

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

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IN THE MATTER OF THE APPLICATION OF)
PUBLIC SERVICE COMPANY OF)
COLORADO FOR APPROVAL TO EXTEND) PROCEEDING NO. 18A-0422G
THE COMPANY'S PIPELINE SYSTEM)
INTEGRITY ADJUSTMENT THROUGH 2020)
AND TO TERMINATE NO LATER THAN 2024.)

**SETTLEMENT AGREEMENT ON THE EXTENSION OF THE PIPELINE SYSTEM
INTEGRITY ADJUSTMENT**

Introduction and Identification of Parties

This Settlement Agreement is a full and complete resolution of Public Service Company of Colorado's ("Public Service" or the "Company") Application for Approval to Extend the Company's Pipeline System Integrity Adjustment Through 2020 and to Terminate No Later Than 2024. Along with Public Service, this Settlement Agreement is joined by Commission Trial Staff ("Staff") and the Colorado Office of Consumer Counsel ("OCC"), (collectively, the "Settling Parties").

Background

The Pipeline System Integrity Adjustment ("PSIA") is a rider established to give the Company accelerated cost recovery for work completed to comply with federal regulations governing the safety and integrity of natural gas pipeline systems. Specifically, it was developed in 2010 in response to the Pipeline Safety Improvement Act of 2002 and subsequent federal regulations governing Distribution Integrity Management Programs ("DIMP") and Transmission Integrity Management Programs

("TIMP"). Ongoing state and federal regulations encourage capital investments in pipeline safety and integrity, and such investments provide benefits to customers in the form of a safer and more reliable natural gas pipeline system.

The PSIA was first established, effective January 1, 2012 through December 31, 2014, via an approved settlement agreement in Public Service's 2010 Phase I gas rate case (Proceeding No. 10AL-963G). The PSIA initially included capital costs and operations and maintenance ("O&M") expenses associated with six pipeline system integrity initiatives: DIMP, TIMP, the Accelerated Main Replacement Program ("AMRP"), the Edwards-to-Meadow Mountain Transmission Pipeline Replacement initiative ("EMM"), the West Main Transmission Pipeline Replacement initiative ("West Main"), and the Cellulose Acetate Butyrate ("CAB") Services Replacement initiative. The PSIA was subsequently extended one year, to December 31, 2015, via an approved settlement agreement in Public Service's 2012 Phase I gas rate case (Proceeding No. 12AL-1268G).

Public Service requested and received a third extension of the PSIA through December 31, 2018 in its 2015 Phase I gas rate case filing (Proceeding No. 15AL-0135G), in order to recover the continuing costs of TIMP, DIMP, AMRP, and West Main. In the 2015 case, the revenue requirements for the CAB and EMM initiatives were removed from the PSIA and moved into base rates for cost recovery. Additionally, the Commission ordered the Company to: use a quantitative risk assessment program to evaluate PSIA project eligibility in future annual PSIA reports; provide granular five-year PSIA forecasts annually; and remove all O&M costs from the PSIA.

In approving the PSIA extension through December 31, 2018, the Commission established certain requirements for any future Company application to extend the PSIA beyond 2018. Namely, Public Service would need to include a plan for how the PSIA will be terminated in the future, as well as:

1. A thorough analysis of all projects to be included in an ongoing PSIA;
2. Criteria used to determine whether future projects qualify for PSIA treatment;
3. A timeline for all PSIA projects to be completed, including a quantitative risk assessment; and
4. A plan stating how remaining projects in the PSIA and other future pipeline replacements or significant safety expenditures will be addressed through the ordinary course of business when the PSIA is terminated.¹

On April 20, 2018, Public Service filed an application to extend the PSIA for the fourth time, accompanied by testimony on behalf of several witnesses. In Decision No. C18-0407, the Commission determined this application was not complete and dismissed it without prejudice, enabling Public Service to re-file at its convenience. The Commission also provided guidance in Decision No. C18-0407 as to items missing that should be addressed in a future filing, including:

1. The lack of a meaningful risk ranking mechanism to determine PSIA inclusion and priority for specific projects and programs;
2. The lack of a plan for terminating the PSIA; and
3. The lack of a plan showing how future pipeline replacements or significant safety expenditures can be addressed through the ordinary course of business when the PSIA is terminated.

