

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

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**IN THE MATTER OF ADVICE LETTER )  
NO. 961 FILED BY PUBLIC SERVICE )  
COMPANY OF COLORADO TO )  
INCREASE RATES FOR ALL NATURAL ) PROCEEDING NO. 20AL-0049G  
GAS SALES AND TRANSPORTATION )  
SERVICES TO BECOME EFFECTIVE )  
MARCH 7, 2020 )**

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**UNOPPOSED AND COMPREHENSIVE AMENDED STIPULATION  
AND SETTLEMENT AGREEMENT TO REFLECT CORRECTIONS**

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**NOTICE OF CONFIDENTIALITY**

***AN ATTACHMENT TO THIS DOCUMENT HAS BEEN FILED UNDER SEAL:***

**Confidential Attachment 5**

**I. Introduction and Identification of Parties**

This Unopposed and Comprehensive Amended Stipulation and Settlement Agreement<sup>1</sup> is a full and complete resolution of Public Service Company of Colorado's ("Public Service" or the "Company") Advice Letter No. 961-Gas to place into effect new base rates for all natural gas service customers, as agreed to by the Settling Parties. Along with Public Service, the parties to this proceeding include Trial Staff of the Colorado Public Utilities Commission ("Staff"); the Colorado Office of Consumer Counsel ("OCC");

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<sup>1</sup> This amended settlement agreement is referred to herein as the "Settlement," "Settlement Agreement," or "Agreement," and shall supersede any prior versions of the Agreement (including attachments).

Colorado Energy Office (“CEO”); Atmos Energy Corporation (“Atmos”); Federal Executive Agencies (“FEA”); Energy Outreach Colorado (“EOC”); Black Hills Colorado Gas, Inc., doing business as Black Hills Energy (“BH Colorado Gas” or “BHCG”); WoodRiver Energy, LLC (“WoodRiver”); Colorado Natural Gas, Inc. (“CNG”); Climax Molybdenum Company (“Climax”); International Brotherhood of Electrical Workers, Local 111 (“Local 111”); and AARP (collectively the “Parties”). As reflected below, each Party either joins in the Settlement, in whole or in part, or does not oppose it. Each provision of this Settlement is unopposed.

- Public Service, Staff, OCC, EOC, FEA, and AARP join all parts of this Settlement;
- In addition to the introductory, background, and general provisions of this Settlement, CEO and Atmos join Sections III.S and III.T and do not oppose the remainder of the Settlement;
- In addition to the introductory, background, and general provisions of this Settlement, Local 111 joins Sections III.H, III.I, and III.K with respect to qualified pension matters, and does not oppose the remainder of the Settlement; and
- WoodRiver, Climax, BH Colorado Gas, and CNG do not oppose any provision of the Settlement.

Where this Settlement Agreement refers to agreement among the “Settling Parties,” such references are intended to reflect how the various parties have joined (or do not oppose) the Settlement Agreement as noted in this paragraph.

This Settlement Agreement is a comprehensive settlement among the Settling Parties, following extensive settlement negotiations involving all parties to the Proceeding, and proposes a resolution of all issues that have been raised or could have been raised in this proceeding. During this proceeding in Answer and Cross-Answer Testimony, the Settling Parties took different positions on a number of the key revenue requirement, or Phase I, issues, including, but not limited to, the Company's proposed test year, valuation of rate base, appropriate level of operations and maintenance ("O&M") expense, weighted average cost of capital including return on equity, and adjustments to test year revenue including a weather normalization methodology. Similarly, some Settling Parties addressed items related to cost allocation and rate design, or Phase II, issues, including the Company's proposed class cost allocation and resulting revenue distribution, and the Company's proposed rate design. Finally, some Settling Parties introduced requests or recommendations apart from the Company's proposals in this proceeding related to issues such as gas infrastructure planning and the impacts of COVID-19 ("COVID").

This Settlement Agreement represents a compromise among the Settling Parties on all of these revenue requirement, class cost allocation, rate design, and other topics, including an alternative rate implementation proposal to moderate the effects of the rates resulting from this Settlement Agreement ("Settled Rates") during the next winter heating season (i.e., 2020-2021), as reflected herein and processes for petitioning the Commission to open a rulemaking related to gas infrastructure planning outside of this rate proceeding. The diversity of interests represented in this proceeding helped ensure that this negotiated Settlement Agreement serves the public interest. As a result, this

Settlement results in just and reasonable rates, is consistent with Public Utility Law, and should be approved by the Commission.

## **II. Background**

### **A. Public Service's 2020 Gas Phase I and II Rate Review Filing**

1. On February 5, 2020, Public Service filed with the Colorado Public Utilities Commission ("Commission"), Advice Letter No. 961-Gas, accompanying tariff sheets, and supporting Direct Testimony and attachments, initiating a combined Phase I and Phase II base rate case for Public Service's Gas Department.

