

**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 ELECTRIC AND )  
NATURAL GAS DEMAND-SIDE )  
MANAGEMENT (DSM) PLAN FOR )  
CALENDAR YEARS 2019 AND 2020 )

PROCEEDING NO. 18A-0606EG

**UNOPPOSED COMPREHENSIVE SETTLEMENT AGREEMENT**

February 8, 2019

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## EXHIBITS

<b>Exhibit Identifier</b>	<b>Description</b>
Exhibit A	Redlined of the 2019/2020 Demand-Side Management Plan, as modified by the Settlement Agreement
Exhibit B	Illustrative Demand-Side Management Cost Adjustment Tariff

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PUBLIC SERVICE COMPANY OF COLORADO )  
FOR APPROVAL OF ITS ELECTRIC AND )  
NATURAL GAS DEMAND-SIDE MANAGEMENT ) PROCEEDING NO. 18A-0606EG  
(DSM) PLAN FOR CALENDAR YEARS 2019 AND )  
2020 )**

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**UNOPPOSED COMPREHENSIVE SETTLEMENT AGREEMENT**

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**I. INTRODUCTION AND IDENTIFICATION OF THE PARTIES**

This Unopposed Comprehensive Settlement Agreement (“Settlement Agreement”) is a full and complete resolution of all issues raised in Proceeding No. 18A-0606EG, Public Service Company of Colorado’s (“Public Service” or the “Company”) Verified Amended Application for Approval of its Electric and Natural Gas Demand-Side Management (“DSM”) Plan for Calendar Years 2019 and 2020 (the “2019/2020 DSM Plan”). The Parties joining this Settlement Agreement are: Public Service, Colorado Public Utilities Commission Trial Staff (“Staff”), the Colorado Office of Consumer Counsel (“OCC”), the Colorado Energy Office (“CEO”), the Colorado Energy Consumers (“CEC”), Climax Molybdenum Company (“Climax”), the Energy Efficiency Business Coalition (“EEBC”), Energy Outreach Colorado (“EOC”), the Southwest Energy Efficiency Project (“SWEEP”), Western Resource Advocates (“WRA”), and Sierra Club and Natural Resources Defense Council (collectively “SC/NRDC”) (together, the “Settling Parties”). The only other Party to this proceeding is the Colorado Solar Energy Industries Association (“COSEIA”), and they do not oppose this Settlement Agreement.

## II. **BACKGROUND**

On August 31, 2018, Public Service submitted its 2019/2020 DSM Plan seeking approval from the Colorado Public Utilities Commission (“Commission”) of several items related to energy efficiency and demand response requirements consistent with Commission Decision Nos. C18-0417 and C18-0743, dated respectively June 6, 2018 and August 29, 2018, and Rules 4750 through 4760 of the Commission’s Rules Regulating Gas Utilities and Pipeline Operators, 4 Code of Colorado Regulation (C.C.R.) 723-4 (“Gas Demand Side Management Rules”), and § 40-3.2-103 and 40-3.2-104, C.R.S. The Application included the pre-filed Direct Testimony and Attachments of Company witnesses Mr. Shawn M. White, Ms. Donna A. Beaman, Mr. Jeremy A. Petersen and Ms. Michelle Moorman Applegate.

On October 10, 2018, the Commission deemed the Application complete and referred this matter to Administrative Law Judge (“ALJ”) Robert I. Garvey. On October 23, 2018, by Interim Decision No. R18-0936-I, ALJ Garvey granted all interventions in this proceeding, except the intervention for SC/NRDC, which was granted by Interim Decision No. R18-1018-I on November 15, 2018.

On December 21, 2018, the Company submitted pre-filed Supplemental Direct Testimony of Company witnesses Mr. White, Ms. Moorman Applegate and Mr. Mark R. Schoenheider pursuant to Interim Decision No. R18-1114-I. The 2019/2020 DSM Plan was revised pursuant to the Company’s Supplemental Direct Testimony and included as Attachment Revised SMW-1 to Mr. White’s Supplemental Direct Testimony. On January 7, 2019, Public Service filed its Verified Amended Application for Approval of its Electric and Natural Gas DSM Plan for Calendar Years 2019 and 2020 (“Amended

Application”), as filed in Attachment Revised SMW-1 pursuant to Interim Decision No. R19-0006-I.

In its Amended Application, the Company sought approval of its 2019/2020 DSM Plan filing, submitted as Attachment Revised SMW-1 and requested the Commission issue an order for the following approvals:

1. Approval of the 2019/2020 DSM Plan which includes:
  - the proposed electric and natural gas DSM budgets and associated energy savings targets;
  - the proposed electric demand reduction targets;
  - the proposed electric demand response targets; and
  - the products, measures, and pilots that compose the 2019/2020 DSM Plan.
2. Approval of the marginal energy cost output from the PLEXOS modelling.
3. Approval of the avoided cost value for DSM Geo-targeting.
4. Approval of the technical assumptions, including the deemed savings and net-to-gross (“NTG”) factors for DSM products as set forth in the Technical Reference Manual included as Appendix H to Attachment Revised SMW-1.
5. Approval of the Company’s request to collect lost net revenues through the DSM financial mechanism because decoupling will not be effective in 2019 as a result of the Commission’s decision to dismiss the Company’s 2017 Electric Rate Case.