¹ Proceeding No. 15AL-135G, Recommended Decision No. R15-1204, p. 32.

Current PSIA Extension Application

On June 27, 2018, Public Service re-filed an Application for Approval to Extend the Company's Pipeline System Integrity Adjustment Through 2020 and to Terminate No Later than 2024 in this Proceeding No. 18A-0422G (the "Application"). This Application to extend the PSIA for a fourth time sought to continue the PSIA to recover capital costs for 11, specifically-identified "Projects" that fall under two of the original PSIA initiatives – DIMP and TIMP, as illustrated below:

Table 1: The Eleven PSIA Projects in this Settlement Agreement

Proposed PSIA Projects	Initiatives	
	DIMP	TIMP
AMRP	X	
Programmatic Risk-based Pipe Replacement Program ("PPRP")	X	
Distribution Valve Replacements	X	
Bridge Crossings/Exposed Pipes	X	
Shorted Casings	X	
Above Ground Facility Protection	X	
Shorted Casings		X
Above Ground Facility Protection		X
First Time In-Line Inspection Assessments		X
Maximum Allowable Operating Pressure Validation ("MAOPV")		X
Automatic Shut-off Valves/Remotely Controlled Valves ("ASV/RCV")		X

The Application was supported by the testimony of three Company witnesses as follows:

1. Ms. Michelle Moorman Applegate provided policy support for the Company's request to extend the PSIA, addressed and worked to resolve the deficiencies the Commission identified in Public Service's April 2018 PSIA extension application, and discussed options in the event of PSIA termination;
2. Mr. Luke A. Litteken addressed the operational need for the PSIA, the PSIA Projects' scope and timelines within the five-year planning cycle; and the criteria for the recovery of Projects and "Sub-Projects"² through the PSIA; and

² As discussed further below, Sub-Projects consist of work orders or groups of work orders necessary to complete the scope of the broader eleven Projects.

3. Mr. Steven W. Wishart provided the revenue requirement support for the Company's request, as well as the associated customer bill effects.

Specifically, the Application and supporting testimony sought to address the Commission requirements for any future application to extend the PSIA that were established in Recommended Decision No. R15-1204 from the 2015 Phase I gas rate case, and in Decision No. C18-0407.

In Decision No. C18-0631-I in this Proceeding, mailed August 2, 2018, the Application was deemed complete and set for hearing before the Commission *en banc*. The Commission also required Public Service to confer with parties and file a proposed procedural schedule by August 13, 2018. An unopposed procedural schedule including discovery provisions was approved by Decision No. C18-0688-I.

After the filing of Direct Testimony in this Proceeding, the Settling Parties engaged in negotiations that culminated in this Settlement Agreement ("Agreement"). In summary, this Agreement:

- provides for a three-year extension of the PSIA through December 31, 2021, with an option for the Company to file a request for Commission approval of a second, up to three-year extension to December 31, 2024;
- specifies the Projects the Company may include in the PSIA subject to ongoing quantitative risk ranking for "Sub-Projects" that fall under each Project;
- establishes a definitive termination date for these same PSIA Projects, as well as for the PSIA itself;

- identifies continuing and enhanced annual reporting requirements for work performed under the PSIA;
- provides a pathway towards enhanced documentation of service improvements through an updated and improved quality of service program (“QSP”); and
- specifies that the Company may seek cost recovery of future pipeline repair and replacement work that is not included in the PSIA (before or after its termination) through base rates in the ordinary course of ratemaking.

The Settling Parties enter this Agreement based on their mutual agreement that continuing investments in pipeline safety, particularly as encouraged by current Federal Pipeline and Hazardous Materials Safety Administration (“PHMSA”) regulations, are in the public interest. The Agreement also addresses the Commission’s requirements for PSIA extension set forth in Recommended Decision No. R15-1204 and Decision No. C18-0407 set forth above.

