

**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 RECOVERY OF COSTS) PROCEEDING NO. 21A-0203ST
ASSOCIATED WITH THE FEBRUARY 2021)
EXTREME WEATHER EVENT FOR ITS)
STEAM UTILITY)

UNANIMOUS COMPREHENSIVE SETTLEMENT AGREEMENT

Table of Contents

INTRODUCTION AND IDENTIFICATION OF PARTIES	1
BACKGROUND	1
SETTLEMENT TERMS	3
I. Definition of “Extraordinary Fuel Costs”	3
II. Settlement Reduction	3
III. Recoverable EFC and Net Recoverable EFC	4
IV. Cost Recovery Mechanics	5
V. Customer Communication Regarding Net Recoverable EFC	6
VI. Conservation Appeals	7
VII. Future Filing Commitments	8
GENERAL PROVISIONS	8

INTRODUCTION AND IDENTIFICATION OF PARTIES

This Unanimous Comprehensive Settlement Agreement (“Settlement Agreement” or “Agreement”) is entered into by Public Service Company of Colorado (“Public Service” or the “Company”) and Trial Staff (“Staff”) of the Colorado Public Utilities Commission (“Commission”) pursuant to Rule 1408 of the Commission’s Rules of Practice and Procedure, 4 CCR 723-1. This Settlement Agreement is intended to resolve all issues that were raised in this proceeding with respect to the Company’s Verified Application (“Application”) for recovery of costs incurred by its Steam utility during the February 2021 extreme weather event known as Winter Storm Uri (the “Extreme Weather Event”).

BACKGROUND

From February 13 to 19, 2021, Winter Storm Uri brought extreme cold temperatures and snow across the United States and caused unprecedented gas supply disruptions and blackouts throughout the country. The average temperature in the contiguous United States during the month of February was 30.6°F, 3.2°F below the 20th-century average, with temperatures from February 11-15, 2021 forecasted at an average of 15°F or more below normal temperatures. The Extreme Weather Event led to imbalances in the natural gas commodity market, driven by a combination of elevated demand for heating and power coupled with disruptions in natural gas production due to freeze-offs and impacts to gas pipelines.

Given the magnitude of the Extreme Weather Event and the resulting natural gas market conditions, the Commission opened an investigatory proceeding to collect information related to the event from investor-owned electric and gas utilities by Decision No. C21-0087 in Proceeding No. 21I-0076EG. Utilities were requested to prepare and file a “Situation Report” providing specific information on gas purchases, and additional

information was requested by Decision No. C21-0101. The Company submitted its Initial Extreme Weather Event Report on March 5, 2021, which included information requested by the Commission regarding gas procurement for February 13-16, 2021. Decision No. C21-0149 asked for further supplementary information, in addition to the initial Situation Reports. The Company filed its Supplemental Extreme Weather Event Report on March 19, 2021, covering gas procurement information for February 17-19, 2021.

By Decision No. C21-0179 in Proceeding No. 21M-0130EG, the Commission directed the investor-owned electric and gas utilities to not include the extraordinary costs of the Extreme Weather Event for recovery through the normal course of implementation of their fuel cost recovery mechanisms. Instead, utilities were directed to record and track the extraordinary costs for purposes of proposing cost recovery methods in separate, utility-specific proceedings. When Public Service filed its Steam Cost Adjustment (“SCA”) application for Q2 2021 in Proceeding No. 21L-0115ST, its filing excluded all deferred costs from the month of February. Non-incremental deferred costs not related to the Extreme Weather Event were later incorporated into the Company’s Q3 2021 SCA application filed in Proceeding No. 21L-0273ST. In Proceeding No. 21M-0130EG the Commission authorized the utilities to file individual applications addressing the recovery through rates of incremental costs incurred due to the Extreme Weather Event, and directed the utilities to include certain information in their application filings. The Commission—by the same decision—further directed Public Service to file a separate application for its steam operations.

On May 21, 2021, the Company filed its Application in this proceeding for recovery of extraordinary costs incurred by its Steam utility, along with the supporting Direct

Testimony and Attachments of three witnesses: Ms. Brooke A. Trammell; Mr. Steven W. Wishart; and Mr. Michael L. Boughner. The Commission noticed the Company's Application on the same day, and Staff subsequently intervened in the proceeding as of right. On June 30, 2021, the Commission referred the proceeding to an Administrative Law Judge ("ALJ") by minute entry. The Settling Parties commenced settlement negotiations on September 1, 2021 and ultimately reached a settlement in principle. By Decision No. R21-0591-I, the ALJ vacated the remaining procedural schedule in this proceeding and directed the Settling Parties to file the written Settlement Agreement and supporting testimony by October 13, 2021.

