

**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 OF ITS COST)
TO CONSTRUCT PERFORMANCE) PROCEEDING NO. 24A-0417E
INCENTIVE MECHANISM (“PIM”) AND)
OPERATIONAL PIM RELATED TO)
COMPANY-OWNED GENERATION)
RESOURCES APPROVED IN PROCEEDING)
NO. 21A-0141E)

UNOPPOSED COMPREHENSIVE SETTLEMENT AGREEMENT

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INTRODUCTION AND IDENTIFICATION OF PARTIES

This Unopposed Comprehensive Settlement Agreement (“Settlement Agreement” or “Agreement”) is filed on behalf of Public Service Company of Colorado (“Public Service” or the “Company”), Trial Staff of the Commission (“Staff), and the Colorado Office of the Utility Consumer Advocate (“UCA”) (each a “Settling Party” and collectively the “Settling Parties”), pursuant to Rule 1408 of the Commission’s Rules of Practice and Procedure, 4 *Code of Colorado Regulations* 723-1. The only other parties to this proceeding, Colorado Energy Consumers and Climax Molybdenum Company, do not join but do not oppose the Agreement.

This Settlement Agreement is intended to resolve all issues raised by the Settling Parties in this proceeding with respect to the Company’s Verified Application for Approval of its Cost to Construct Performance Incentive Mechanism (“PIM”) and Operational PIM Related to Company-Owned Generation Resources Approved in Proceeding No. 21A-0141E (“Application”).

SETTLEMENT AGREEMENT

The Settling Parties agree that the Commission should approve the Company’s Application, including all requested relief, subject to the following modifications and conditions:

I. Cost-to-Construct (“CtC”) PIM

1. The Settling Parties agree that Public Service will apply a CtC PIM, as detailed in the Direct Testimony of Michael V. Pascucci, with the following modifications:

- Any incentive/disincentive will be amortized over a period of 10 years consistent with the amortization of other PIMs (e.g. Colorado's Power Pathway transmission project).
- Any incentive/disincentive will have no interest or carrying charge over the life of the amortization.
- The PIM will utilize the Landing Spot method to determine the calculation of sharing levels.
- Any incentive/disincentive will be based upon the retail share of costs included in rate base subject to the retail/wholesale ratio in effect at the time of reconciliation.

2. The Settling Parties further agree that the Company will collect any incentive or credit to customers any disincentive through the Electric Commodity Adjustment ("ECA") for the length of the amortization period.

3. The recovery of any incentive or crediting of any disincentive will commence, on a project-by-project basis (i.e., no portfolio approach), starting in the second quarterly ECA following the commercial operation date of the project.

4. The initial amount collected or credited through the ECA will be based on the Company's calculation of the incentive or disincentive amount for the applicable project;

5. Each project's PIM will be reconciled in the first electric rate case following the project's commercial operation date.

6. Any difference between amounts initially collected or credited through the ECA prior to reconciliation and the final reconciled incentive or disincentive amount will be trued-up by adjusting the amount to be collected or credited over the remainder of the 10-year amortization period, unless the remainder of the amortization period is less than two years, in which case the difference will be amortized over two years.

II. Operational PIM

7. The Settling Parties agree that, instead of the Operational PIM proposed in the Direct Testimony of Michael V. Pascucci, Public Service will apply an Operational PIM utilizing the framework of Staff's Alternative 3 – Capacity Factor Based Calculation, as detailed in the Answer Testimony of Erin T. O'Neill, with the following parameters and modifications:

- The generation baseline will be equal to the CPCN generation forecast for each applicable project subject to the weatherization process detailed below. The Settling Parties reserve their rights, in future generation CPCNs, to challenge any generation baseline to the extent that it deviates from the as-bid generation baseline for a project.
 - The Company will provide a comparison of the as-bid and updated generation forecast, to the extent that they differ, in future generation CPCN applications after the date of this settlement.
 - For the Rocky Mountain and Arroyo 2 projects, the respective baselines are provided in Exhibit A to the Agreement.

- Annual generation will be adjusted to account for weather. Staff, UCA, and Public Service will convene to develop a mechanism that accounts for weather that utilizes available operational data and modeled data to account for weather conditions, with an objective of avoiding outcomes where an incentive or disincentive occurs as the result of weather conditions. Staff, UCA, and Public Service will develop this adjustment approach by the end of 2025 and file a Notice in this proceeding detailing its application. If, by December 31, 2025, Staff, UCA, and Public Service are unable to agree to an approach to account for weather, they will notify the Commission by the end of the year and follow the procedures set forth below (“Resolution Procedures”) to have the Commission resolve the appropriate approach to account for weather.
 - After year 5, the Company will convene Staff and UCA to review the approach to account for weather and determine if adjustments to the calculation are appropriate. If, at the end of the first calendar quarter following the end of year 5, the Company, Staff, and UCA do not agree on the post-year 5 approach to account for weather, the parties will again follow the Resolution Procedures to have the Commission resolve the appropriate approach to account for weather.
 - If Staff, UCA, and Public Service are unable to agree on either (1) a mechanism to account for weather or (2) adjustments to any previously agreed upon mechanisms to account for weather (i.e. after year 5), the Settling Parties agree to the Resolution Procedures. The purpose of the