The OCC filed Answer Testimony on January 18, 2019, and Staff, CEO, SWEEP, SC/NRDC and WRA filed Answer Testimony on January 23, 2019.

On January 31, 2019, Public Service filed a Notice of a Settlement in Principle and Unopposed Motion to Amend the Procedural Schedule to notify the Commission and ALJ Garvey that an agreement in principle had been reached based on a series of settlement meetings that were initiated in November 2018. ALJ Garvey granted this Unopposed Motion by Interim Decision No. R19-0141-I on February 5, 2019.

### **III. TERMS OF SETTLEMENT**

The Settling Parties hereby stipulate and agree as follows:

#### **A. Settlement Introduction**

This Settlement Agreement reflects the input and intersecting consideration of all issues by the Settling Parties. The Settling Parties believe that Public Service's 2019/2020 DSM Plan, as modified by the terms of this Settlement Agreement, is in the public interest and should be approved as filed. The Settlement Agreement memorializes the negotiated settlement among and between the Settling Parties on all the issues raised in this proceeding. As a result of these negotiations and this Settlement Agreement, the Settling Parties agree as set forth herein that the issues in dispute between them in this proceeding related to the Company's 2019/2020 DSM Plan have been resolved to the satisfaction of the Settling Parties. The Settling Parties affirmatively support the Settlement Agreement and request the Commission's approval of the Amended Application and the 2019/2020 DSM Plan, as modified by this Settlement Agreement and attached hereto as Exhibit A.

#### **B. Forecasted 2019/2020 DSM Plan Energy Savings and Demand Reductions**

The Company's Amended Application for its 2019/2020 DSM Plan proposed an electric energy efficiency portfolio to exceed the Commission's recently established goals of 500 GWh of electric energy savings and 75 MW of demand reduction in Proceeding No. 17A-0462EG. Specifically, Attachment Revised SMW-1, the Company's 2019/2020 DSM Plan, was designed to achieve 507 GWh of electric energy savings and 90 MW of demand reduction in 2019; and 508 GWh of electric energy

savings and 94 MW of demand reduction in 2020. The gas DSM portfolio is designed to save 650,358 dekatherms in 2019 and 648,037 dekatherms in 2020.

In addition to its energy efficiency portfolio, the Company designed its proposed Demand Response Program to achieve a cumulative level of demand response (total controllable load) of 465 MW and 476 MW for 2019 and 2020, respectively, which meets the cumulative demand response goals established by the Commission in Proceeding No. 17A-0462EG.

The Settling Parties agree to a 2019/2020 DSM Plan with a proposed electric energy efficiency portfolio that exceeds the Commission's recently established goals of 500 GWh of electric energy savings and 75 MW of demand reduction in Proceeding No. 17A-0462EG, but less than the Company proposed in its Amended Application. Specifically, the 2019/2020 DSM Plan, as modified by this Settlement Agreement and attached hereto as Exhibit A, was designed to achieve 502 GWh of electric energy savings and 90 MW of demand reduction in 2019; and 502 GWh of electric energy savings and 92 MW of demand reduction in 2020. The gas DSM portfolio is designed to save 701,761 dekatherms in 2019 and 681,120 dekatherms in 2020. In addition to the energy efficiency portfolio, the Company's proposed Demand Response Program forecasts have not been modified as part of this Settlement Agreement and forecast to achieve the cumulative level of demand response established by the Commission in Proceeding No. 17A-0462EG.

The Settling Parties agree that Public Service has both the discretion and the responsibility to manage the 2019/2020 DSM Plan products and budgets, as modified by this Settlement Agreement and attached hereto as Exhibit A, in order to meet and

attempt to exceed the electric energy savings and demand response goals established by the Commission in Proceeding No. 17A-0462EG.

**C. Forecasted 2019/2020 DSM Plan Budgets**

The Company's Amended Application for its 2019/2020 DSM Plan proposed a budget within the range directed by the Commission in Paragraph 97 of Decision No. C18-0417, dated June 6, 2018, in Proceeding No. 17A-0462EG. The Company proposed total expenditures on electric energy efficiency of \$87.6 million in 2019 and \$90.3 million in 2020. The proposed budgets for natural gas DSM are \$14.4 million in 2019 and \$14.3 million in 2020. As shown by Mr. White at page 17 of his Direct Testimony, the budgets are in compliance with the minimum spending requirement set forth in Gas Rule 4753(h)(I).

The Settling Parties agree to a 2019/2020 DSM Plan with a proposed electric energy efficiency budget within the range directed by the Commission in Paragraph 97 of Decision No. C18-0417, dated June 6, 2018, in Proceeding No. 17A-0462EG. Specifically, the 2019/2020 DSM Plan, as modified by this Settlement Agreement and attached hereto as Exhibit A, proposes total expenditures on electric energy efficiency of \$92.4 million in 2019 and \$93.4 million in 2020.