2. In its initial filing, Public Service requested to establish new base rates for Public Service's Gas Department using a test year ending September 30, 2020, with a requested rate effective date of November 1, 2020, after suspension. Public Service sought a net base rate revenue increase of \$126,738,296, after transferring certain costs currently recovered through the Pipeline System Integrity Adjustment ("PSIA") to base rates. This revenue increase was based on an overall Weighted Average Cost of Capital ("WACC") of 7.33 percent, using a capital structure composed of 55.81 percent equity, 42.97 percent long-term debt, and 1.22 percent short-term debt; a long-term cost of debt of 4.08 percent and a short-term cost of debt of 2.79 percent; and a Return on Equity ("ROE") of 9.95 percent. As this is a combined Phase I and Phase II rate case, the Company also requested approval of its proposed functionalization, cost allocation, and revenue distribution by customer class resulting from its class cost of service study ("CCOSS") and proposed rate design, as well as implementation of proposed new base rates.

3. The requests of the Company through its Advice Letter filing also included

the following topics, among others: inclusion of capital investment in rate base, implementation of updated depreciation rates; transfer of certain PSIA project costs to base rates and transfer of certain PSIA projects in base rates to the PSIA; recovery of the Second Legacy Prepaid Pension Asset; establishment of a Second New Prepaid Pension Asset; earning a WACC return on the prepaid pension and prepaid retiree medical asset balances; recovery of previously-authorized manufactured gas plants (“MGP”) liability; known and measurable adjustments to existing O&M levels; recovery of rate case expenses; continuation and amortization of the property tax, pension expense, and damage prevention trackers and recovery of deferred amounts; and approval of certain tariff changes.

**B. Procedural History Relevant to Settlement**

1. By Decision No. C20-0112 (mailed date Feb. 20, 2020), the Commission, pursuant to its authority under C.R.S. § 40-6-111(1), set the tariffs filed with Advice Letter No. 961-Gas for hearing and thereby suspended their effective date for 120 days and set an intervention deadline of March 23, 2020. Decision No. C20-0112 also referred the matter to an Administrative Law Judge (“ALJ”) to set hearing dates, to rule on interventions, and to establish other procedures by separate decisions.

2. By Decision No. R20-0145 (mailed on March 5, 2020), the ALJ suspended the effective date of the tariff sheets filed with Advice Letter No. 961-Gas for an additional 130 days, or for a total of 250 days until November 12, 2020, pursuant to C.R.S. § 40-6-111(1)(b).

3. Through subsequent decisions, all Parties were allowed to intervene in this case, either by right or as permissive intervenors. Further, through Decision No. R20-

0223-I (mailed on April 6, 2020), a procedural schedule was adopted that required the filing of Answer Testimony on May 13, 2020 and Rebuttal and Cross-Answer Testimony on June 8, 2020 and set an in-person evidentiary hearing for July 7 through 10 and 13 through 17, 2020.

4. On May 13, 2020, six Intervenor parties, i.e., Staff, OCC, EOC, FEA, Local 111, and AARP, filed Answer Testimony on behalf of sixteen witnesses. The Intervenor parties took a variety of positions on the Company's direct case, as previously noted, and raised a number of new issues, including recommendations related to gas infrastructure planning, retroactive Certificates of Public Convenience and Necessity ("CPCN"), and informational or other filings related to the Company's gas operations.

5. On June 8, 2020, the Company filed Rebuttal Testimony from sixteen witnesses. Also, on June 8, 2020, six Intervenor parties, i.e., Atmos, BHGC, CEO, CNG, EOC, and FEA, filed Cross-Answer Testimony.

6. In Rebuttal, the Company updated its cost of service study to include actual capital additions, cost of debt, capital structure, revenue, and billing determinants through April 2020, as well as an adjustment to incorporate favorable long-term debt issuances in May 2020. Public Service also updated its requested net base rate revenue increase to \$117,167,114,<sup>2</sup> after all PSIA transfers. In Rebuttal, the Company also proposed an alternative rate implementation plan to delay the effect of the proposed rates on customers until after the conclusion of the 2020-2021 heating season.

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<sup>2</sup> In her Rebuttal Testimony, Company witness Ms. Brooke A. Trammell identified the requested net base rate revenue increase as \$121,431,094 after transfer of certain projects from the PSIA to base rates. After transferring the \$4,263,980, reflecting the current amount of PSIA projects in base rates ("PSIA Projects Base Amount") from base rates to the PSIA, the Rebuttal requested increase net of all PSIA transfers was \$117,167,114.

7. Pursuant to the procedural schedule established by Decision No. R20-0223-I (mailed April 6, 2020), the deadline for filing settlement agreements in this proceeding was June 22, 2020. While Parties had various settlement discussions prior to this deadline, they were unable to achieve a settlement by that date. However, on July 2, 2020, through continued negotiation, discussion, and compromise, the Settling Parties reached consensus on the specific terms contained in this Settlement Agreement, resolving all issues that were or could have been raised in this case.

