

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

IN THE MATTER OF THE APPLICATION
OF COLORADO NATURAL GAS, INC.
FOR APPROVAL OF A NUMBER OF
STRATEGIC ISSUES RELATING TO ITS
GAS DEMAND SIDE MANAGEMENT
PLAN.

Proceeding No. 23A-0218G

COMPREHENSIVE JOINT SETTLEMENT AGREEMENT

This Joint Settlement Agreement (“Settlement”) is entered into by and between Colorado Natural Gas, Inc. (“CNG” or the “Company”), Trial Staff of the Colorado Public Utilities Commission (“Staff”), the Colorado Office of the Utility Consumer Advocate (“UCA”), and Energy Outreach Colorado (“EOC”) (each a “Settling Party” and collectively the “Settling Parties”) to resolve all issues which were raised or could have been raised regarding CNG’s combined 2024-2027 Demand Side Management (DSM) Strategic Issues (SI) Application and its 2024-2025 DSM Plan (“Application”).

Procedural Background

1. On May 1, 2023, CNG filed its combined 2024-2027 DSM SI Application and 2024-2025 DSM Plan pursuant to §40-3.2-103(2.5), C.R.S. and Rule 4002(a)(XIV) of the Public Utilities Commission of the State of Colorado (“Commission”) Rules Regulating Gas Utilities (4 CCR 723-4-4000).

2. On August 1, 2023, by Decision No. R23-0499-I, the ALJ established a procedural schedule and scheduled this matter for a hearing on November 2-3, 2023.

3. Pursuant to the procedural schedule, Answer Testimony was filed by Staff and UCA on August 31, 2023. The Company filed its Rebuttal Testimony on September 25, 2023. EOC filed Cross-Answer Testimony on September 25, 2023.

4. Following the filing of the Company's Rebuttal Testimony, the Settling Parties engaged in settlement discussions which were productive and resulted in the Settling Parties reaching a unanimous settlement agreement on October 12, 2023.

5. Also on October 12, 2023, CNG informed the ALJ of the settlement agreement and requested an extension of time for filing the Settlement Agreement and Supporting Settlement Testimony to October 27, 2023.

6. The Settling Parties requested that the ALJ hold November 2-3, 2023 as a potential hearing date for hearing on the Settlement Agreement, if necessary. The Settling Parties set forth below their agreement on the issues which were raised, or could have been raised, in this proceeding.

Settlement Terms and Conditions

The Settling Parties agree that the Commission should approve CNG's combined DSM SI and DSM Plan application, subject to the following modifications and conditions:

2024-2025 DSM Goals and Budgets

7. CNG proposed a gas savings goal of 6,935 Dth in the first year of the program and 7,048 Dth in the second year, for a total two-year goal of 13,983 Dth. The estimated budget for the first year of the program was proposed at \$530,699, and the second year at \$524,195, for a total two-year budget of \$1,054,894. In its Answer Testimony, Staff recommended approving the Company's proposed goals and budgets. UCA recommended lowering the goals and budgets

to a level more consistent with the Company's historical achieved savings. UCA proposed a goal of 5,000 Dth per year, and a reduction in the budget to \$380,000 per year.

8. For purposes of settlement, the parties agree to adopt UCA's proposed goals of 5,000 Dth per year, and budget of \$380,000 per year.

Acknowledgement of Lost Revenues ("ALR")

9. CNG proposed a lost revenue adjustment mechanism designed to collect ALR for the lifetime of the installed DSM measures, or until the Company's next rate case, beginning with measures installed in 2024. In its Answer Testimony, Staff opposed recovery of ALR over the life of the measure, instead recommending that it be collected for DSM measures installed in a single year. Similarly, UCA opposed recovery of ALR over the life of the DSM measure, recommending that the Commission allow recovery of ALR based one year of lost revenue and then reset the mechanism at the Company's next general rate case.