Settlement Terms

I. Continuation of the PSIA

- A. PSIA Extension Period. The PSIA shall be extended from its current expiration date of December 31, 2018 through December 31, 2021. The Settling Parties believe a three-year extension period is reasonable in light of the ongoing work to be completed under existing PSIA Projects, as set forth in the Company’s Direct Testimony. Although the Company requested a two-year extension, the Settling

Parties have determined that a three-year extension is appropriate and in the public interest to allow for:

1. Implementation of a revised and enhanced QSP in a separate proceeding to be initiated prior to December 31, 2018, consistent with Paragraphs 92 and 97 of the Commission's Interim Decision No. C18-0736-I in Proceeding No. 17AL-0363G (the Company's 2017 Phase I gas rate case), as well as the ongoing evaluation of the approved QSP with sufficient to time to fully evaluate outcomes before additional PSIA extensions may be necessary;
2. Approximate alignment of the first extension period's December 31, 2021 ending date with the implementation of a new PHMSA Gas Transmission and Gathering Lines Rulemaking ("PHMSA Transmission Rule") that, if adopted, may impose new transmission safety and integrity requirements on Public Service. While no costs associated with the PHMSA Transmission Rule are allowed for inclusion in this initial three-year extension of the PSIA, the Settling Parties agree that such costs could be evaluated by the Commission for possible inclusion in the PSIA at the time of a request by the Company to extend the PSIA beyond December 31, 2021.

Further, a three-year extension calls for the winding down of new PSIA cost recovery for seven Projects by the end of 2021,³ promotes regulatory efficiency by limiting the number of applications that may be needed to extend the PSIA through 2024, and allows for a clearer status of the remaining projects at the time

³ To be more specific, six of the Projects will wind down by the end of December 31, 2021. The seventh is the Aldyl-A portion of the PPRP Project.

of the subsequent extension, if sought. Finally, the Settling Parties agree that a three-year extension is more appropriate than a two-year extension given that a three-year extension bisects the Company's proposed six-year period (2019-2024) of remaining heightened capital spending projected by the Company in its testimony in this proceeding.

- B. PSIA Limited to Capital Costs. As extended through December 31, 2021 by this Agreement, only the revenue requirements from capital costs associated with existing PSIA Projects will be eligible for inclusion in the PSIA, consistent with current limitations on the PSIA. This does not limit to any extent what parties may discuss in the event of a need to modify the PSIA under Section I.C or V.B of this Agreement.
- C. Future Extension of the PSIA. The Settling Parties agree that a second, up to three-year extension of the PSIA after December 31, 2021 (until December 31, 2024) may be necessary, and is neither being requested for approval nor foreclosed by this Agreement. This Agreement is not intended to dictate the form or substance of any further extension requests beyond 2021.

II. Projects and Sub-Projects Included in the Three-Year PSIA Extension

- A. Projects Eligible for Continuing PSIA Recovery. The following six DIMP and five TIMP Projects, currently eligible for PSIA cost recovery through the end of 2018, will continue to be eligible for PSIA cost recovery through the end of 2021, subject to the specific PSIA Project wind-down requirements set forth in

Section IV of this Agreement.⁴ While a detailed scope of each Project is set forth in Company witness Mr. Luke Litteken's Direct Testimony in this Proceeding at Table LAL-D-1 (DIMP Projects) and Table LAL-D-2 (TIMP Projects), a brief description of each Project is as follows:

1. DIMP Projects

- a. *AMRP*, which systematically replaces poor performing pipe types (bare or black steel, and PVC) to support system integrity and safety;
- b. *Programmatic Risk-Based Pipe Replacement Program ("PPRP")*, which systematically replaces poor performing distribution mains and services (Vintage Steel, IP Mains, and Aldyl A);
- c. *Distribution Valve Replacements*, which replaces existing distribution system isolation valves to improve isolation capabilities;
- d. *Bridge Crossings/Exposed Pipes*, which programmatically renews poor performing pipelines installed on bridges or that are otherwise exposed to the elements, which can lead to atmospheric corrosion and leakage;
- e. *Shorted Casings (DIMP)*, which mitigates corrosion risk on pipelines with casings, avoiding potentially dangerous leaks;
- f. *Above Ground Facility Protection (also referred to as Meter Barricades) (DIMP)*, which installs protection around above ground facilities to protect from vehicle and other damage that could result in gas blowing into the atmosphere.