8. On July 2, 2020, the Settling Parties notified the ALJ that they had reached a settlement in principle and then later that same day filed a Notice of Unopposed Comprehensive Settlement in Principle and Unopposed Motion to Vacate Procedural Schedule and Set Settlement Deadlines. In this Unopposed Motion, the Parties requested that the remaining procedural deadlines, including the evidentiary hearing scheduled to commence on July 7, 2020, be vacated. The Parties further requested that the procedural schedule be modified to allow the Settling Parties to file the Settlement Agreement and Motion for Approval of the Settlement Agreement on or before July 10, 2020, with written testimony in support of the settlement filed on or before July 20, 2020. This motion noted that the Settling Parties are available for a hearing on the Settlement Agreement, if the ALJ deems such necessary, during the week of August 10, 2020, or at such other time as the ALJ is available.

9. This Motion was granted by the ALJ on July 6, 2020, through Decision No. R20-0488-I. The ALJ further concluded that a hearing on the Settlement Agreement is necessary and scheduled a remote hearing on approval of the Settlement Agreement for August 13, 2020, continuing to August 14, 2020 if needed.

10. This Settlement Agreement represents a comprehensive negotiated outcome among all Settling Parties to resolve all of the issues raised or which could have been raised in Proceeding No. 20AL-0049G, and the Settling Parties agree that the Agreement is in the public interest or otherwise do not oppose the Agreement.

11. This resulting Settlement Agreement incorporates by reference Attachments 1 - 5, appended hereto, which are identified as follows:<sup>3</sup>

- Attachment 1 – Settled Revenue Requirement Summary;
- Attachment 2 – Settled Class Cost of Service Study (“Settled CCOSS”) Summary;
- Attachment 3 - Rate Comparisons;
- Attachment 4 - Bill Impact Analysis; and
- Confidential Attachment 5 - Revenue Proof.

12. The Settling Parties further anticipate and acknowledge that revisions to Public Service’s Colorado PUC No. 6-Gas Tariff (“Gas Tariff”) will be necessary to reflect this Settlement Agreement, if approved. The Company anticipates submitting revised tariff sheets as part of a compliance filing upon receipt of a final decision from the Commission, with additional compliance filings as needed to implement the alternative rate implementation discussed in Sections III.Q and R below.

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<sup>3</sup> All attachments to this Agreement have been corrected. This Agreement incorporates the corrected attachments, which supersede any prior versions of same. The corrections to the attachments are not in redline, as the documents were created in Microsoft Excel. A public version of the corrected confidential attachment is also included.

### **III. Settlement Terms**

The Settling Parties agree as follows for settlement purposes:

#### **Phase I**

##### **A. Revenue Requirement**

1. The Settling Parties agree to a settled base rate revenue requirement of \$591,688,303, excluding costs collected through the Gas Cost Adjustment (“GCA”), costs collected through the Gas Demand Side Management Cost Adjustment (“DSMCA”), and costs that will continue to be collected through the PSIA, and subject to true-up of rate case expenses as noted in Section III.F of this Settlement Agreement.

2. Unless otherwise specified in this Settlement Agreement, consistent with the Test Year and Rate Base noted in Section III.B below, the settled revenue requirement model is based on the informational historical test year set forth in Attachment DAB-2 to the Direct Testimony of Company witness Ms. Deborah A. Blair. A summary of the Settled Revenue Requirement is included in this Agreement as Attachment 1.

3. Compared to the Company’s current base rate revenue of \$497,528,825 as set forth in Section III.L, and subject to the rate case expense true-up, the settled revenue requirement results in a revenue deficiency of \$94,159,478, or \$77,316,710 net of the PSIA amount of \$16,842,768 transferred into base rates.

4. In settlement of the various issues raised or which could have been raised in this proceeding, the Settling Parties agree that this overall base rate revenue requirement of \$591,688,303, and resulting increase of \$94,159,478 over current annual base rate revenue of \$497,528,825, is just and reasonable.

## **B. Test Year and Rate Base**

The Settling Parties agree that the test year is the 12-month period ended September 30, 2019 (“Test Year”) as presented in Attachment DAB-2 to the Direct Testimony of Ms. Blair and adjusted by the terms in this Settlement Agreement. The Settling Parties agree that the settled revenue requirement shall be calculated based on year-end rate base and incorporate a known and measurable post-Test Year adjustment for the annualized revenue requirement associated with the Tungsten to Blackhawk capital project investment as of April 30, 2020 (“Tungsten”). The Company shall have the right to seek recovery for the remainder of the Tungsten project in a future proceeding.