The Settlement Agreement filed here represents the comprehensive agreements of the Settling Parties to resolve the issues in this proceeding that were raised or could have been raised by the Settling Parties.

SETTLEMENT TERMS

The following terms comprise the Settlement Agreement reached by the Settling Parties:

I. Definition of "Extraordinary Fuel Costs"

The Settling Parties agree that, for purposes of this Settlement Agreement, the Extraordinary Fuel Costs ("EFC") associated with the Extreme Weather Event are defined as the Company's total fuel costs incurred for its Steam utility for the 7-day period from February 13-19, 2021, less the Company's SCA revenue based on actual steam demand over that same period at the previously-approved Q1 2021 SCA rate.

II. Settlement Reduction

The Settling Parties agree to reduce the amount the Company may recover from customers (a "Settlement Reduction") as defined in this section. This Settlement

Reduction amount (\$313,712) consists of two components: (1) the forgone carrying costs given the Company's proposal to recover fuel costs over a 24-month period with no return; and (2) an additional reduction. Regarding the first component of the Settlement Reduction, the forgone carrying costs total \$213,712 (*i.e.*, the Company's forgone carrying costs calculated at its WACC, as set forth in Table BAT-D-4 of the Direct Testimony of Brooke A. Trammell). Regarding the second component of the Settlement Reduction, given the unique circumstances of this proceeding, the Settling Parties agree to further reduce the EFC by an additional amount of \$100,000, for a total Settlement Reduction of \$313,712.

III. Recoverable EFC and Net Recoverable EFC

The Settling Parties agree that the Recoverable EFC costs are calculated as follows:

Total fuel costs for February 13-19	\$3,808,672
<u>Less SCA revenues</u>	<u>- \$111,792</u>
= EFC ¹	\$3,696,880
<u>Less additional reduction</u>	<u>- \$100,000</u>
= Recoverable EFC	\$3,596,880

The Recoverable EFC reflects the figures set forth in Table BAT-D-2 of the Direct Testimony of Ms. Trammell, less the agreed-upon additional reduction of \$100,000, as carrying costs are not included in the EFC calculation. The Settling Parties further agree that these costs were prudently incurred and that recovery is in the public interest.

The Net Recoverable EFC consists of the Recoverable EFC (calculated above) less the over-recovered SCA balance as of January 31, 2021. The Settling Parties agree

¹ Hr. Ex. 101, Direct Testimony of Brooke A. Trammell, at 40 (Table BAT-D-2). These amounts are rounded and therefore do not exactly match the referenced table.

that the Net Recoverable EFC shall be calculated as follows for recovery though the methodology discussed in Section IV:

Recoverable EFC	\$3,596,880
<u>Less over-recovered SCA balance²</u>	<u>- \$1,598,869</u>
= Net Recoverable EFC	\$1,998,011

IV. Cost Recovery Mechanics

The Settling Parties agree that the Net Recoverable EFC will be amortized over a period of 24 months with no carrying charge, consistent with the Company's cost recovery proposal in its Direct Case.³ This approach balances the Company's need for timely recovery of incurred fuel costs with the need to mitigate against large rate impacts for customers. Recovery of the Net Recoverable EFC will commence on January 1, 2022, beginning with the Company's Q1 2022 SCA filing.

The Net Recoverable EFC will be recovered through the SCA at a rate of \$1.339/Mlbs, to be applied to each customer's actual monthly steam usage during the recovery period. This additional amount will be incorporated into the customer's total monthly SCA charge. The Settling Parties agree that there will be no smoothing of customer bill impacts over the 24-month recovery period (*i.e.*, the SCA rate impact will remain fixed each month, but bill impacts will vary depending on usage). Table 1 below summarizes the estimated impact of the amortization on the average monthly steam bill. The bill impacts shown in Table 1 are indicative only, as actual bill impacts will vary based on usage.

² Hr. Ex. 102, Direct Testimony of Steven W. Wishart, at 17 (Table SWW-D-3). These amounts are rounded and therefore do not exactly match the referenced table.