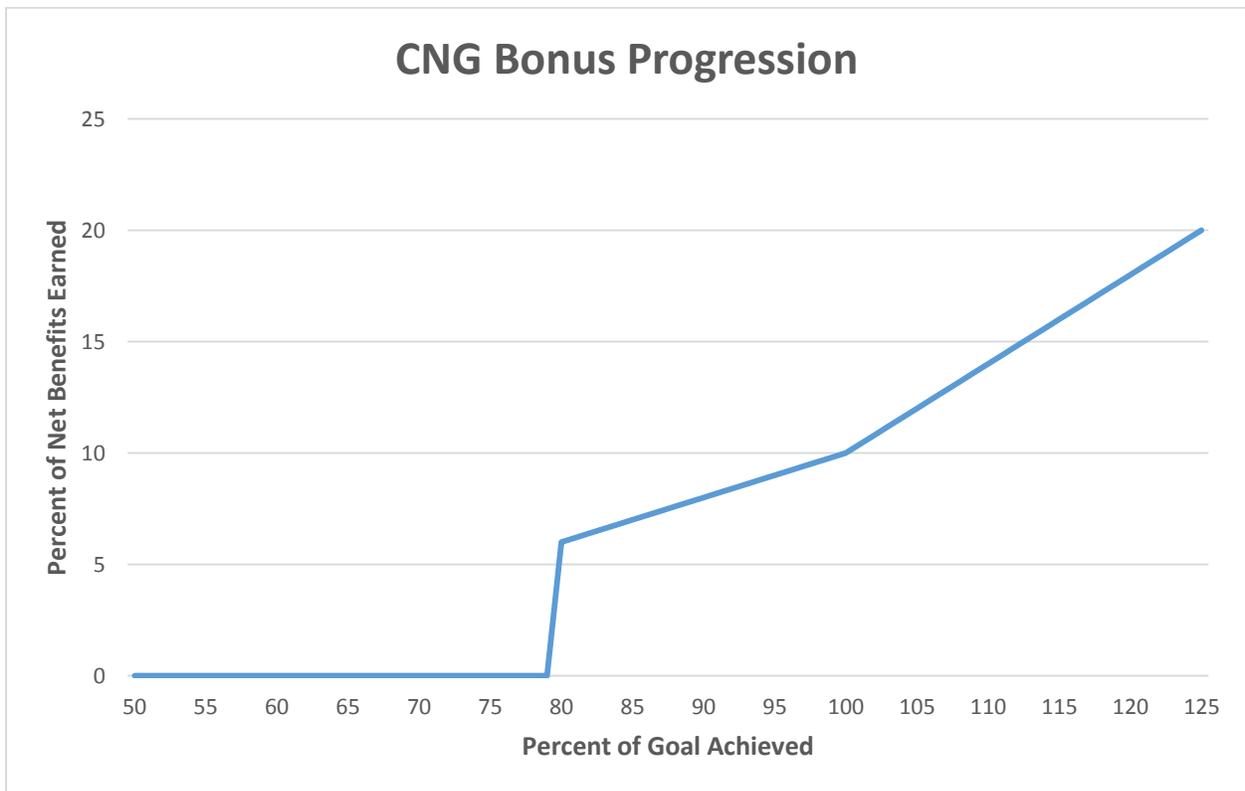
10. For purposes of settlement, the parties agree that CNG shall be permitted to recover the ALR for a period of two years of the measure's life through the Company's Demand Side Management Cost Adjustment ("DSMCA") mechanism filed annually with the Commission. The ALR level will be established in CNG's next DSM Plan or DSM SI application filing, and will be subject to review in CNG's subsequent DSM Plan or DSM SI application filings (meaning that a review will occur at least once every two years).

Incentive Bonus Structure

11. CNG proposed a bonus award at 5% of Net Economic Benefits ("Net Benefits") upon 50% of goal attainment and rising at a rate of a 0.2% per percent increase for each percentage of goal attainment to a maximum value of 20% of Net Benefits at 125% attainment. Staff recommended a bonus structure ranging from 80% to 125% of goal attainment, awarding

the Company 6% of Net Benefits at 80% attainment increasing at an incremental rate of 0.1% of Net Benefits for each additional percentage until 100% of goal is reached, then increasing at a rate of 0.2% for each additional percentage up to 125%. UCA also proposed a bonus structure whereby CNG would be awarded 6% of Net Benefits for achieving 80% of goal, and for each 1% of attainment beyond 80% of goal, the bonus would increase at 0.2% until 100% attainment. Above 100% of goal, the bonus would increase by 0.4% of Net Benefits for each 1% of savings until 125% attainment, whereby CNG would be awarded 20% of Net Benefits.