In recognition of the various unknowns during the pendency of the 2019/2020 DSM Plan, as modified by this Settlement Agreement, such as Energy Independence and Security Act ("EISA") and lighting standards, the Company shall make best efforts to achieve the goals set forth in this portfolio without exceeding the approved \$78 million budget, plus a 20 percent presumption of prudence for expenditures up to \$93.6 million, as determined in Decision No. C18-0417 in Proceeding No. 17A-

0462EG. However, in the event the Company believes it necessary to expend additional funds in order to meet the Commission's energy efficiency goals set forth in Decision No. C18-0417, the Company agrees to engage in the following process:

1. The Company will make best efforts to engage interested stakeholders as soon as reasonably practical if it anticipates it will need to incur expenditures in excess of the 20 percent presumption of prudence afforded to the \$78 million budget approved in Decision No. C18-0417. To the extent possible, the Company will engage stakeholders in advance of incurring the additional expenditures.
2. The Company agrees to provide stakeholders with the following:
  - a. Identification of the incremental amount the Company expects to expend in excess of the 20 percent presumption of prudence.
  - b. Analysis to support the need for the incremental expenditure.
  - c. The anticipated energy efficiency savings the Company expects to achieve.
  - d. A cost-benefit analysis to demonstrate the amount to be expended in excess of 20 percent is reasonable, and continues to result in a cost-effective portfolio.
  - e. Provide the expected impact of the incremental expenditure on the Company's total incentive package.
3. Stakeholders shall have an opportunity to provide the Company with recommendations to determine if there are more cost-effective means to achieve the Commission's energy efficiency goals set in Decision No. C18-

0417.

4. After this conferral process, the Company may choose to file an Application or Advice Letter to seek approval to recover such incremental expenditures above the \$78 million budget, with a 20 percent presumption of prudence for expenditures up to \$93.6 million.
5. By agreeing to this process no Settling Parties waives its right to challenge or contest the Application or Advice Letter the Company may file to seek approval to recover any incremental expenditures.

The budget for the natural gas DSM programs in Decision No. C18-0417 in Proceeding No. 17A-0462EG was \$12 million annually.<sup>1</sup> The Company forecasts to spend \$14.8 million in 2019 and \$14.9 million in 2020. The Settling parties agree to these budgets in excess of \$12 million because the proposed budgets are consistent with Commission Rule 4753(k), which states “a utility may spend more than the annual expenditure target established by the Commission up to twenty-five percent over the target, without being required to submit a proposed DSM plan amendment.”

#### **D. DSM Plan Modifications for 2019 and 2020**

In the course of negotiations, the Settling Parties have discussed various details of the Company’s proposed programs, products, and pilots. As a result of these discussions, Public Service has agreed to make changes to certain aspects of certain DSM programs, products, and pilots included in the Amended Application for its 2019/2020 DSM Plan, which are identified in subparts (i) through (xxi) below.

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<sup>1</sup> See paragraph 13 of Attachment A to Decision No. C18-0417 in Proceeding No. 17A-0462EG. This paragraph was not modified by Decision No. C18-0743.

i. Compressed Air Efficiency<sup>2</sup>

The Company agrees to increase the forecasted budget and energy savings, and demand reduction.

ii. Motor & Drive Efficiency<sup>3</sup>

The Company agrees to increase the forecasted budget and energy savings, and demand reduction.

iii. Commercial Refrigeration Efficiency<sup>4</sup>

The Company agrees to increase the forecasted budget and energy savings, and demand reduction.

iv. Custom Efficiency<sup>5</sup>

The Company agrees to increase the forecasted budget and energy savings, and demand reduction.

v. Cooling<sup>6</sup>

The Company agrees to reduce the forecasted budget in 2020 for this business product.

vi. New Construction<sup>7</sup>

The Company agrees to the following:

1. Reduce the forecasted budget, energy savings, and demand

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<sup>2</sup> See page 74 of Exhibit A for a summary of the Compressed Air Efficiency product.

<sup>3</sup> See page 117 of Exhibit A for a summary of the Motor and Drive Efficiency product.

<sup>4</sup> See page 70 of Exhibit A for a summary of the Commercial Refrigeration Efficiency product.

<sup>5</sup> See page 86 of Exhibit A for a summary of the Custom Efficiency product.

<sup>6</sup> See page 80 of Exhibit A for a summary of the Cooling product.

<sup>7</sup> See page 125 of Exhibit A for a summary of the New Construction product.

reduction in 2020 for this business product in order to increase the Residential Energy Efficiency program budget.