³ Hr. Ex. 101, Direct Testimony of Brooke A. Trammell, at 13:1-19; Hr. Ex. 102, Direct Testimony of Steven W. Wishart, at 11:1-10.

Table 1

	<u>Current Rates</u>	<u>Current Rates With 24 Month Amortization</u>	<u>Change</u>	
Service and Facility Charge	\$300.00	\$300.00		
Steam Consumption	\$13.314	\$13.314		
Average MLBS	318.3	318.3		
Total Steam Consumption	\$4,237.46	\$4,237.46		
Demand Charge	\$85.00	\$85.00		
Monthly Peak - MLBS	21.22	21.22		
Monthly Demand Revenue	\$1,803.53	\$1,803.53		
Base Rate Subtotal	\$6,340.99	\$6,340.99		
GRSA	-0.33%	-0.33%		
Total Base Rate Amount	\$6,320.07	\$6,320.07		
Steam Commodity (SCA)	\$7.060	\$8.399		
Average MLBS	318.3	318.3		
Total SCA Costs	\$2,246.99	\$2,673.16	\$426.17	18.97%
Typical Monthly Bill	\$8,567.06	\$8,993.23	\$426.17	4.97%

The Settling Parties agree that recovery through the existing SCA mechanism is the most appropriate approach in these circumstances given the unique nature of the Company's steam business, which is limited to a relatively small number of commercial customers in downtown Denver. SCA recovery is also appropriate given the majority of the incremental costs of the Extreme Weather Event will be recovered from the smaller subset of steam customers comprised of large commercial customers.

V. Customer Communication Regarding Net Recoverable EFC

The Settling Parties agree that, prior to or contemporaneous with the commencement of recovery of the Net Recoverable EFC, the Company will include an electronic and/or paper letter in each steam customer's bill explaining the changes to the SCA rate resulting from this Settlement Agreement. The letter to customers will explain the key provisions agreed to in this Settlement Agreement, including but not limited to:

- The total fuel costs incurred due to the Extreme Weather Event, including the Net Recoverable EFC;
- The Settlement Reduction, including forgone carrying costs;
- The approved recovery period;
- The SCA rate impact; and,
- An indicative bill impact overview.

VI. Conservation Appeals

The Settling Parties agree that the Company's steam system is unique in its customer base, many of which are large commercial buildings that were largely unoccupied during the Extreme Weather Event, and that the effectiveness of potential demand reductions and savings from conservation messaging was therefore limited in this circumstance. However, the Settling Parties further agree that the Company will create a steam-specific, detailed conservation appeal procedure for all seasons of the year, provided that development of a conservation appeal procedure should not be construed as an admission that conservation messaging during the Extreme Weather Event would have reduced or otherwise altered the Company's need to purchase the amount of fuel purchased during the Extreme Weather Event for the steam system.

The Company will discuss this detailed conservation appeal procedure in its Steam Regulatory and Resource Plan, which is to be filed by May 2, 2022, provided that this Settlement Agreement does not preclude the Company from modifying its conservation appeal procedures during the 2021/2022 winter heating season if the Company deems such modification appropriate.

These procedures should cover conservation appeals for system reliability and/or safety, including but not limited to:

- Extreme weather circumstances; and
- Situations where the system faces capacity and/or reliability challenges.

VII. Future Filing Commitments

As part of the Company's Steam Regulatory and Resource Plan filing on or before May 2, 2022, the Company will address potential programs and tariff changes that may be appropriate for purposes of addressing the economic impacts of fuel price volatility in the future.

GENERAL PROVISIONS

1. 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 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.

2. The Settling Parties agree the provisions of this Settlement Agreement, 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.

3. The discussions among the Settling Parties that produced this Settlement Agreement have been conducted in accordance with Rule 408 of the Colorado Rules of Evidence.

4. Nothing in this Settlement Agreement shall constitute a waiver by any Settling Party with respect to any matter not specifically addressed in this Settlement Agreement.

5. The Settling Parties agree to use good faith efforts to support 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/or 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.

6. 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.

7. 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.

8. 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. 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.

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

10. 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.

Dated this 13th day of October, 2021.

Agreed on behalf of:

PUBLIC SERVICE COMPANY OF COLORADO

By: /s/ Brooke A. Trammell
Brooke A. Trammell
Regional Vice President,
Rates and Regulatory Affairs
Public Service Company of Colorado

Approved as to form:

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