## **C. Weighted Average Cost of Capital**

The Settling Parties agree to a settled overall WACC of 6.84 percent, which includes a capital structure based on the average of the month-end values for the 13 months ended September 30, 2019, as follows: 55.62 percent equity, 42.72 percent long-term debt, and 1.66 percent short-term debt. The settled short-term cost of debt of 3.41 percent is derived from the same 13-month average cost. The settled cost of long-term debt of 3.89 percent is the April 30, 2020 point-in-time cost reflecting a known and measurable adjustment for the cost of long-term debt issuances in May of 2020. The settled ROE is 9.20 percent. In sum, the settled WACC is as follows:

**Table 1: Settled WACC**

	<b>Ratio</b>	<b>Rate</b>	<b>Wtd Cost</b>
Long-Term Debt	42.72%	3.89%	1.66%
Short-Term Debt	1.66%	3.41%	0.06%
Equity	55.62%	9.20%	5.12%
<b>Total Cost</b>			<b>6.84%</b>

#### **D. PSIA Roll-In**

1. The Settling Parties agree to include PSIA projects in the cost of service to the extent the PSIA projects were completed and in-service as of December 31, 2018 and have been through a prudence review in the annual PSIA report, consistent with the settlement agreement related to the PSIA extension approved in Decision No. C18-0983 in Proceeding No. 18A-0422G. At the same time, the PSIA Projects Base Amount will be transferred to the PSIA.

2. The Company will adjust the PSIA and base rates simultaneously to transfer the aforementioned PSIA projects from the PSIA to base rates and move the PSIA Projects Base Amount to the PSIA, to ensure no double-recovery in the PSIA or base rates. These adjustments to the PSIA and base rates will occur at the time the base rate change is implemented on customer bills on April 1, 2021 under the agreed alternative rate implementation.

3. The Settling Parties further recognize that the changes to the WACC identified in this Settlement Agreement will also need to be applied to the PSIA at the time Settled Rates take effect in November 2020. Any true-up to the 2020 PSIA from the November rate-effective date through the end of 2020 will be captured and implemented in conjunction with the annual PSIA rider true-up process, which, in this instance, will be filed April 1, 2021.

#### **E. Property Tax Expense**

The Settling Parties agree to set the retail property tax expense in the cost of service at the 2020 forecasted expense level (\$53,681,524 based on 2019 plant balances). This 2020 forecasted expense level will also serve as the baseline for the

continuing Property Tax tracker, as discussed further in Section III.H of this Settlement Agreement.

#### **F. Rate Case Expenses**

The Company will include its estimated rate case expenses in the settled revenue requirement, subject to true-up to actual amounts incurred through a final Commission decision in this matter. The Settling Parties agree to total estimated rate case expenses of \$1,732,332.86, representing an estimated \$1,506,350.00 for this case (which excludes meal expenses in the amount of \$2,947 and regulatory support in the amount of \$74,880), plus the final 2019 Gas Phase II<sup>4</sup> rate case expense amount of \$225,982.86. Actual recovery will not exceed the Company's total original estimate for both this case and the 2019 Gas Phase II rate case of \$1,810,159.86. Any true-up to actual rate case expenses will occur in conjunction with initial collection of the regulatory asset established as a result of the Company's alternative rate implementation discussed in Sections III.Q and R of this Settlement Agreement. The amortization of rate case expenses is discussed in Section III.I below.

#### **G. Other Test Year Adjustments.**

The Settling Parties further agree to the following miscellaneous adjustments to the cost of service:

1. Corrections. The settled revenue requirement will include all corrections to the cost of service (Attachment DAB-1 to Ms. Blair's Direct Testimony) identified in the Company's discovery responses in this proceeding. These corrections are as follows:

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<sup>4</sup> Proceeding No. 19AL-0309G.

- Eliminate \$412 of non-regulated non-commodity uncollectible account expense from FERC Account 904;
  - Eliminate the amounts recorded as Contractor Retentions to FERC Account 232 in the Test Year;
  - Eliminate the Materials and Supplies balance recorded to FERC Account 163;
  - Adjustments to Reserve for Depreciation and Amortization, Accumulated Deferred Income Taxes and Deferred Taxes to eliminate the software allocation were made with the incorrect sign; and
  - Reduce the Prepaid Pension Asset balance for the Pension Tracker credit balance from Proceeding No. 17AL-0363G and increase of the Pension Tracker regulatory asset balance by the same amount. Note that the amortization of the Pension Tracker regulatory asset balance is also impacted by this correction.
2. Demand Response Management System (“DRMS”). The DRMS capital project will be removed from the cost of service.
3. Gas Operations Incremental O&M Adjustments. The settled revenue requirement shall reflect removal of approximately \$2.9 million in known and measurable incremental Gas Operations O&M adjustments from the Company’s proposed cost of service.
4. California State Income Tax. The California state income tax will be removed from the composite tax rate.

## H. Trackers and Deferrals

The Settling Parties agree that the Company will continue to maintain its existing trackers for Property Tax (baseline \$53,681,524), Damage Prevention (baseline \$17,301,954), and Pension Expense (baseline of \$8,388,413 for qualified and non-qualified pension expense). The Company will also continue the previously-approved MGP-related deferred accounting.