2. Realign the participation between the Energy Design Assistance and Energy Efficient Buildings offerings within this product based on updated participation forecasts.

vii. Evaporative Cooling<sup>8</sup>

The Company agrees to increase the forecasted budget in 2019 and 2020 for this residential product.

viii. Home Energy Squad<sup>9</sup>

The Company agrees to increase the forecasted budget, energy savings, and demand reductions in 2020 for this residential product.

ix. Lighting Efficiency and Lighting – Small Business<sup>10</sup>

The Company agrees to the following:

1. Update the Lighting Efficiency product net-to-gross (“NTG”) value for the prescriptive and custom lighting measures to 74 percent for 2019.
2. For planning purposes, the Company will use the 74 percent NTG for prescriptive and custom lighting in 2020. However, the Company will update and apply NTG determined by the evaluator’s follow up study to the 2018 Lighting Efficiency comprehensive product

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<sup>8</sup> See page 172 of Exhibit A for a summary of the Evaporative Cooling product.

<sup>9</sup> See page 184 of Exhibit A for a summary of the Home Energy Squad product.

<sup>10</sup> See page 108 of Exhibit A for a summary of the Lighting Efficiency product and page 113 for the Lighting – Small Business product.

evaluation, to be conducted in 2019, to the Lighting Efficiency 2020 savings for prescriptive and custom lighting.

3. Expand the Business Light Emitting Diode (“LED”) Instant Rebate offerings to include: LED linear replacement lamps (TLEDs), LED pin-based lamps, and LED mogul (E39) screw- based lamps.
4. Increase rebates associated with measures within the Business LED Instant Rebate offerings to 45 percent of incremental cost.
5. Increase outreach, education and promotion of Networked Lighting Controls (“NLC”) technology and the NTG for prescriptive and custom Networked Lighting Controls will be 100 percent.

x. Multifamily Buildings<sup>11</sup>

The Company agrees to the following:

1. Modify the Multifamily Buildings product design to utilize a pay for performance contract structure for third-party implementation services. The Company will conduct an RFP in 2019 to solicit a single third-party implementer to support this new model.
2. Increase the forecasted budget, energy savings, and demand reduction for this product in 2019 and 2020.
3. Analyze and report on the feasibility of including multiple implementation contractors and strategies in the 2021/2022 DSM Plan.

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<sup>11</sup> See page 121 of Exhibit A for a summary of the Multifamily Buildings product.

xi. Strategic Energy Management<sup>12</sup>

The Company agrees to the following:

1. Increase the forecasted budget, energy savings, and demand reduction for this product in 2019 and 2020.
2. Expand the targeted customer segments beyond existing large customers to include small commercial and small industrial customers.
3. Expand the 2019 cohort pilot offering described in the 2019/2020 DSM Plan, as modified by this Settlement Agreement, to a full offering in 2019 and 2020.
4. The Company agrees to discuss with interested parties the ongoing implementation of the Strategic Energy Management product.

xii. Energy Feedback - Residential<sup>13</sup>

The Company agrees to the following:

1. Increase the forecasted budget, energy savings and demand reduction to reflect the addition of new participants in this product for 2019 and 2020 to account for participant loss based on attrition.
2. Increase the budget for this product in 2020 to integrate interval meter data provided by AMI meters into the Home Energy Reports provided through this product.

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<sup>12</sup> See page 143 of Exhibit A for a summary of the Strategic Energy Management product.

<sup>13</sup> See page 163 of Exhibit A for a summary of the Energy Feedback Residential product.

xiii. Energy Star New Homes<sup>14</sup>

The Company agrees to the following:

1. Increase the 2019 forecasted budget to conduct a review of a new product design and delivery strategies.
2. Increase the 2020 forecasted budget, energy savings, and demand reduction to reflect a new product design and delivery strategies.
3. Add ENERGY STAR® qualified Radon fans as a new measure in 2019.
4. Expand the eligible homes types for 2020 to include electric only homes.

xiv. Home Lighting & Recycling<sup>15</sup>

The Company agrees to the following:

1. Reduce the forecasted budget, energy savings, and demand reduction for this product to support other residential energy efficiency product budgets in 2019 and 2020.
2. Add Type A LED linear lamps as a prescriptive measure to the Home Lighting & Recycling product.
3. Continue to exclude retailers located outside the Company's electric service territory. The Company will reduce savings claimed for sales of DSM products at retailers within a distance of less than or equal to 1 mile of the Company's service territory to 75 percent, to

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<sup>14</sup> See page 166 of Exhibit A for a summary of the ENERGY STAR® New Homes product.

<sup>15</sup> See page 187 of Exhibit A for a summary of the Home Lighting & Recycling product.

reflect the sales of Home Lighting & Recycling measures to customers of neighboring electric utilities.

xv. Home Performance with ENERGY STAR®<sup>16</sup>

The Company agrees to the following:

1. Increase the 2019 forecasted budget to conduct a review of a new product design and delivery strategies.
2. Increase the 2020 forecasted budget, energy savings, and demand reduction to reflect a new product design and delivery strategies.

xvi. School Education Kits<sup>17</sup>

The Company agrees to the following:

1. Increase the forecasted budget, energy savings, and demand reductions in 2020 for this residential product.
2. Pilot a new energy efficiency kit and educational activities in 2019 and 2020. The kit will be provided to high school students and will be preceded by a school-wide presentation and educational event. The new kit will include new measures such as specialty LEDs, weather stripping, and smart power strips. Discount coupons will also be included with the kit to encourage customers to purchase additional energy efficient measures.

xvii. Water Heating<sup>18</sup>

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<sup>16</sup> See page 190 of Exhibit A for a summary of the Home Performance with ENERGY STAR® product.

