deferred balances that will accrue after January 1, 2023. The value of such RDA Deferrals will be credited to the Residential and Small Commercial classes, as applicable. This crediting will occur at the time the Company establishes new base rates in its next electric Phase I rate case.¹¹

36. The Settling Parties agree that this would moot the Company’s request for a Commission determination regarding the treatment of RDA Deferrals that may remain

¹⁰ The RDA Pilot is subject to a three percent cap of the forecasted base rate revenue for the applicable Recovery Period of each respective rate schedule (the “Soft Cap”). Amounts (both positive and negative) that exceed the Soft Cap (referred to as an “RDA Deferral”) are deferred for up to two years and are included in the calculation of subsequent RDA rates.

¹¹ If the Company’s next electric Phase I rate case is a combined Phase I / Phase II rate case, then the crediting would be accomplished through the established Residential and Small Commercial revenue responsibility. If the Company’s next electric Phase I rate case is not a combined Phase I / Phase II rate case, then the Company anticipates establishing GRSAs specific to the Residential and Small Commercial classes so that the value of the RDA Deferrals are credited only to those classes.

after the two-year deferral period provided for in the RDA Pilot Tariff, which is currently pending in Proceeding No. 23D-0162E.¹²

H. Rate Case Expenses

37. For purposes of the Settlement Test Year revenue requirement, the Settling Parties agree that recovery of actual rate case expenses the Company incurs for this rate case proceeding and the pending Electric Phase II rate case in Proceeding No. 23AL-0243E shall be capped at a combined \$2 million and amortized over 36 months from the rate effective date in this Proceeding. Should the Company's actual, prudently-incurred combined Electric Phase I and Phase II rate case expenses be less than \$2 million, the Company will credit the difference in its next Electric Phase I rate case.

I. Zuni Tank Farm Property Sale

38. The Settling Parties do not agree conceptually whether the Zuni Tank Farm property gain on sale should be shared between the Company and customers; nor do they agree regarding any broad rules or principles concerning the handling of gains from the sale of non-depreciable assets. However the Settling Parties agree that Section U of the Settlement resolves this issue solely for purposes of this Proceeding.

39. The Company agrees to work with Staff and UCA on appropriate going-forward tracking of expenses that relate to the increase or decrease in value of non-

¹² The Company would work with parties to Proceeding No. 23D-0162E to obtain Commission approval to withdraw the petition for declaratory order following a final Commission decision approving the Settlement Agreement.

depreciable assets. Public Service will commence discussions on this issue no later than December 31, 2023.

J. Coal Plant Depreciation Deferral

40. The Settling Parties agree to reserve for litigation and Commission determination whether the Commission should accept or reject the proposal in the Answer Testimony of UCA witness Mr. Chris Neil (Hearing Ex. 302) as modified by the Rebuttal Testimony of Company witness Mr. Mark Moeller (Hearing Ex. 144) to defer into regulatory assets the retail jurisdictional share of depreciation and amortization expense, net of associated amortization of excess accumulated deferred income taxes, associated with the Comanche 3, Craig 2, Hayden 1, Hayden 2 and the Pawnee retiring coal assets. Under this proposal, the regulatory asset balances would be included in rate base and earn a WACC return until such balances are either securitized or until the Commission authorizes amortization of such assets and the balances have been fully amortized. Further, if this proposal is accepted, Public Service will propose inclusion of the regulatory asset balance in a bundled securitization as part of the future financing application under the Clean Energy Plan and coal cost recovery settlements.

41. The Settling Parties supporting this proposal include UCA, Public Service, CEO, and CEC. The Settling Party opposing this proposal is Staff. Remaining Settling Parties either do not oppose or take no position on this proposal as part of this Settlement Agreement. All Settling Parties agree that Settlement Testimony in this proceeding may include discussion of the merits of accepting or rejecting this proposal, but will be based

on the existing record in this Proceeding. The parties reserve their rights to cross-examine witnesses and submit briefing in Statements of Position with respect to the coal depreciation expense deferral issue reserved for litigation.