2. TIMP Projects

- a. *First time In-Line Inspection ("ILI") Assessments*, which prepare transmission pipelines for ILI tools, perform health inspections, as well as remediate anomalies found through the ILI process;

⁴ That is to say three of the Projects will no longer be eligible for PSIA recovery at the end of 2018, two more will no longer be eligible at the end of 2020, and a further two more (one of which is the Aldyl-A portion of PPRP) will no longer be eligible at the end of 2021.

- b. *Maximum Allowable Operating Pressure (“MAOP”) Validation Project*, which ensures key operating criteria (specifically MAOPs) are supported by records that are traceable, verifiable, and complete;
- c. *Automatic Shut-off Valves/Remotely Controlled Valves (“ASC/RCV”)*, which installs mainline isolation valves or adds actuators to existing valves to quickly minimize the impact of unplanned gas release;
- d. *Above Ground Facility Protection (TIMP)*, which installs protection to above ground facilities to protect from vehicle and other damage; and
- e. *Shorted Casings (TIMP)*, which mitigates corrosion threats on pipelines with casings.

III. Criteria for Project and Sub-Project PSIA Eligibility

Consistent with past project eligibility for PSIA inclusion, while also addressing the Commission’s request for more detailed eligibility criteria associated with the continuation of the PSIA beyond December 31, 2018, the Settling Parties agree to the addition of four criteria for future PSIA eligibility for Projects and Sub-Projects:

- A. First Criteria. The first criteria is that only the current eleven Projects summarized above, previously approved for PSIA inclusion and governed by existing PHMSA regulations, are eligible for continuing PSIA recovery starting on January 1, 2019.⁵ Should the pending new PHMSA Transmission Rule be finalized during the term of this three-year extension, or should another unforeseen circumstance arise as set forth in Section V of this Agreement, the Settling Parties will meet and confer regarding potential recovery of these new integrity costs. However, no additional

⁵ Eligible for PSIA recovery means specifically eligible to be included in the November advice letter implementing the annual rate for the following year and subsequently in the April Annual Report filing 16 months later.

work associated with the pending new PHMSA Transmission Rule will be eligible for inclusion in the PSIA absent separate Commission approval.

- B. Second Criteria. Within each of the eleven Projects, Sub-Projects currently exist that consist of work orders or groups of work orders necessary to complete the scope of the broader Project. The second criteria, which pertains to Sub-Projects currently in the PSIA, is that PSIA recovery may continue for Sub-Projects that have been previously approved for PSIA recovery to the extent they continue to meet the existing risk ranking criteria. All Sub-Projects, however, must be wound down within the time frame for completion established for the Project under which the Sub-Projects fall.⁶
- C. Third Criteria. The third criteria is that new Sub-Projects that arise after the end of 2018 must: (a) fall within the scope of an existing Project; *and* (b) have a risk ranking of moderate to high risk, or not require a risk ranking, consistent with the Summary of Risk Assessment Methodology for PSIA Projects developed in Proceeding No. 15AL-0135G (2015 Phase I), which was adopted with modification in Recommended Decision No. R15-1204. (See also Attachment LAL-2 to Mr. Litteken's Direct Testimony.) Exemptions to the requirement for risk ranking assessments were set forth in Attachment A to Decision No. C16-0123 in Proceeding No. 15AL-0135G (2015 Phase I), and can be summarized as follows:

⁶ One point of clarification: while the Aldyl-A portion of PPRP will wind down by the end of 2021, the remaining two portions of PPRP (i.e., Coupled IP and Vintage Steel) will not.