## I. Regulatory Assets

1. The settled revenue requirement shall include the following regulatory assets, which will be amortized over 36 months without a return: Damage Prevention, Property Tax, Unamortized MGP Asset Balances reflected in the Company's Rebuttal Testimony, Pension Expense Deferral Amortization, and Rate Case Expenses. The balances to be amortized are reflected below:

**Table 2: Regulatory Asset Amortizations**

<b>Regulatory Asset</b>	<b>Balance to Amortize Over 36 Months</b>
Damage Prevention	\$7,339,486
Property Taxes	\$38,313,334
Unamortized MGP	\$4,329,288
Pension Expense Deferral Amortization	\$2,418,738
Rate Case Expenses	\$1,732,333

2. The Company will implement a negative General Rate Schedule Adjustment ("GRSA") to cease collection of rate case expenses if the Company does not file a Phase I rate case before expiration of the 36-month amortization period.

## **J. Compensation**

The settled revenue requirement shall include 50 percent of the Equity Compensation expense, for a total of \$87,359, and shall not include the time-based Long-Term Incentive.

## **K. Pension and Retiree Medical**

1. Public Service shall include Test Year qualified pension expense and non-qualified pension expense in the settled revenue requirement subject to the 15 percent limitation on Annual Incentive Program (“AIP”) compensation, calculated on an employee by employee basis, for totals of \$8,230,556 and \$157,857 (Total Company Gas), respectively.

2. The Legacy Prepaid Pension Asset, the New Prepaid Pension Asset, and the Retiree Medical Asset balances as of September 30, 2019, are included in rate base with a return at the cost of long-term debt.

3. The Company shall continue the 15-year amortization of the Legacy Prepaid Pension Asset as approved in Proceeding No. 15AL-0135G.

## **L. Test Year Revenue**

The Settling Parties agree to reflect Test Year revenue as the weather-normalized actual revenue for the 12-month period ended September 30, 2019, with a year-end customer adjustment. The Settling Parties agree to a 10-year weather normalization adjustment to Test Year revenue as discussed by Company witness Ms. Jannell E. Marks in Rebuttal Testimony but including the Test Year weather normalization data in the 10-year period ending September 30, 2019, producing Test Year revenue of \$497,528,825.

## **Phase II**

### **M. Class Cost of Service Study**

The Settling Parties agree to a Settled CCOSS, which uses the same model and principles as the Company's Rebuttal CCOSS, including the proposed class classification, allocation, and resulting revenue distribution. A summary of the CCOSS and resulting revenue distribution by class is included in Attachment 2 to this Agreement. The Settling Parties agree that the use of methods employed in the Settled CCOSS, as well as the manner of resolution of other cost classification and allocation issues as part of the Settlement, are solely for the purposes of settlement and do not constitute a settled practice or otherwise have precedent-setting value in any future proceedings.

### **N. Service and Facilities ("S&F") Charges and Settled Base Rates**

1. The Settling Parties agree to a settled residential S&F charge of \$12.00/month (\$12.21 with Gas Affordability Program ("GAP") charge), small commercial sales service S&F charge of \$43.00/month (\$43.88 with GAP charge), and small transportation service ("TFS") S&F charge of \$43.00/month (plus \$0.88 GAP charge and \$24.00 transportation adder for a total TFS S&F charge of \$67.88). These settled S&F charges are the same as those currently in effect for these customer classes, except that the increase in the transportation adder for small transportation (TFS) customers results in an increased overall S&F charge from their currently-effective \$58.88 S&F charge.

2. Other than the specified S&F charges noted above, the Settling Parties agree that the Company's proposed rate design will be applied to the settled revenue requirement for purposes of establishing remaining base rates and charges for all customer classes.

3. Based on these compromise positions, the Settling Parties agree to the Settled Rates reflected in Attachment 3 to this Settlement Agreement. However, the settlement rates and rate design have been agreed to by the Settling Parties solely for the purposes of settlement and do not constitute a settled practice or otherwise have precedent-setting value in any future proceedings.

4. The estimated bill impacts of the Settled Rates as compared to the Company's rates and charges currently in effect, with riders held constant as of filing, are reflected in Attachment 4. Finally, a revenue proof is reflected in Confidential Attachment 5.

#### **O. Tariff Changes**

The Settling Parties acknowledge and agree that the effect of this Settlement Agreement is to modify the tariff sheets that Public Service filed on February 5, 2020, with Advice No. 961-Gas. Except as modified in this Settlement Agreement, Commission approval of this Settlement Agreement shall constitute Commission approval of all tariff modifications as filed by the Company. Implementation of the tariff changes is further addressed in Section III.R below.