42. All Settling Parties further agree that should this proposal be accepted, the Company will incorporate the impacts into the Settlement Test Year revenue requirement and associated GRSA and GRSA-E placed into effect on the rate effective date, as set forth in Settlement Agreement Attachment 1(b).

K. Transmission Cost Adjustment

43. The Settling Parties agree that the Company shall transfer recovery of TCA transmission investment costs from the TCA to base rates for projects placed in service through December 31, 2022.

44. The Settling Parties further agree that there will be no changes to the TCA structure, scope, and calculation methodology with respect solely to the 2023 TCA for which the Company made its TCA filing on November 1, 2022.

45. The Settling Parties agree the incremental 2023 TCA forecast, as filed on November 1, 2022, that is not currently being recovered pending resolution of this combined rate case/TCA proceeding will be recovered through the TCA over the period from the implementation of final rates in this proceeding to December 31, 2023. See Attachment 3 for the incremental 2023 TCA revenue requirement. The 2023 TCA will be trued-up under the current mechanisms in place for the TCA, and will not be impacted by the outcome of the TCA issues reserved for litigation in the following paragraph.

46. Beginning with the Company's 2024 TCA to be filed in November 2023, the Settling Parties agree to reserve for litigation and Commission determination in this Proceeding the following issues only: (1) the projects that qualify for TCA recovery per statute; and (2) whether the TCA should continue as a forward-looking cost recovery mechanism. Staff withdraws any challenges to the prudence of projects included in the 2023 TCA and acknowledges that it is proposing a new prudence standard as part of issue (1) above to be applied solely to new TCA projects initiated in 2024 or later.

47. All TCA issues not expressly reserved for litigation as set forth in this Section are considered resolved for purposes of this Settlement.

48. The Settling Parties further agree that Settlement Testimony on the TCA will be limited to supporting the scope of the Settlement Agreement with respect to the TCA, and will not address additional substantive support for or against the TCA issues reserved for litigation. The parties reserve their rights to cross-examine witnesses and submit briefing in Statements of Position with respect to the TCA issues reserved for litigation.

L. Demand Side Management Cost Adjustment

49. For settlement purposes, Public Service agrees to remove \$89,452,103 of electric Demand Side Management ("DSM") costs from base rates and to instead recover them through the DSMCA rider, which will be adjusted as part of this settlement.

50. The Settling Parties agree that this transfer of DSM costs to the DSMCA will be revenue neutral to the Company.

M. Wildfire Mitigation Program Deferral

51. The Settling Parties agree that the Settlement Test Year revenue requirement reflects transferring Wildfire Mitigation Program (“WMP”) capital into base rates at the December 31, 2022, year-end value and transferring WMP O&M into base rates as proposed by the Company in the Direct Testimony of Company witness Kris Farruggia (Hearing Exhibit 109). Further, the Settling Parties agree to reset the baseline to December 31, 2022, and continue the deferral of expenses incurred through December 31, 2023, to implement the Company’s WMP as approved by the Commission in Proceeding No. 20A-0300E with a return equal to the cost of long-term debt.

52. The Settling Parties agree that the WMP deferral will not be extended beyond 2023 in this proceeding, but do not object to the Company making a filing seeking to extend the deferral beyond 2023 outside this proceeding. The Settling Parties reserve the right to take whatever position they deem appropriate with regard to any such filing.

N. AGIS CPCN Deferral

53. The Settling Parties agree to a continuation of the Advanced Grid Intelligence and Security Certificate of Public Convenience and Necessity (“AGIS CPCN”) deferral; however, the Company will not begin to apply interest on the deferral until the going forward plant deferred balance reaches \$50 million or greater, and then interest will be applied to the Company’s entire balance at an amount equal to the Company’s WACC. The Company has been previously authorized in its 2021 Electric Phase I rate case (Proceeding No. 21AL-0317E) and 2019 Electric Phase I rate case (Proceeding No.

19AL-0268E) to continue the AGIS CPCN deferral at a WACC return through the effective date of new rates in this proceeding; therefore, the Settling Parties agree that the AGIS CPCN deferral threshold will be reset at the effective date of new rates from this proceeding and continue until the effective date of rates in the next Electric Phase I rate case. Nothing precludes the Company from making a filing seeking continuation of the deferral beyond the effective date of rates in the Company's next Electric Phase I rate case. The Settling Parties reserve the right to take whatever position they deem appropriate with regard to any such filing.