Table 2: PSIA Projects Requiring Risk Ranking Assessment

	Quantitative Risk Assessments Required	Status
TIMP		
In-Line Inspection Assessments	No	Ongoing
MAOP Validation Project	No	Ongoing
Shorted Casings	Yes	Ongoing
Above Ground Facility Protection	Yes	Complete in 2018
ASV/RCV Valve Set Installation Project	No	Ongoing
DIMP		
AMRP	No	Ongoing
Programmatic Pipe Replacement Program	Yes	Ongoing
Distribution Valve Replacements	Yes	Ongoing
Bridge Crossings	Yes	Complete in 2018
Shorted Casings	Yes	Ongoing
Above Ground Facility Protection	Yes	Complete in 2018

D. Fourth Criteria. The fourth criteria is 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.⁷

IV. Timeline for Project Completion

A. Supporting Information Regarding Ongoing Project Work in the PSIA. In Direct Testimony, the Company provided information regarding the anticipated amount and timeframe of future capital expenditures and Project completion for the

⁷ True-up provisions for work completed during the two years prior to PSIA termination are discussed in Section VIII of this Agreement.

eleven Projects identified in this Agreement (specifically, Section IV.C of Mr. Litteken's Direct Testimony and Attachment LAL-3 in this Proceeding, as well as Attachment A to this Agreement). Although the current extension addressed in this Agreement is through 2021, Attachment A to this Agreement summarizes the Company's anticipated project completion and capital expenditure levels (in current dollars, without escalation) through 2030,⁸ consistent with the Commission's requirement that the Company provide information about Project completion and winding down the PSIA.

B. Schedule for Project Wind Down in 2018-2021. The Settling Parties have negotiated and agreed to a schedule for winding down the PSIA cost recovery process for the previously-identified eleven (11) Projects (including any Sub-Projects) during the period 2018 through 2021. This PSIA cost recovery wind-down schedule for the years 2018-2021 is set forth in Attachment A to this Agreement. This Agreement wind-down schedule has the effect of eliminating new PSIA cost recovery for certain Projects earlier than the Company requested in its Application.

⁸ Note that the post-2021 schedule is the Company's own version. The other parties to the settlement reserve all rights to suggest their own framework for stepping down projects from 2022 to 2024. These years are included in Attachment A for illustrative purposes only.

Table 3: Wind Down of PSIA (2018-2021)

<u>Project</u>	<u>Company/ Year of Planned Project Completion</u> ⁹	<u>Settlement/ Addition of New Project Costs to PSIA Ends by Dec. 31 of:</u>
DIMP: Bridge Crossings	2018	2018
DIMP: Above Ground Facility Protect	2019	2018
TIMP: Above Ground Facility Protect	2019	2018
DIMP: PPRP - Aldyl-A (subset of PPRP)	2021	2021
DIMP: Shorted Casings	2021	2020
TIMP: Shorted Casings	2021	2020
DIMP: Distribution Valve Replacement	2022	2021

C. Amounts of PSIA Project Cost Recovery. While Attachment A provides the Company's best current estimates of future capital expenditures associated with each PSIA Project (stated in 2018 dollars, based on information available at this time), these dollar amounts are provided for illustrative purposes only. This Agreement neither guarantees nor limits Public Service's cost recovery for any particular Project or Sub-Project, except that Public Service may not seek new cost recovery within the PSIA for Project costs incurred after the wind-down date identified in Section IV.B of this Agreement (and in Table 3 above). The amount of cost recovery actually available to Public Service in each of the years 2019-2021 for each of the eleven (11) identified Projects will be determined via the currently existing process of November forecasts and April Annual Reports for the PSIA, as set forth with additional modifications in Section VI of this

⁹ Direct Testimony of Luke A. Litteken, Attachment LAL-3.

Agreement and the post-wind-down processes set forth in Section VIII of this Agreement.