### **Implementation of Rates and Tariff Changes**

#### **P. Rate Effective Date**

The tariff sheets filed with Advice Letter No. 961-Gas are scheduled to become effective on November 12, 2020, after suspension. However, the Settling Parties support a rate-effective date of November 1, 2020. If it is not possible to render a final decision on this Settlement Agreement in sufficient time to make the Settled Rates effective on

November 1, 2020, the Settling Parties support a rate effective date as soon thereafter as possible (but no later than November 12, 2020). The November 2020 date on which the Company will have the right to change its rates and charges and begin billing accordingly is referred to in this Agreement as the “Rate Effective Date.”

**Q. Rate Implementation**

In recognition of the current global COVID-19 pandemic and the associated challenges, the Settling Parties agree an alternative rate implementation is appropriate in this proceeding. The Settling Parties have therefore agreed to the following, which will delay the effect of the rate changes on customer bills until after the upcoming 2020-2021 heating season. The Settling Parties acknowledge and agree that the Company is not foregoing any incremental revenue under this alternative rate implementation to which it otherwise would recover. To that end, the Settling Parties agree as follows:

- a. Without changing the Rate Effective Date or the Company’s right to recover incremental revenue as of the Rate Effective Date, the Company will delay the implementation of the approved rate changes on customer bills until April 1, 2021 (the “Rate Implementation Date”);
- b. The amount of incremental revenue for the period between the Rate Effective Date and the Rate Implementation Date (the “Deferred Incremental Revenue”) will be deferred and recorded in a regulatory asset, with no return on the asset;
- c. The amount of Deferred Incremental Revenue will be determined for each customer class by multiplying the Settled Rates by actual monthly billing determinants, as available.
- d. The Deferred Incremental Revenue by customer class will subsequently be billed by customer class through a GRSA-like mechanism (“Surcharge”) within 24 months of November 1, 2020, and subject to a final true-up by customer class to ensure that the Company recovers, by customer class, no more and no less than it would have recovered had the Settled Rates changed on customer bills on the Rate Effective Date rather than April 1, 2021. The Surcharge will apply to all base rate charges and shall be billed over the shoulder months of March to May and September to November, beginning on

the Rate Implementation Date (April 1, 2021) and concluding by no later than October 31, 2022. The period from the Rate Implementation Date (April 1, 2021) through October 31, 2022 is referred to herein as the “Incremental Revenue Recovery Period;”

- e. After conclusion of the Incremental Revenue Recovery Period, the amount of Deferred Incremental Revenue will be trued-up by customer class based on actual billing determinants in the Incremental Revenue Recovery Period, and will be applied by customer class to the GCA deferred balance, beginning with the GCA to become effective on January 1, 2023; and
- f. The implementation process is further addressed in Section III.R below.

## **R. Implementation of Rate and Tariff Changes**

1. On not less than two (2) business days’ notice prior to the Rate Effective Date, and in lieu of the rates and other tariff changes originally proposed by the Company as set forth in the tariff sheets filed with Advice Letter No. 961-Gas, the Company shall make a compliance advice letter filing. The purpose of this compliance advice letter filing shall be to place into effect, on the Rate Effective Date:

- a. a tariff provision confirming the Company’s right to track and defer the Deferred Incremental Revenue, and to ultimately collect the Deferred Incremental Revenue between the Rate Implementation Date and October 31, 2022 in accordance with the terms of this Settlement Agreement; and
- b. the tariff language changes agreed to by the Settlement Agreement.

2. On or before March 15, 2021, the Company will make a compliance advice letter filing to accomplish the following, to be effective on the Rate Implementation Date:

- a. place into effect on customer bills the Settled Rates, if approved by the Commission, as well as to adjust the PSIA rate; and
- b. place into effect the Surcharge, inclusive of the actual rate case expense true-up.

This advice letter filing will include supporting workpapers for calculation of the PSIA rate and the Surcharge (including the rate case expense true-up). Upon filing this compliance advice letter, the Company will share it with all parties to this proceeding.

3. On April 1, 2021 the Company will file its annual PSIA true-up filing and incorporate into that filing any amounts owed for the change in WACC applicable to the PSIA between the Rate Effective Date and December 31, 2020.

4. A compliance advice letter filing will be made, on not less than five (5) business days' notice, to remove the Surcharge effective November 1, 2022.

### **Natural Gas Infrastructure Planning and Reporting**

In an effort to establish processes outside of a rate case with respect to planning for and reporting to the Commission regarding Colorado gas utilities' natural gas infrastructure, the Settling Parties agree as follows:

#### **S. Short-Term Gas Infrastructure Planning Stakeholder Process**

The Settling Parties agree to the following, with respect to short-term gas infrastructure planning.

1. Staff, Public Service, natural gas utility intervenors in Public Service's rate case, CEO, and other interested parties, will meet to discuss processes for regular reporting to the Commission regarding Colorado short-term (5-year) natural gas utility Transmission and Distribution<sup>5</sup> capacity and infrastructure planning ("ST GIP Stakeholder Process").