O. Public Utilities Commission Expense Deferral.

54. The Settling Parties agree that the Settlement Test Year revenue requirement reflects transferring the deferred Public Utilities Commission Expense Deferral balance into base rates. Further, the Settling Parties agree to reset the baseline to December 31, 2022, and continue to track and defer expenses above or below this baseline.

P. Pension Expense Tracker.

55. The Settling Parties agree that, consistent with prior Commission decisions, the Company will reset the pension expense tracker baseline to reflect 2022 actual pension expense, and continue to track and defer amounts above or below this baseline.

Q. Property Tax Tracker

56. The Settling Parties agree that, consistent with prior Commission decisions, the Company will reset the property tax baseline to reflect 2022 actual property taxes, and continue to track and defer amounts above or below this baseline.

R. Innovative Clean Technology (“ICT”) Projects

57. The Settling Parties agree that, consistent with the ICT Settlement and the Commission’s decision in Public Service’s 2019 Electric Phase I rate case, Proceeding No. 19AL-0268E, the Company will continue to defer capital costs and O&M expenses through the completion of the projects’ expected battery system lives in 2027, and that the deferral will continue to earn return equal to the Company’s WACC. In addition, the Company will continue to report on the progress of its ICT projects consistent with past practice.

S. Make-Ready Electric Vehicle Infrastructure

58. The Settling Parties agree that the Company may recover the costs of capital and O&M related to make-ready electric vehicle charging infrastructure and previously deferred and approved by the Commission in Proceeding No. 19A-0471E.

T. Tracker and Deferral Baselines

59. The Settling Parties agree to implement baseline expense levels in the Settlement Test Year for the current and proposed trackers at the retail level set forth below. Support for the baseline amount for each item will be further detailed in the testimony the Company intends to file in support of the Settlement.

Description	Amount
Property Tax	\$ 177,386,368
Qualified Pension	\$ 3,963,692
Non-Qualified Pension	\$ 281,637
AGIS CPCN O&M	\$ 5,485,566
AGIS CPCN Capital	\$ 16,100,326
Wildfire Mitigation O&M	\$ 4,557,401
Wildfire Mitigation Capital	\$ 3,588,159
Electric CPUC Fees	\$ 9,695,718

U. Settlement Revenue Requirement Reduction

60. In consideration of various proposals made by the Settling Parties in this proceeding, Public Service agrees to a settlement adjustment (reduction) of \$5.0 million to further reduce the revenue requirement.

V. Water Rights and Pueblo Water Contract

61. The Settling Parties agree that for purposes of settlement, the Company will remove the Southeast Water Rights debt return and the lease revenues associated with the Southeast Water Rights, as well as certain other water rights amounts associated with McDonald Ditch (Alamosa), Lacombe Power Plant Right (Zuni) and Sethman Pipeline No. 1 and 2 (Salida Hydro Unit 1),¹³ from the Settlement Test Year revenue requirement, as set forth in Hearing Exhibit 148, the Rebuttal Testimony of Mr. Freitas, at Attachment APF-27. In addition, Public Service shall address Trial Staff's concerns¹⁴ regarding the water rights that are currently not used for electricity generation in the Company's next Electric Resource Planning or any other appropriate filing prior to December 31, 2025.

¹³ Rebuttal Testimony of Richard L. Belt (HE 135) at 7-12.

¹⁴ Answer Testimony of Staff Witness Ghebregziabher (HE 801) at 112:8-113:16.

62. The Company agrees to continue to explore options to mitigate the impact on rates of the historical Pueblo Water contract and will report annually on or about October 1 in this Proceeding (beginning October 1, 2024) on its efforts and also report in the Company's next Electric Phase I rate case. Annual reporting will cease with the Company's next Electric Phase I rate case or next Electric Resource Plan, whichever comes later.

W. Earnings Sharing Mechanism

63. For purposes of settlement, the Settling Parties agree that no earnings sharing mechanism should be implemented in this proceeding.