- D. Costs in the PSIA After Project Wind Down. After a Project's PSIA wind-down date as set forth herein, the associated revenue requirement shall remain in the PSIA rider, subject to the true-up provisions set forth in Section VIII of this Agreement, until Commission approval of a request to roll-in such revenue requirement to base rates or another recovery mechanism is approved. The wind down of PSIA recovery for a Project or Sub-Project only addresses the rider recovery mechanism, and is not intended to deprive the Company of cost recovery for prudently incurred pipeline work costs. In any event, for costs that have not been subject to an April Annual Report cost review, the Company will not seek to roll these costs into base rates or request their recovery in another recovery mechanism until such time as they have been through the April Annual Report cost review and that proceeding has been closed.
- E. Projects Scheduled for Completion After December 31, 2021. Neither this Agreement nor Attachment A establishes wind-down dates for Projects after 2021 (that is, for Projects not identified in Section IV.B of this Agreement). Attachment A capital expenditure and completion estimates related to Projects scheduled for completion after 2021 are illustrative only as no approval or preapproval of such amounts is part of this Settlement Agreement.

V. Cost Recovery in the Ordinary Course of Business and in the Event of Other Additional Rules, Regulations, or Requirements

- A. Cost Recovery in the Ordinary Course of Business. This Agreement is not intended to foreclose the Company from seeking other cost recovery for ongoing pipeline work, which may include but is not limited to work in the ordinary course of business proposed for recovery as part of a base rate case filing. The Settling Parties are free to take any positions they may choose with respect to such a filing, except that no party may claim cost recovery is foreclosed by this Agreement or the separate existence of the PSIA.
- B. Cost Recovery in Event of Additional Pipeline Safety Rules, Regulations, or Requirements. The Settling Parties acknowledge that it is not possible to foresee all possible future requirements for pipeline safety and integrity work that may warrant the addition of new future initiatives to the PSIA. The PSIA cost recovery wind down set forth in this Agreement is not intended to foreclose the possibility of further discussion between interested parties in the event of new (and sizeable in cost) pipeline safety and integrity initiatives caused by new PHMSA rules or any other pipeline safety rules and regulations not within the Company's control. However, in no event will cost recovery through the PSIA extend beyond December 31, 2024 as set forth in Section VIII.A of this Agreement, nor will O&M costs be included in the PSIA absent a subsequent proposal by the Company and approval by the Commission..

VI. Annual PSIA Reporting Requirements

A. The Company shall continue to provide regular reporting of PSIA forecasts and actual costs associated with the three-year extension of the PSIA in the form of:

1. An advice letter each November, which goes into effect the following January 1st and contains the PSIA rider charges necessary to achieve the projected revenue requirement associated with the PSIA capital construction costs for the following calendar year. Among other information, Public Service supports these annual November advice letter filings with revenue requirement calculations and a five-year plan detailing the PSIA Sub-Projects for the next five years and their estimated costs;¹⁰
2. A rolling PSIA five-year plan, which provides forward-looking, five-year forecasts of pipeline safety and integrity work that will be needed on the Company's natural gas system, which plan the Company will continue to include as part of the November advice letter filing each year (see Section VI.A); and
3. A PSIA Annual Pipeline System Integrity Adjustment Report filed each April, which shows the actual costs for the applicable calendar year as compared to the estimated costs presented in the November advice letter filing. Staff and the OCC (and other interested parties) shall continue to have the opportunity to review the actual PSIA costs presented in the Annual Report filed each

¹⁰ Technically, since the PSIA is a cumulative rider, the November advice letter filings of projected PSIA revenue requirements include the projection of investment to be made in the upcoming year as well as the inclusion of actual revenue requirements from the prior years, to the extent investment has NOT been rolled-in to base rates.

- April. For the April Annual Report filed in 2019 and beyond,¹¹ the Company's Annual Report filed each April shall be substantially the same and contain substantially the same types of information set forth in the Company's 2017 Amended Annual Adjustment Report filed on July 31, 2018 in Proceeding No. 16AL-0883G. Further, to the extent there are variances for the Sub-Projects described in the November advice letter filing and the April Annual Report filing, the Company will explain clearly and meaningfully in the "notes" section of the various spreadsheets or in pre-filed testimony filed with the April Annual Report the detailed and specific reasons the variance occurred.
- B. By operation of an approved Settlement in Proceeding No. 10AL-963G, the Company is presently required to file a Phase I gas rate case every three years so long as the PSIA remains in effect. Public Service is not foreclosed from requesting to terminate or otherwise modify the requirement to file a Phase I rate case every three years. The Settling Parties are free to take any positions they may choose with respect to such a request.