2. The purpose of this ST GIP Stakeholder Process is to collaborate on a

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<sup>5</sup> "Transmission" and "Distribution" shall be as defined by U.S. Department of Transportation regulations.

rulemaking related to the following topics: (i) reviewing individual planned Transmission and Distribution capacity and infrastructure projects (i.e., excluding programs of work)<sup>6</sup> greater than \$15 million for Public Service or as may be agreed for other natural gas utilities; (ii) determining parameters under which a CPCN may be required for such projects; and (iii) the appropriate consideration of enacted beneficial electrification laws, rules, and regulations as they relate to these projects. The parties will also collaborate on identifying additional conditions (such as pounds of force per square inch (“psi”) minimums, for example) that would need to be met before including these projects in any regular reporting or filing requirement. The ST GIP Stakeholder Process scope will not include mandatory relocations or work submitted for reimbursement under the Pipeline System Integrity Rider.

3. The first stakeholder meeting will take place no later than 30 days after a final Commission decision in this proceeding.

4. On or before April 30, 2021:

- a. Parties participating in the ST GIP Stakeholder Process will submit a petition for rulemaking under Commission Rule 1306 to address short-term gas capacity and infrastructure planning. To the extent there is agreement regarding the scope of the proposed rulemaking and agreed processes for future reporting and planning, the filing will include such joint recommendations to the Commission. The petition will also describe the parties’ areas of disagreement so that they can be addressed in the rulemaking; and
- b. Other parties may file responsive comments within 30 days of the petition filing, or upon a schedule as determined by the Commission.

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<sup>6</sup> “Programs of work,” as used in this Agreement, refer to pools of common project types undertaken on a programmatic or routine basis, where each individual project within the program is typically less than \$300,000. By way of example, programs of work include, but are not limited to, an obsolete regulator replacement program, capacity routines, and asset health routines.

5. Prior to a final Commission decision on the rulemaking petition following from the ST GIP Stakeholder Process, Public Service will file a CPCN for any planned individual Transmission or Distribution<sup>7</sup> capacity or infrastructure project (i.e., excluding programs of work as well as new business and mandatory relocation projects) over \$15 million and initiated after January 1, 2021.

6. Pending the Commission's final determination on the rulemaking petition referenced in Section III.S.4 above, Public Service will further commit to meet with Staff, CEO, and other interested stakeholders in the fourth quarter of each year to provide updates on pending and planned Transmission and Distribution projects under the parameters set forth in Sections III.S.1 and S.2 of this Settlement Agreement.

#### **T. Final Rules – Natural Gas Infrastructure and End Use Emissions**

1. The Settling Parties agree that if a rule is adopted by the Colorado Department of Public Health and Environment or the Air Quality Control Commission ("AQCC") addressing greenhouse gas emissions from the Company's natural gas infrastructure or from the end use of the Company's gas commodity pursuant to House Bill 19-1261,<sup>8</sup> then following from the first of those Rule(s) to be adopted (referred to below as the "Rule"):

- a. The Company will begin preparation of a new depreciation study within no more than three months from the effective date of the Rule and will file that depreciation study with the Commission for approval upon completion. Changes in depreciation rates as a result of Commission approval of that depreciation study, unless approved as part of a Phase I rate case, will go into effect through an existing rider mechanism or GRSA. Nothing shall preclude Public Service from filing an updated depreciation study before any such Rule(s) are adopted;

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<sup>7</sup> In addition to the limitations noted above, application of this interim CPCN requirement for Distribution projects will be limited to Distribution system pipelines of 150 psi or greater.

<sup>8</sup> Climate Action Plan to Reduce Pollution, enacted on May 30, 2019.

- b. Staff, Public Service, natural gas utility intervenors in Public Service's rate case, CEO, and other interested parties, will meet to discuss processes for regular reporting to the Commission regarding Colorado long-term (10-20 years) natural gas utility Transmission and Distribution<sup>9</sup> capacity and infrastructure planning ("LT GIP Process"), consistent with the Rule; and
- c. Within three (3) months after the effective date of the Rule, parties participating in the LT GIP Process will submit a petition for rulemaking under Commission Rule 1306 to address long-term gas capacity and infrastructure planning. To the extent there is agreement regarding the scope of the proposed rulemaking and agreed processes for future reporting and planning, the filing will include such joint recommendations to the Commission. The petition will also describe the parties' areas of disagreement so that they can be addressed in the rulemaking.

#### **U. Rate Case Implications of Natural Gas Infrastructure Agreements**

The Settling Parties also agree to the following:

1. The Company's proposed depreciation study, included as Attachment DAW-1 to the Direct Testimony of Company witness Dane A. Watson, will be accepted for purposes of this rate case, including recovery of the depreciation study costs, and the depreciation rate changes will be accepted and incorporated into the settled revenue requirement.
2. The Company will transition from a five-year rolling leak survey cycle to a three-year leak survey cycle. The Company shall include in the settled revenue requirement in this case incremental Gas Operations O&M in the amount of \$0.2 million, as a known and measurable adjustment to the Test Year, to allow for transition to the three-year leak survey schedule.