Resolution Procedures, in both instances, is to allow the Commission to resolve the appropriate approach to account for weather. The Resolution Procedures will feature:

- Simultaneously filed initial comments within 30 days of the relevant commencement date (i.e., end of year 2025 or the end of the first calendar quarter following the end of year 5);
 - Simultaneously filed reply comments within 14 days after the submission of initial comments.
- Annual generation calculations will be gross of curtailments using the methodology presented in the Direct Testimony of Michael V. Pascucci.
 - Generation baseline and actual generation will be calculated based upon the metered generation at the collection substation and exclusive of any charging or discharging by any battery energy storage system (“BESS”).
 - The PIM will utilize a 3% deadband, consistent with Decision No. C24-0052.
 - The PIM will further utilize the following sharing bands:

% Above or Below Baseline	0-3%	>3-8%	>8-13%	>13-18%	>18-23%	>23%
Incentive/(Disincentive)	0%	15%	20%	25%	30%	35%

- Incentives/disincentives will be calculated annually using the Progressive Method on an individual project basis.
- Projects to be included in the fleet-wide analysis include Rocky Mountain (excluding BESS capacity), Arroyo 2, Towner, Singing Grass, and Cheyenne Ridge II.

- If the Commission approves other utility-owned renewable generators from the 2021 ERP & CEP (e.g., activated back-up bids), the Company will also include those projects in the PIM.

8. The Settling Parties agree that each applicable project will be subject to an annual incentive/disincentive cap equal to \$7,200 multiplied by the project's nameplate capacity in megawatts. In addition, the Company will be subject to a total annual incentive/disincentive cap across all applicable projects (i.e., portfolio cap) equal to \$3,600 multiplied by the sum of the applicable projects' nameplate capacity in megawatts. The table below reflects this structure.

Project	Nameplate MW	\$/MW	Cap
Arroyo 2	335	7,200	\$2,412,000
Rocky Mountain Solar + Storage	325	7,200	\$2,340,000
Towner	500	7,200	\$3,596,400
Cheyenne Ridge II	450	7,200	\$3,240,000
Singing Grass	603	7,200	\$4,341,600
Portfolio	2,213	3,600	\$7,965,000

9. In the event the Company's incentive or disincentive is limited by the portfolio cap, to the extent incentives or disincentives are attributed to individual projects, each applicable project's actual incentive or disincentive will be reduced proportionately, on a nameplate capacity basis, to result in a total portfolio incentive or disincentive equal to the cap amount.

10. The PIM will be implemented in the first full calendar year following each project's commercial operation date. The PIM will be reconciled on an annual basis in the ECA/ Purchased Capacity Cost Adjustment ("PCCA") Annual Prudence Review. Any

incentive/disincentive will be included as an adjustment to the ECA revenue requirement for the following year with no carrying charge.

III. Availability PIM

11. The Settling Parties agree that the Company will apply an Availability PIM to Bid 1000 (noting Bid 1000 will be brought forward in a future CPCN). The Company will not apply an Availability PIM to any other unit, including the BESS project (Bid 1085) and Linear Generator (Bid 0011).

12. The Settling Parties further agree that the Availability PIM will utilize the following structure:

- The baseline and actual availability metric will be the NERC GADS xEUOF methodology.¹
- The baseline xEUOF for Bid 1000 is 3%.
- The calculation of actual availability will exclude those events identified in Appendix K – Outside Management Control of NERC’s GADS Data Reporting Instructions and included as Exhibit C to the Agreement.
- The Company will apply a dead band of 2% consistent with Staff’s Availability PIM proposal.
- The 3% baseline will be effective for three (3) evaluation years after which the Company will convene Staff and UCA to discuss if adjustments to the Availability PIM are appropriate.

¹ Exhibit B to the Agreement provides the GADS methodology.

- If a fleet-wide Availability PIM is implemented consistent with settlement agreements in Proceeding No. 24A-0327E and Proceeding No. 24A-0299E, respectively, the fleet-wide Availability PIM will supersede this PIM, and the Company will discontinue evaluation in the next calendar year. Any reconciliation for the year in which a fleet-wide PIM is approved will occur as outlined below.
- Evaluation will occur beginning with the second calendar year after the units are placed in service.
- If the Bid 1000 units perform worse than the baseline and beyond the deadband for an applicable year, the annual disincentive will be \$2,500 for every 1 basis point deviation beyond the 2% deadband, up to a maximum annual disincentive amount of \$1 million.
- If the Bid 1000 units perform better than the baseline and beyond the deadband for an applicable year, the annual incentive will be \$10,000 for every 1 basis point deviation beyond the 2% deadband, up to a maximum annual incentive amount of \$1 million, noting that such incentive occurs with 100 percent (perfect) availability.