X. Other Revenue Requirement Items

64. Any item not addressed or amended in this Settlement Agreement that is an input into the Company's Settlement Test Year revenue requirement model is, for purposes of calculating the revenue deficiency and associated GRSA and GRSA-E from the Settlement, accepted as proposed by Public Service in its testimony and attachments without acceptance of any methodology or principle.

Y. Other Settlement Items

65. The Settling Parties agree that the Company will convene a stakeholder meeting to discuss the appropriate future depreciation life for the Company's wind facilities.

66. The Settling Parties agree the parties reserve the right to contest the prudence of the Voltage Control and Greenwood – Denver Terminal Transmission projects when brought forward for cost recovery in a future proceeding.

67. The Settling Parties agree that Public Service may track and/or defer certain costs as set forth under the terms of this Settlement. However, in future proceedings, the Settling Parties are free to take any position they may choose regarding whether and how costs determined to be prudent may be recovered in rates.

68. In light of Denver's disputed issues in this case, the Company acknowledges the existing miscellaneous proceeding provision contemplated by Paragraph 35 of the Settlement Agreement in Proceeding No. 22A-0189E (Distribution System Planning proceeding) and as contained in Paragraph 45 of Decision No. R23-0080. Within 90 days of a Commission decision in this Proceeding, the Company will reach out to the settling parties in that separate case regarding such provisions and next steps, for the purpose of formally initiating the request for a miscellaneous proceeding, as contemplated in the Settlement Agreement in Proceeding No. 22A-0189E. No separate decision on opening the miscellaneous proceeding is required in this case.

69. The Company and other interested Settling Parties will file a request for the Commission to open a non-litigated proceeding to: (1) evaluate the goals of electric utility service, including providing safe, reliable service while working to meet greenhouse gas emission reductions targets from electricity generation and other state energy policy objectives; (2) consider the role and potential structure of performance metrics to achieve

the desired outcomes of utility service; and (3) consider whether the goals may be more effectively achieved through a performance-based regulatory framework, including frameworks or structures that can benefit customers, promote utility financial health, and increase regulatory efficiency by reducing or creating more time between the filing of base rate cases.

70. In resolution of issues raised by CEO in this case, the Company agrees to work with stakeholders in Proceeding No. 23M-0013EG to develop a consensus estimate for the number of energy insecure customers consistent with definitions in Commission Rules 3412(e)(I) and 4412(e)(I) and the *Pathways to Energy Affordability in Colorado* study. The purpose of the stakeholder process is to gain consensus on affordability or insecurity metrics, educate participants on past and current efforts related to affordability, and to inform Public Service's narrative description discussed below. The Company and stakeholders will discuss 1) potential actions to reduce energy insecurity for customers, including for customers near the thresholds for energy assistance programs; and 2) how energy insecurity definitions moving forward should account for building, heating, and/or transportation electrification and other potential changes or increases in electricity use. After such discussions, and within six (6) months of a final Commission decision in this proceeding, the Company will file a narrative description summarizing data, discussions, proposed solutions, areas to further explore, and areas of disagreement among stakeholders.

Z. Effective Date

71. The Settling Parties support an effective date of rates from this proceeding of September 1, 2023.

AA. Tariffs

72. The Settling Parties agree that the ECA short-term sales margin amounts for the Generation and Proprietary Books will be updated in the applicable tariff pages to reflect the amounts for the twelve months ended December 31, 2022.

73. Except as otherwise modified by this Settlement Agreement, the Settling Parties agree to the proposed changes to the Electric tariff, as described in Advice No. 1906 – Electric, and included as clean and redlined versions of the Electric tariff in Attachments MAM-3 (clean) and MAM-4 (redline) to the Direct Testimony of Company witness Marci A. McKoane (Hearing Exhibit 102).¹⁵ The Settling Parties agree to cooperate, prior to the compliance filing, on any additional tariff changes that may be necessary to effectuate the terms of the Settlement Agreement.