<sup>17</sup> See page 207 of Exhibit A for a summary of the School Education Kits product.

<sup>18</sup> See page 210 of Exhibit A for a summary of the Water Heating product.

The Company agrees to increase forecasted rebates and participation in 2019 and 2020 including a focus on transforming the market for heat pump water heaters through implementation of an upstream and/or midstream incentives approach and the expansion of the instant rebate pilot conducted in 2018.

xviii. Insulation and Air Sealing<sup>19</sup>

The Company agrees to add cellular blinds as a prescriptive measure beginning in 2019.

xix. Energy Efficiency Financing<sup>20</sup>

The Company agrees to the following:

1. Redesign its website to highlight additional financing opportunities, including the Colorado Commercial Property Assessed Clean Energy program and the Colorado Residential Energy Upgrade loan program, for residential, commercial, and industrial customers.
2. Provide customers with information on financing, including updating all applicable products websites, including, Home Performance with ENERGY STAR®.

xx. Residential Battery Demand Response<sup>21</sup>

The Settling Parties agree to the following:

1. The forecast of costs is based on the best available information in the Company's possession at the time this Settlement Agreement is filed,

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<sup>19</sup> See page 195 of Exhibit A for a summary of the Insulation and Air Sealing product.

<sup>20</sup> See page 250 of Exhibit A for a summary of the Energy Efficiency Financing product.

<sup>21</sup> See page 345 of Exhibit A for a summary of the Residential Battery Demand Response product.

and that any forecasted costs or rebates may change while the pilot is ongoing to reflect market conditions.

2. The pilot is intended to provide information on the performance of residential batteries in a demand response context. Nothing in this provision waives any party's right to take any position related to distributed batteries in a future proceeding.

The Company agrees to the following:

1. Limit any cost increases to ensure the pilot forecast is cost-effective.
2. Conduct an RFP in 2019 for at least two, but not more than four, vendors to provide services for the pilot in 2019 and 2020.
3. Include batteries without solar interconnection as eligible technologies in the pilot.
4. Convene a meeting of interested parties by the end of the first quarter of 2020 to discuss the implementation of the pilot and potential modifications to the pilot design.

xxi. DSM Geo-targeting<sup>22</sup>

The Company agrees not to post a 60-Day Notice to modify the DSM Geo-targeting pilot into a product in 2019 or 2020.

**E. Additional Agreements By The Settling Parties**

In the course of negotiations, the Settling Parties have discussed various details of numerous proposals that are related to the Company's 2019/2020 DSM Plan. As a

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<sup>22</sup> See page 315 of Exhibit A for a summary of the DSM Geo-targeting product.

result of these discussions, Public Service has entered into the following agreements, which are identified in subparts (i) through (xiii) below.

i. Agricultural Outreach and Engagement

The Company agrees to work with and support CEO's Colorado Agricultural Energy Efficiency Program to increase the participation of agricultural customers in the Company's energy efficiency and demand response products. The Company will apply the NTG ratio applicable to each product in which an agricultural customer participates. The NTG ratio for each product will be determined through periodic evaluation and will reflect the Company's influence on customer participation in energy efficiency products. The NTG applicable to each product is identified in Appendix H: Technical Reference Manual, attached to Exhibit A of this Settlement Agreement. The source and methodology of NTG ratios is also identified in the third-party comprehensive evaluations which the Company posts publically to its website.<sup>23</sup> The Company's product management, customer care, and account management organizations will document in the Company's tracking database and the Company will report in its DSM Status Report, its efforts to do the following:

1. Conduct targeted marketing and awareness to agricultural customers, including strategic customer outreach and engagement at agricultural venues (e.g., working with county agricultural offices to promote DSM opportunities and outreach at events like the

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<sup>23</sup> [https://www.xcelenergy.com/company/rates\\_and\\_regulations/filings/colorado\\_demand-side\\_management](https://www.xcelenergy.com/company/rates_and_regulations/filings/colorado_demand-side_management)

National Western Stock Show, CSU Ag Innovations Summit, and the Governor's Forum on Colorado Agriculture).