13. The Availability PIM will be reconciled on an annual basis in the ECA/PCCA Annual Prudence Review. Any incentive/disincentive will be included as an adjustment to the PCCA revenue requirement for the following year with no carrying charge.

IV. Cost Recovery of Capacity Resources

14. The Settling Parties agree that the Company may recover the costs of all capacity resources procured through the 2021 ERP & CEP in the PCCA, with recovery commencing on any unit's commercial operation date.

15. For each capacity resource, recovery will commence utilizing the Company's best estimate of costs in the filing setting the PCCA rate for the period that includes the anticipated commercial operation date of those units.

16. Recovery will continue until the effective date of rates in an electric base rate case in which recovery of the capacity resource(s) are included in base rates.

V. Deferral of Litigation Expenses

17. The Settling Parties agree that the Company can track and defer expenses, with no carrying cost, associated with this proceeding to be recovered in a future rate case. No presumption of prudence is attached to these costs.

VI. Reporting, Conferral on Reporting, and Other Procedural Items

18. The Settling Parties agree that the Company will provide annual reporting on PIMs for utility-owned projects subject to PIMs in its ERP Annual Progress Report. The Company and Staff will confer on the content of such reports and reporting will begin with the March 2026 report. Project reporting will be included in the ERP Annual Report following the reconciliation of the PIM.

19. The Company, UCA, and Staff will also convene to discuss the potential for a comprehensive annual report on PIMs. Any comprehensive reporting will supersede the reporting described above.

20. The Company retains the opportunity to file for extraordinary circumstances for any of the proposed PIMs at the time it files to reconcile the PIM; and Settling Parties retain their rights to support, oppose, or take no position on the Company's request.

21. The Settling Parties reserve their rights to review plant operations for prudence in future ECA and PCCA annual prudence reviews, provided that any disincentive paid under any of the PIMs that are the subject of this Settlement Agreement shall be considered in evaluating any allegations of imprudence with attendant disallowances.

GENERAL PROVISIONS

22. 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.

23. 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.

24. 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.

25. 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.

26. 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.

27. The Settling Parties do not believe any waiver or variance of Commission rules is required to effectuate this Settlement Agreement, but they 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.

28. 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.

29. 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's 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.

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

31. 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 electronic or 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 have been used.

Dated this 10th day of April 2025.

Agreed on behalf of:

PUBLIC SERVICE COMPANY OF COLORADO

By: /s/ Michael V. Pascucci
Michael V. Pascucci
Director, Regulatory Policy
Public Service Company of Colorado
1800 Larimer Street, Suite 1100
Denver, Colorado 80202
Telephone: (303) 294-2257
E-mail: michael.v.pascucci@xcelenergy.com

Approved as to form:

ATTORNEY FOR PUBLIC SERVICE COMPANY OF COLORADO

By: /s/ Christopher M. Irby
Christopher M. Irby, #35778
Assistant General Counsel
Xcel Energy Services, Inc.
1800 Larimer Street, Suite 1400
Denver, Colorado 80202
Telephone: (303) 294-2504
Fax: (303) 294-2988
E-mail: christopher.m.irby@xcelenergy.com

FOR STAFF OF THE COLORADO
PUBLIC UTILITIES COMMISSION

APPROVED AS TO FORM

PHILIP J. WEISER
Attorney General

By: /s/ Erin O'Neill
Erin O'Neill
Deputy Director, Fixed Utilities
Colorado Public Utilities Commission
Email: Erin.Oneill@state.co.us

/s/ Katie McLaughlin
Katie McLaughlin, #52519*
Aileen Chong, #56439*
Assistant Attorneys General
Revenue and Utilities Section

Office: (303)869-3419
1560 Broadway, Suite 250
Denver, Colorado 80202

*Attorneys for Trial Staff of the Public
Utilities Commission*

Ralph L. Carr Colorado Judicial Center
1300 Broadway, 8th Floor
Denver, Colorado 80203
Telephone: (720) 508-6337 (McLaughlin)
Telephone: (720) 508-6330 (Chong)
Email: Katie.McLaughlin@coag.gov
Email: Aileen.Chong@coag.gov

*Counsel of Record

Agreed on Behalf of:

Office of the Utility Consumer Advocate

BY: s/ Cindy Schonhaut

Cindy Schonhaut, Director

Office of the Utility Consumer Advocate

1560 Broadway, Suite 200

Denver Colorado 80202

303-894-2224

cindy.schonhaut@state.co.us

Approved as to form:

PHILIP J. WEISER

Attorney General

BY: s/ Kate Crampton

Kate Crampton, Reg. No. 43157

Assistant Attorney General

Thomas F. Dixon, Reg. No. 500

First Assistant Attorney General

Office of the Attorney General

1300 Broadway, 7th Floor

Denver, Colorado 80203

(720) 508-6214/ thomas.dixon@coag.gov

(720) 508-6210 / kate.crampton@coag.gov

Attorneys for the Utility Consumer Advocate