VII. Quality Service Plan ("QSP") Development

- A. Background. In Interim Decision No. R18-0318 in Proceeding No. 17AL-0363G (the Company's 2017 Phase I gas rate case), the ALJ recommended that Public Service shall "work with Staff to modify the QSP and develop performance metrics that would then be presented to the Commission in an application filed before December 31, 2018. The modified QSP shall include performance

¹¹ Review of the 2018 costs is included in Proceeding No. 17AL-0771G (this advice letter went into effect by operation of law on January 1, 2018).

metrics for both the [Enhanced Emergency Response (“EER”)] 2.0 and [Damage Prevention Program (“DPP”)] programs.” The Commission adopted this recommendation except with respect to EER 2.0 in Interim Decision No. C18-0736-I, and directed the Company and Staff “to confer on Quality of Service Plan (QSP) metrics” and address specific programs and metrics “in [a] subsequent QSP filing.”¹² The Settling Parties are committed to more fully develop and document QSP metrics in conjunction with, and parallel to, consideration of this Agreement, as set forth below.

B. QSP Development Process. The Settling Parties have agreed to the following QSP development schedule:

1. Concurrent with these settlement discussions, Public Service has provided the Settling Parties with a proposal for new DPP metrics and outcomes specific to tracking damages per locates (DPP) and gas emergency response times.
2. In October and November 2018, the Settling Parties will have additional meetings to discuss appropriate QSP metrics, as well as associated incentives and/or penalties on a going-forward basis.
3. On or before December 31, 2018, the modified QSP will be filed with the Commission in a proceeding separate from this PSIA proceeding, setting forth QSP metrics and appropriate obligations, with the goal of implementing them for tracking purposes beginning January 1, 2019, subject to modification and approval by the Commission. In advance of

¹² Interim Decision No. C18-0736-I, pg. 32-34, ¶¶ 92-97.

the filing, the Settling Parties will work in good faith toward reaching a consensus. Afterwards, Public Service will file the application and seek Commission approval of a new QSP.

4. It is anticipated that a Commission-approved QSP will afford ongoing annual evaluations of the approved QSP and QSP metrics during the extension period along with an opportunity for parties to comment on reports filed in this separate proceeding.

VIII. Future Termination of the PSIA.

A. True-Up for 2020 and 2021 PSIA Costs (Actual to Projected) if PSIA is Terminated on December 31, 2021.

1. As previously noted, the PSIA is currently structured so that actual PSIA costs for the immediate prior calendar year are presented in April of each year, subject to interested parties' and the Commission's inspection, and any differences between recovery during the prior calendar year and actual permitted recovery are put into rates beginning January 1 of the following year through an advice letter filed in November. The following is a current example of this process:

Table 4: Illustrative PSIA True-Up Schedule

Filing Date	Includes	True-Up in Effect
November 2017 Advice Letter	2018 Forecast and 2016 Actual True-Up Amount	Calendar year 2018 beginning January 1, 2018.

2. If the PSIA is not extended beyond December 31, 2021, the Settling Parties agree that the Company may seek to recover through base rates the level of PSIA revenue requirements at the end of 2021 through the filing of an advice

letter with rates effective January 1, 2022.¹³ The advice letter will be revenue neutral to the Company. Likewise, previously forecasted PSIA costs for 2020 will be trued-up in base rates in the year 2021 effective January 1, 2022 and forecasted PSIA costs for 2021 will be trued-up in the year 2022 in base rates effective January 1, 2023. In the event the movement of PSIA costs to base rates is delayed due to any Commission action, the costs will remain in the PSIA until they are moved to base rates or another form of cost recovery is established.

3. In no event shall actual costs incurred after December 31, 2021 be eligible for PSIA cost recovery unless the PSIA is extended beyond December 31, 2021 by separate action of the Commission.

B. Ultimate PSIA Termination.

1. Under the terms of this Agreement, the PSIA will be terminated on or before December 31, 2024, except for completing the true-up process described below.
2. This Settlement Agreement anticipates that the Company will, during 2021, seek to extend the PSIA through December 31, 2024. The terms and conditions of such an extension shall be determined by a Commission ruling at the appropriate time.