2. Develop customer facing marketing materials that identify the custom and prescriptive measures, including, but not limited to: dairy and livestock equipment; variable frequency drives and compressed air grain dryer and irrigation equipment; and greenhouse equipment available for agricultural customers.
3. Coordinate with relevant organizations to cross-promote agriculturally-oriented rebates and analyses with Business and Residential Program participants.
4. Conduct outbound marketing and outreach to agricultural customers, including follow up communications to customers that recently received an agriculturally-oriented rebate about additional energy efficiency or demand response opportunities.
5. Provide on-site technical support from the Company, including custom audits. The Company will provide outreach and engagement to Public Service customers who have not completed measures or installations following a CEO-provided audit. The CEO agrees to provide the Company with quarterly reports of completed audits for customers that agree to share their audit information with the Company.

ii. Green Roof Ordinance

The Company agrees to the following:

1. Promote the “Flexible Compliance Option - Energy Savings/Using Less Than Energy Code” option identified in the City of Denver’s Green Roof Ordinance, which may include the use of Company account managers and provide rebates for qualifying measures included in the 2019/2020 DSM Plan that are used to qualify with this option. The Company commits to including in its tracking database information regarding outreach to affected customers and will report on these efforts in its DSM Status Report.
2. Apply the NTG ratio applicable to each product in which a customer participates. The NTG ratio for each product will be determined through periodic evaluation and will reflect the Company’s influence on customer participation in energy efficiency products. The NTG applicable to each product is identified in Appendix H: Technical Reference Manual attached to Exhibit A of this Settlement Agreement. The source and methodology of NTG ratios is also identified in the third-party comprehensive evaluations which the Company posts publically to its website.<sup>24</sup>

iii. Spanish Language Marketing

The Company agrees to develop Spanish language materials for its Residential and Low-Income products in 2019 and 2020 as applicable. The development of materials will focus on those products where the potential for

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<sup>24</sup> [https://www.xcelenergy.com/company/rates\\_and\\_regulations/filings/colorado\\_demand-side\\_management](https://www.xcelenergy.com/company/rates_and_regulations/filings/colorado_demand-side_management)

increased participation is greatest. In conjunction with the development of Spanish language materials, the Company will evaluate ways to target marketing approaches to Spanish speaking communities and engage this demographic more holistically.

iv. Code Trainings

The Company agrees to the following:

1. Provide \$50,000 per year to support code trainings within its electric and natural gas service territories.
2. Conduct a study in 2019 to identify the potential for energy efficiency impacts associated with code trainings and potential product designs for future implementation. The cost for this study will be provided through the existing budget forecast for Energy Efficiency Product Development.

v. Application of EISA 2020 Standards

The Company agrees to meet with the Settling Parties prior to the end of the third quarter of 2019 to discuss the status of the EISA. The Company will file a Motion in this proceeding to modify, in accordance with the stakeholder discussion above, the technical assumptions related to applicable products within the 2019/2020 DSM Plan, as modified by this Settlement Agreement, and, if necessary, propose any conforming modifications to the 2019/2020 DSM Plan, as modified by this Settlement Agreement, and/or this Settlement Agreement including the removal of and discontinuation of rebates for measures which are

determined to be baseline efficient measures upon the applicable timing of the baseline update.

The Company agrees to meet with Settling Parties prior to the end of the second quarter of 2020 to discuss EISA implementation and potential changes to the Home Lighting & Recycling product in the 2021/2022 DSM Plan.

vi. New Products and Measures

The Company agrees to the following:

1. Include Aeroseal® as a qualifying technology to meet the duct sealing requirement as part of the Quality Install process within the High Efficiency Air Conditioning product.
2. Include thermal storage as a custom measure within the Business program. The Company agrees to continue to review the potential for this measure to be included as a prescriptive measure as part of a future DSM Plan.
3. Investigate the feasibility of including thermal storage as a prescriptive or custom measure in Residential products such as New Homes or Home Performance with ENERGY STAR.
4. Work with interested parties to identify any measures not currently considered in the Company's DSM portfolio to develop prescriptive rebates, if reasonable, or ensure the evaluation of these measures through a custom analysis.

5. Measures added as part of the identification process detailed above will not result in the Company exceeding the Commission-approved budget of \$78 million plus the presumption of prudence of 20 percent up to a total of \$93.6 million annually.
  6. Incorporate the following measures into the direct installations for small businesses: water conservation showerheads and water conservation kitchen spray valves.
  7. Continue its evaluation of the following measures for inclusion in DSM programs if the Company has sufficient information to determine that these would be cost-effective additions to the portfolio: window film; commercial kitchen refrigerator and freezer door closers; and HVAC controls.
  8. Funding for the Smart Electric Vehicle and Behavioral Demand Response pilots is included in the Company's 2019/2020 DSM Plan, as modified by this Settlement Agreement, as part of the Product Development budget.
  9. Schedule meetings during the design and development of these pilots, and prior to the posting a 60-Day Notice, to provide additional information on the pilots and solicit stakeholder feedback.
- vii. Advanced Grid Intelligence and Security Initiative

The Company agrees to meet with members of EEBC and other interested stakeholders, in 2019, that have products, services, or ideas that may help the Company cost-effectively deliver value through the Company's

deployment of advanced metering infrastructure. The Company will notify the intervening parties to both Proceeding No. 18A-0606EG and Proceeding No. 16A-0588E.

viii. 60-Day Notices

The Company agrees to not post non-cost-effective 60-Day Notices for existing products or programs, except for low income products. The Company may post a 60-Day Notice to introduce a new pilot regardless of cost-effectiveness so long as the funding for such a pilot arrives from a predetermined budget or the adjustment of an existing budget.