IV. GENERAL PROVISIONS

74. Except as expressly set forth herein, nothing in this Settlement Agreement is intended to have precedential effect or bind the Settling Parties with respect to positions they may take in any other proceeding regarding any of the issues addressed in this Settlement Agreement. No Settling Party concedes the validity or correctness of any regulatory principle or methodology directly or indirectly incorporated in this Settlement

¹⁵ Ms. McKoane provided revised GRSA and GRSA-E Tariff Sheets with her Rebuttal Testimony (Attachments MAM-12 and MAM-13), which are superseded by this Settlement Agreement.

Agreement. Furthermore, this Settlement Agreement does not constitute agreement, by any Settling Party, that any principle or methodology contained within or used to reach this Settlement Agreement may be applied to any situation other than the above-captioned proceeding, except as expressly set forth herein.

75. The Settling Parties agree the provisions of this Settlement Agreement, the resulting rates and rate mechanisms, as well as the negotiation process undertaken to reach this Settlement Agreement, are just, reasonable, and consistent with and not contrary to the public interest and should be approved and authorized by the Commission.

76. The discussions among the Parties that produced this Settlement Agreement have been conducted in accordance with Rule 408 of the Colorado Rules of Evidence. In the event this Settlement Agreement becomes null and void or in the event the Commission does not approve this Settlement Agreement, it, as well as the negotiations or discussions undertaken in conjunction with the Settlement Agreement, shall remain inadmissible into evidence in these or any other proceedings in accordance with Rule 408 of the Colorado Rules of Evidence.

77. The Settling Parties agree to support, or not oppose, all aspects of the Settlement Agreement embodied in this document in any hearing conducted to determine whether the Commission should approve this Settlement Agreement, and in any other hearing, proceeding, or judicial review relating to this Settlement Agreement, or the implementation or enforcement of its terms and conditions. Each Settling Party also agrees that, except as expressly provided in this Settlement Agreement, it will take no

formal action in any administrative or judicial proceeding that would have the effect, directly or indirectly, of contravening the provisions or purposes of this Settlement Agreement. However, except as expressly provided herein, each Settling Party expressly reserves the right to advocate positions different from those stated in this Settlement Agreement in any proceeding other than one necessary to obtain approval of, or to implement or enforce, this Settlement Agreement or its terms and conditions.

78. The Settling Parties do not believe any waiver or variance of Commission rules is required to effectuate this Settlement Agreement but agree jointly to apply to the Commission for a waiver of compliance with any requirements of the Commission's Rules and Regulations, if necessary, to permit all provisions of this Settlement Agreement to be approved, carried out, and effectuated.

79. This Settlement Agreement is an integrated agreement that may not be altered by the unilateral determination of any Settling Party. There are no terms, representations or agreements among the parties which are not set forth in this Settlement Agreement. This Settlement Agreement may be modified by the Settling Parties so long as any modification is agreed to or unopposed by all Settling Parties, in writing.

80. This Settlement Agreement shall not become effective until the Commission issues a final decision addressing the Settlement Agreement. In the event the Commission modifies this Settlement Agreement in a manner unacceptable to any Settling Party, that Settling Party may withdraw from the Settlement Agreement and shall

so notify the Commission and the other Settling Parties in writing within ten (10) days of the date of the Commission order or within three (3) days after another Settling Party's notice to withdraw, whichever is later. In the event a Settling Party exercises its right to withdraw from the Settlement Agreement, this Settlement Agreement shall be null and void and of no effect in this or any other proceeding as to any Settling Party which exercises its right to withdraw.

81. There shall be no legal presumption that any specific Settling Party was the drafter of this Settlement Agreement.

82. This Settlement Agreement may be executed in counterparts, all of which when taken together shall constitute the entire Agreement with respect to the issues addressed by this Settlement Agreement. This Settlement Agreement may be executed and delivered electronically and the Settling Parties agree that such electronic execution and delivery, whether executed in counterparts or collectively, shall have the same force and effect as delivery of an original document with original signatures, and that each Settling Party may use such facsimile signatures as evidence of the execution and delivery of this Settlement Agreement by the Settling Parties to the same extent that an original signature could be used.

[Signature Pages Follow]

Dated this 20th day of June, 2023.

Agreed on behalf of:

**PUBLIC SERVICE COMPANY OF
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