12. For purposes of settlement, the parties agree to the bonus award structure proposed by UCA. The bonus award structure is illustrated by the chart in Figure 1 below:



Social Costs of Carbon and Methane in the Bonus Calculation

13. CNG proposed that the social costs of carbon and methane (collectively, social cost of emissions or “SCE”) be included in the calculation to determine Net Benefits that form the basis for the bonus calculation. In Answer Testimony, Staff argued against including these costs in the bonus calculation because, among other things, the Company’s upcoming Clean Heat Plan would be a more appropriate proceeding to consider rewarding CNG for reduced emissions. UCA also recommended that the SCE not be included in the bonus calculation, citing a recent Commission decision in Public Service Company of Colorado’s DSM Strategic Issues proceeding in which SCE in the bonus calculation was rejected.¹

14. For purposes of settlement, the parties agree that CNG shall not include the SCE in the bonus calculation.

Costs and Benefits of Income Qualified Programs in the Bonus Calculation

15. CNG proposed that the performance percentage related to the Income Qualified (“IQ”) program should be 10% of total income-qualified program spending, unless it caused the total incentive awarded to exceed the total incentive cap. CNG further argued that Rule 4760(e) of the Commission’s Rules Regulating Gas Utilities, 4 CCR 723-4, permits such costs and benefits to be included in the bonus calculation. Staff opposed the inclusion of investments made in the IQ program, arguing that the Colorado Legislature mandated that utilities spend a certain portion of their DSM budgets on IQ programs and CNG should not receive a financial bonus for investment it is legally obligated to make.

¹ Decision No. C23-0523.

16. For purposes of settlement, the parties agree that Rule 4760(e) will govern and, accordingly, the costs and benefits associated with IQ programs whose mTRC value is greater than 1.0 shall be included in the bonus calculation until the utility meets its target for income-qualified programs. If the mTRC value of income-qualified programs drops below 1.0 or CNG has already met its target for such programs, the parties agree that the Commission should exercise its discretion and continue to allow the costs and benefits of those programs to be included in the bonus calculation, as doing so will provide CNG with a greater incentive to pursue income-qualified DSM programs.

Non-Energy Benefit Adders

17. CNG proposed net energy benefit adders (“NEBs”) of 1.20 for market rate programs and 1.50 for IQ programs in the mTRC calculation and proposed that they be maintained in this proceeding. Staff opposed these values, and recommended that the NEB adders be lowered to 1.14 for IQ programs and 1.06 for market rate programs, based in part on the fact that the emissions are quantified pursuant to §§ 40-3.2-106(4) and 40-3.2-107(2), C.R.S. UCA also opposed the use of NEBs the values proposed by CNG in the evaluation of DSM programs and in the bonus calculation. UCA recommended that the Commission direct CNG to propose new values in its next DSM Plan. EOC recommended that the Commission reject Staff and the UCA’s proposals on lowering or eliminating IQ and market-rate net energy benefit adders and maintain the current adders of 1.50 for IQ programs and 1.20 for market-rate programs until the issue is fully litigated in the next PSCo 2024-2025 DSM Plan filing.

18. For purposes of settlement, the parties agree that CNG will use non-energy benefit adders of 1.10 for market rate programs and 1.50 for IQ programs.

Discount Rates for Carbon and Methane

19. In its assumptions used for cost-effectiveness calculations in its DSM Plan, CNG used the same discount rate for the social costs of carbon and methane – 5.82%, which was based on the average of CNG’s Weighted Average Cost of Capital (“WACC”) and 20-year Treasury Bill rates – as it used for other costs and benefits under its Plan. In its Answer Testimony, Staff recommended that the discount rates for carbon dioxide and methane should be separate rates in accordance with §§ 40-3.2-106(4) and 40-3.2-107(2), C.R.S.