ix. Residential and Small Commercial Disincentive Offset

The Settling Parties agree the Company will collect a disincentive offset of \$3.25 million from Residential and Small Commercial customers for 2019 because of the increased goals approved by the Commission in Proceeding No. 17A-462EG, and the fact that a Revenue Decoupling Adjustment (“RDA”) has not been implemented for the Residential and Small Commercial classes. This is in addition to, and separate from, the financial mechanism approved in Proceeding No. 17A-462EG. This Residential and Small Commercial Disincentive Offset of \$3.25 million will be subject to the \$18 million incentive cap approved in Proceeding No. 17A-462EG. This will be included in the DSMCA filed on April 1, 2020 to become effective July 1, 2020. If an RDA becomes effective in 2019, the Residential and Small Commercial Disincentive Offset (“RSCDO”) will be prorated to account for the implementation of the RDA. An illustrative DSMCA

tariff that reflects the collection of the RSCDO is attached as Exhibit B to this Settlement Agreement.

x. Beneficial Electrification

The Settling Parties agree that the Company's electric customers who switch from gas heating or water heating to electric heating or water heating will have access to the 2019/2020 DSM programs and incentives for electric technologies. The Company agrees to provide testimony as part of its next DSM Plan to address its plans for beneficial electrification as applied to the DSM portfolio.

xi. Comprehensive Product Evaluations

The Company agrees to conduct comprehensive product evaluations for the Home Lighting & Recycling, Lighting Efficiency, and Lighting – Small Business products in 2020. The Company will not conduct a comprehensive evaluation of the Multifamily Buildings product in 2020 because of the modification to the product delivery agreed to in Section D(x) above, and to accommodate the additional budget required to perform the three lighting product evaluations identified above.

xii. Residential Energy Efficiency Budget

As part of this Settlement Agreement, the Company agrees to increase the specific Residential Energy Efficiency program budget, independent of the Low-Income program budget, to 25 percent of the Energy Efficiency portfolio budget in 2019 and 2020.

xiii. Tariff and Future Filing Compliance

The Settling Parties do not oppose Commission authorization for the Company to file a compliance advice letter within 90 days of the effective date of its final order, but on not less than ten days' notice, with revised electric Demand Side Management Cost Adjustment ("DSMCA") Tariff sheets reflecting all changes to the Company's DSMCA Tariff that are included in this Settlement Agreement. An illustrative DSMCA tariff is attached as Exhibit B to this Settlement Agreement.

#### **F. Requested Approvals**

The Settling Parties request the Commission approve its 2019/2020 DSM Plan, as modified by this Settlement Agreement and attached hereto as Exhibit A, and issue an order including the following approvals:

1. Approval of the 2019/2020 DSM Plan which includes:
  - the proposed electric and natural gas DSM budgets and associated energy savings targets;
  - the proposed electric demand reduction targets;
  - the proposed electric demand response targets; and
  - the products, measures, and pilots that compose the 2019/2020 DSM Plan.
2. Approval of the marginal energy cost output from the PLEXOS modelling.
3. Approval of the avoided cost value for DSM Geo-targeting.
4. Approval of the technical assumptions, including the deemed savings and net-to-gross ("NTG") factors for DSM products as set forth in the Technical

Reference Manual included as Appendix H attached to Exhibit A of this Settlement Agreement.

5. Approval of the Additional Agreements by the Settling Parties, identified above in Section III.E, subparts (i) through (xiii) of this Settlement Agreement, including the Residential and Small Commercial Disincentive Offset.

#### **IV. GENERAL PROVISIONS**

1. Each Settling Party understands and agrees that this Settlement Agreement represents a negotiated resolution of all issues that the Settling Party either raised or could have raised in this proceeding. Each Settling Party understands that the Commission's approval of this Settlement Agreement shall constitute a determination that the Settlement Agreement represents a just, equitable, and reasonable resolution of these issues. Accordingly, the Settling Parties state that resolving these issues in this proceeding through this negotiated Settlement Agreement is consistent with Commission Rule 1408 encouraging settlement, in the public interest, and that the results of the compromises and agreements reflected in the Settlement Agreement are just, reasonable, and in the public interest.

2. This Settlement Agreement is intended to be a comprehensive Settlement Agreement resolving all issues raised by the Settling Parties in this proceeding. To the extent that an issue has not been addressed specifically in this Settlement Agreement, the Settling Parties agree that the Company's position as set forth in its Direct and Supplemental Direct Testimony and Attachments shall govern as it relates to the 2019/2020 DSM Plan. A 2019/2020 DSM Plan, as modified by this Settlement Agreement and attached hereto as Exhibit A.

3. The Settling Parties agree to join in a motion that requests that the Commission approve this Settlement Agreement, and to support the Settlement Agreement in any subsequent pleadings or filings. Each Settling Party further agrees that in the event that it sponsors a witness to address the Settlement Agreement at any hearing that the Commission may hold to address the Settlement Agreement, the

Settling Party's witness will testify in support of the Settlement Agreement and all of the terms and conditions of the Settlement Agreement.