¹³ Recoverable amounts are subject to true up during the April Annual Report cost review process.

General Provisions

1. This Agreement is made for settlement purposes only. No Settling Party concedes the validity or correctness of any regulatory principle or methodology directly or indirectly incorporated in this Agreement. Furthermore, this Agreement does not constitute agreement, by any Settling Party, that any principle or methodology contained within or used to reach this Agreement may be applied to any situation other than the above-captioned proceeding, except as expressly set forth herein. No binding precedential effect or other significance, except as may be necessary to enforce this Agreement or a Commission order concerning the Agreement, shall attach to any principle or methodology contained in or used to reach this Agreement, except as expressly set forth herein.
2. Each Settling Party understands and agrees that this Agreement represents a negotiated resolution of all issues the Settling Party either raised or could have raised in this proceeding. The Settling Parties agree the Agreement, as well as the negotiation process undertaken to reach this Agreement, are just, reasonable, and consistent with and not contrary to the public interest and should be approved and authorized by the Commission.
3. The discussions among the Settling Parties that produced this Agreement have been conducted in accordance with CRE Rule 408.
4. Nothing in this Agreement shall constitute a waiver by any Settling Party with respect to any matter not specifically addressed in this Agreement. In the event this Agreement becomes null and void or in the event the Commission does not approve this Agreement, it, as well as the negotiations or discussions undertaken

in conjunction with the Agreement, shall remain inadmissible into evidence in these or any other proceedings in accordance with CRE Rule 408.


5. The Settling Parties will support all aspects of the Agreement embodied in this document in any hearing conducted to determine whether the Commission should approve this Agreement, and/or in any other hearing, proceeding, or judicial review relating to this Agreement or the implementation or enforcement of its terms and conditions. Each Settling Party also agrees that, except as expressly provided in this Agreement, it will take no action in any administrative or judicial proceeding, or otherwise, which would have the effect, directly or indirectly, of contravening the provisions or purposes of this Agreement. However, each Settling Party expressly reserves the right to advocate positions different from those stated in this Agreement in any proceeding other than one necessary to obtain approval of, or to implement or enforce, this Agreement or its terms and conditions.
6. The Settling Parties do not believe any waiver or variance of Commission rules is required to effectuate this 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 Agreement to be approved, carried out and effectuated.
7. This 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 Agreement (including attachments).

8. This Agreement shall not become effective until the Commission issues a final order addressing the Agreement. In the event the Commission modifies this Agreement in a manner unacceptable to any Settling Party, that Settling Party may withdraw from the 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. In the event a Settling Party exercises its right to withdraw from the Agreement, this Agreement shall be null and void and of no effect in this or any other proceeding.
9. There shall be no legal presumption that any specific Settling Party was the drafter of this Agreement.
10. This 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 Agreement. This 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 Agreement by the Settling Parties to the same extent that an original signature could be used.

Dated this 1st day of October, 2018.

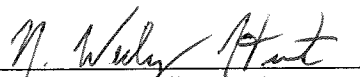
Agreed on behalf of:

PUBLIC SERVICE COMPANY OF COLORADO

By: 
Alice K. Jackson
President
Public Service Company of Colorado

Approved as to form:

**ATTORNEY FOR PUBLIC SERVICE
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By: 
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Agreed on behalf of:

TRIAL STAFF OF THE COLORADO PUBLIC UTILITIES COMMISSION

By: *Gabe Dusenbury*
Gabe Dusenbury
Senior Rate Analyst
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Colorado Public Utilities Commission
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Denver, CO 80202

Approved as to form:

**ATTORNEYS FOR TRIAL STAFF OF
THE COLORADO PUBLIC UTILITIES
COMMISSION**

CYNTHIA H. COFFMAN
Attorney General

And by: *Marianne W. Ramos*
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APPROVED AS TO FORM:

**OFFICE OF THE ATTORNEY
GENERAL**

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Counsel

AGREED ON BEHALF OF:

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