20. For purposes of settlement, the parties agree that CNG shall use a discount rate of 2.5% for the social costs of both carbon and methane, which is consistent with the discount rates mandated by §§ 40-3.2-106(4) and 40-3.2-107(2), C.R.S.

Allocation of Funds Between Customer Classes

21. CNG requested that the Commission grant the Company flexibility to make changes to rebate amounts and reallocate program budgets between programs in its DSM Plan, including residential and non-residential programs. In its Answer Testimony, Staff opposed the Company’s request, citing Rule 4757(a) requiring that cost recovery for programs directed at residential customers are to be collected from residential customers only and that cost recovery for programs directed at nonresidential customers are to be collected from nonresidential customers only. Staff also cited Rule 4753(m), 4 CCR 723-4 permitting the Company 25% budget flexibility if it seeks to apply greater funding for certain programs.

22. For purposes of settlement, the parties agree that CNG will not reallocate funding between residential and commercial DSM programs.

Protocol for New and/or Changed DSM Measures

23. CNG seeks to continue the current practice approved in its 2020-2022 DSM Plan of providing notice to stakeholders of proposed changes to the DSM Plan. Such notices are

required for any proposal to add a new DSM program, reduce rebate levels, adopt new or discontinue existing measures, or change technical assumptions or eligibility requirements. Stakeholders will have 30 days from the time of notice to provide comments on the proposed changes. CNG will have 30 days thereafter to consider the comments before making changes to its Commission-approved plan.

24. For purposes of settlement, the parties agree that CNG's protocol for new and/or changed measures approved in its 2020-2022 DSM Plan will be continued for its 2024-2025 DSM Plan.

Customer Communications

25. With regard to any new DSM programs or changes made to existing programs in accordance with its protocol for new and/or changed DSM measures, CNG agrees to actively notify its customer base at least once per year through an on-bill message, social media, and website bulletin explaining the new program or change and providing a contact telephone number for more information. This notification is in addition to DSMCA changes and Plan filing notifications.

The Public Interest

26. The Settling Parties agree that this Settlement Agreement is in the public interest and is supported by the Settling Parties testimony in this proceeding. CNG will file Settlement Testimony in support of this Settlement Agreement. Unless otherwise ordered, Staff, EOC and UCA will be available to answer questions from the ALJ at the hearing on the Settlement, if a hearing is held. The Settling Parties agree to support the Settlement as being in the public interest in proceedings before the Commission and to advocate in good faith that the Commission approve the Settlement in its entirety.

27. Specifically, the Settling Parties agree that the Settlement is in the public interest because it provides for an efficient and comprehensive resolution of the issues raised in this proceeding.

General Terms and Conditions

28. The Settling Parties agree that this Settlement Agreement represents a compromise of their positions and has been negotiated as a comprehensive settlement. As such, the Settling Parties acknowledge that their support and advocacy for the Settlement Agreement is based upon the Settlement Agreement as a whole and not based upon its individual components viewed in isolation.

29. The Settling Parties agree that all negotiations relating to this Settlement Agreement are subject to CRE 408, and that no party will be bound by any position asserted in the negotiations, except to the extent expressly stated in this Settlement Agreement.

30. The Settling Parties agree that except as otherwise expressly noted in this Settlement Agreement: (a) the execution of this Settlement Agreement will not be deemed to constitute an acknowledgment of any Settling Party of the validity or invalidity of any particular method, theory or principle of ratemaking or regulation, and no Settling Party will be deemed to have agreed that any principle, method or theory of regulation employed in arriving at this Settlement Agreement is appropriate for resolving any issue in any other proceeding; (b) the execution of the Settlement Agreement will not constitute the basis of estoppel or waiver in future proceedings by any Settling Party; and (c) no Settling Party will be deemed to be bound by any position asserted by any other Settling Party.

31. The Settling Parties acknowledge that their support and advocacy of the Settlement Agreement may be compromised by material alterations thereto. If the Commission

rejects or materially alters the Settlement Agreement, the Settling Parties agree that within seven days of such Commission decision any Settling Party may provide notice to the other Settling Parties of its objection to the Settlement Agreement as modified. Upon such objection, the Settling Parties will no longer be bound by its terms and will not be deemed to have waived any of their respective procedural or due process rights under Colorado law. If a Settling Party objects to the Settlement Agreement as modified, it may withdraw from the Settlement Agreement.