4. The Settling Parties agree that all pre-filed testimony and attachments shall be admitted into evidence in this proceeding without cross-examination by the Settling Parties.

5. Except as expressly stated herein, nothing in this Settlement Agreement shall resolve any principle or establish any precedent or settled practice. Nothing in this Settlement Agreement shall constitute an admission by any Settling Party of the correctness or general applicability of any principle, or any claim, defense, rule, or interpretation of law, allegation of fact, regulatory policy, or other principle underlying or thought to underlie this Settlement Agreement or any of its provisions in this or any other proceeding. As a consequence, no Settling Party in any future negotiations or proceedings whatsoever (other than any proceeding involving the honoring, enforcing, or construing of this Settlement Agreement in those proceedings specified in this Settlement Agreement, and only to the extent, so specified) shall be bound or prejudiced by any provision of the Settlement Agreement. Without limiting the foregoing, resolution of this proceeding through this Settlement Agreement does not bind or limit any Settling Party from presenting arguments raised in this proceeding in future DSM Strategic Issues or DSM Biennial Plan filings before the Commission.

6. The discussions among the parties that produced this Settlement Agreement have been conducted in accordance with C.R.E 408.

7. Commission Rule 1408 encourages settlement in contested proceedings. It is within this spirit that the Settling Parties engaged in numerous hours of extensive

discussion to reach a comprehensive settlement. That effort produced this Settlement Agreement which is now offered to the Commission for approval. Due diligence, however, dictates that the Settling Parties arrive at a procedural solution if this Settlement Agreement is not accepted in its entirety by the presiding Administrative Law Judge (“ALJ”) or the Commission. This procedural solution is as follows:

- a. If the ALJ recommends modifying the Settlement Agreement in a manner that is unacceptable to any Settling Party or group of Settling Parties, the Settling Parties agree to (1) defend the Settlement Agreement by filing Exceptions to the Recommended Decision of the ALJ, or (2) not oppose such Exceptions. If the ALJ's modifications to the Settlement Agreement are found unanimously acceptable, the Settling Parties may agree to accept the Settlement Agreement, as modified, and not file Exceptions.
- b. In the event the Commission adopts a Recommended Decision of the ALJ modifying the Settlement Agreement, or modifies the Settlement Agreement in any other respect, any Settling Party or group of Settling Parties may file an Application for Rehearing, Reargument, or Reconsideration (“ARRR”) in accordance with the Commission’s Rules. The Settling Parties agree not to object, on procedural grounds, to a Party(s) filing a request to respond to another Party(s) ARRR, however any Party may object to the substantive merits of such a filing. This ARRR may take the form of a request to set aside the modifications to the Settlement Agreement and approve the Settlement Agreement as originally presented, or a notice of withdrawal from the Settlement Agreement and a request for a hearing on the evidentiary

record. If a hearing on the evidentiary record is granted, the Parties shall confer and recommend a new procedural schedule that includes dates for rebuttal and cross answer testimony and a hearing. If Parties cannot agree on a procedural schedule and processes, Parties will file a notice that a prehearing conference is necessary. Nothing precludes the filing of another settlement agreement within the newly-established procedural schedule.

8. Approval by the Commission of this Settlement Agreement shall constitute a determination that the Settlement Agreement represents a just, equitable, and reasonable resolution of the disputed issues resolved herein.

9. All Settling Parties have had the opportunity to participate in the drafting of this Settlement Agreement and the term sheet upon which it was based. There shall be no legal presumption that any specific Settling Party was the drafter of this Settlement Agreement.

10. Unless otherwise specified herein, this Settlement Agreement shall apply only to Public Service's 2019/2020 DSM Plan.

11. This Settlement Agreement may be executed in counterparts, all of which when taken together shall constitute the entire Settlement agreement with respect to the issues addressed by this Agreement.

Dated this 8th day of February 2019.

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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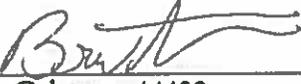
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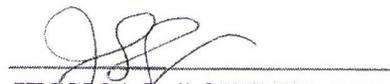
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A handwritten signature in blue ink, appearing to read "Michelle Brandt King", written over a horizontal line.

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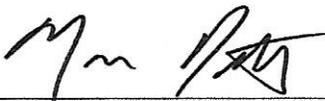
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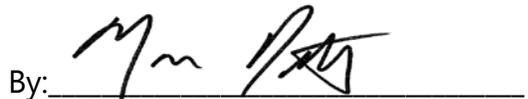
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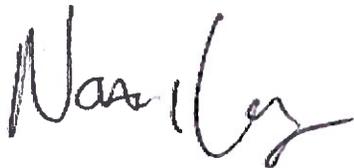
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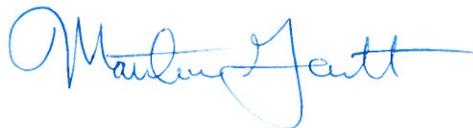
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