32. If the Commission adopts and approves the Settlement Agreement, this Settlement Agreement resolves all disputed matters relative to this proceeding between the Settling Parties. Any disputed matters will be deemed resolved to the extent that the Settlement Agreement is not compromised by material alterations.

33. Except as otherwise expressly provided in this Settlement Agreement, the issuance of a decision approving this Settlement Agreement will not be deemed to work as an estoppel upon the Settling Parties or the Commission, or otherwise establish, or create any limitation on or precedent of the Commission, in future proceedings.

34. This Settlement Agreement will not become effective and will be given no force and effect until the issuance of a final Commission decision that accepts and approves this Settlement Agreement.

35. This Settlement Agreement may be executed in one or more counterparts and each counterpart will have the same force and effect as an original document and as if all the Settling Parties had signed the same document. Any signature page of this Settlement Agreement may be detached from any counterpart of this Settlement Agreement without impairing the legal effect of any signatures thereon and may be attached to another counterpart

of the Settlement Agreement identical in form hereto but having attached to it one or more signature page(s). The Settling Parties agree that “.pdf” signature pages exchanged by e-mail and electronic signatures will satisfy the requirements for execution.

[Signature Page Follows]

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Attorneys for the Utility Consumer Advocate

CERTIFICATE OF SERVICE

I hereby certify that on this 27th day of October, 2023, the foregoing **COMPREHENSIVE JOINT SETTLEMENT AGREEMENT** was served via email on the following:

All Non-Confidential Documents

Recipient	Address	Method
Colorado PUC	1560 Broadway, Suite 250 Denver, CO 80202	Colorado PUC E-Filings
Colorado Natural Gas, Inc.	Recipient's Filing Center in E-Filings System	Colorado PUC E-Filings
Colorado Public Utilities Commission	Recipient's Filing Center in E-Filings System	Colorado PUC E-Filings
Office of Utility Consumer Advocate	Recipient's Filing Center in E-Filings System	Colorado PUC E-Filings
Colorado Department of Law: Attorney General's Office , Jennifer Hayden	Recipient's Filing Center in E-Filings System	Colorado PUC E-Filings
Colorado Office of Attorney General, Kate Crampton	Recipient's Filing Center in E-Filings System	Colorado PUC E-Filings
Colorado Office of the Attorney General, Bryan Kreykes	Recipient's Filing Center in E-Filings System	Colorado PUC E-Filings
Colorado Office of the Attorney General, Patrick Witterschein	Recipient's Filing Center in E-Filings System	Colorado PUC E-Filings
Cunilio Consulting, LLC, KC Cunilio	Recipient's Filing Center in E-Filings System	Colorado PUC E-Filings
Dixon, Thomas	Recipient's Filing Center in E-Filings System	Colorado PUC E-Filings
Energy Outreach Colorado, Luke Ilderton	Recipient's Filing Center in E-Filings System	Colorado PUC E-Filings
Energy Outreach Colorado, Andrew Bennett	Recipient's Filing Center in E-Filings System	Colorado PUC E-Filings
england, scott	Recipient's Filing Center in E-Filings System	Colorado PUC E-Filings
Fairfield and Woods, P.C., Mark Davidson	Recipient's Filing Center in E-Filings System	Colorado PUC E-Filings
Utility Consumer Advocate, Department of Law, Michel Singer Nelson	Recipient's Filing Center in E-Filings System	Colorado PUC E-Filings
Energy Outreach Colorado, Andy Caler	303 E. 17th Ave. Ste. 405 Denver, CO 80203	U.S. Mail
Office of the Utility Consumer Advocate, Chris Neil	1560 Broadway, Suite 200 Denver, CO 80202	U.S. Mail
Summit Utilities, Inc., Angela Monroe	10825 E. Geddes Ave, Suite 410, Centennial CO 80112	U.S. Mail

By: /s/ Harry Di Domenico
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