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<sup>9</sup> "Transmission" and "Distribution" shall be as defined by U.S. Department of Transportation regulations. Distribution planning and reporting will be limited to distribution pipelines of 150 psi or greater.

3. As part of conducting its rolling three-year leak survey cycle, beginning January 1, 2021, Public Service will identify and track customer owned piping (customer-owned yard lines, or “COYLs”) located within the Company’s service territory. In addition:

- a. On an annual basis over the course of the leak survey cycle, Public Service will file with the Commission in this proceeding a report on its findings including, at a minimum, the number of COYLs, the geographic location of such lines, and the prior calendar year system average cost to replace a gas service line. At the conclusion of this three-year cycle, Public Service will provide Staff with a final report on its findings through a filing in this proceeding; and
- b. On an annual basis over the three-year leak detection cycle, Public Service shall notify individual customers of the existence of a COYL on their premises, notify customers that Public Service does not provide leak detection or maintenance for such lines, and provide customers information regarding the Company’s terms and conditions in its existing line extension policy related to a customer’s request for a change in service.

4. Any further rate case recommendations in this proceeding relating to a Gas Infrastructure Planning process, beneficial electrification considerations, longer-term forecasting or investment planning reports, retroactive CPCNs or retroactive informational filings, or any other gas infrastructure-related informational filings or reports to be made outside of a rate case, are considered removed from the rate case and resolved for purposes of the rate case as part of this Agreement. Subject to the processes agreed to in this Settlement, the Settling Parties reserve the right to address gas infrastructure issues in any future proceeding.

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

The Settling Parties agree:

1. This Settlement Agreement is made for settlement purposes only. 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. Each Settling Party understands and agrees that this Settlement 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 provisions of 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. In the event this Settlement Agreement becomes null and void or in the event the Commission does not approve this Settlement Agreement, it, as well as the negotiations or discussions undertaken in conjunction with the Settlement Agreement, shall remain inadmissible into evidence in these or any other proceedings in accordance with Rule 408 of the Colorado Rules of Evidence.

5. The Settling Parties will support, or not oppose, 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 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 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. Approval by the Commission of this Settlement Agreement shall constitute a determination that this resolution of the matters in this Proceeding represents a just, equitable and reasonable resolution of issues that were contested among the parties in this Proceeding. The Settling Parties state that reaching agreement as set forth herein by means of a negotiated settlement rather than through a formal adversarial process is in the public interest and that the results of the compromises and settlements reflected in this Settlement Agreement are in the public interest.

7. 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.

8. 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.

9. 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.

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

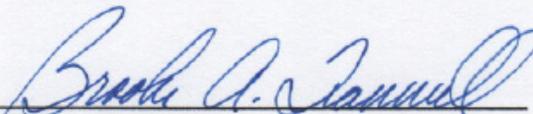
11. This Settlement Agreement may be executed in counterparts, all of which when taken together shall constitute the entire Agreement with respect to the issues addressed by this Settlement Agreement. This Settlement Agreement may be executed and delivered electronically and the Settling Parties agree 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 effective the 29th day of July, 2020.

Agreed on behalf of:

**PUBLIC SERVICE COMPANY OF  
COLORADO**

By:   
Brooke A. Trammell  
Regional Vice President  
Rates and Regulatory Affairs  
Xcel Energy Services Inc.  
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Approved as to form:

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OF COLORADO**

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**TRIAL STAFF OF THE COMMISSION**

By: /s/ Erin O'Neill  
Erin O'Neill  
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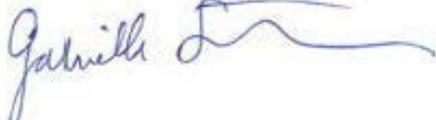
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**ENERGY OUTREACH COLORADO**



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AGREED ON BEHALF OF:

FEDERAL EXECUTIVE AGENCIES

A handwritten signature in black ink that reads "Scott L. Kirk". The signature is written in a cursive, slightly stylized font.

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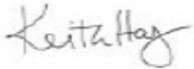
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\*Attorney of Record

Agreed on behalf of:

**ATMOS ENERGY CORPORATION**

/s/ Jared N. Geiger

Jared N. Geiger  
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Approved as to form:

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**ATTORNEYS FOR IBEW LOCAL 111**

**Settlement Attachment 1 Revenue Requirement Summary Rev. 1**

**Public Service Company of Colorado**

**Proceeding No. 20AL-0049G**

**Sch\_G\_001\_Settled\_Rev\_Req - At September 2019**

Line No.	Line	PSCo
1	PSCo	
2		
3	Rate Base	2,016,901,074
4	Return on Rate Base	6.84%
5	Earnings on Rate Base <i>(line 3 * line 4)</i>	137,956,033
6		
7	Total Tax Expense	22,067,062
8	Gross-up Factor	1.32727565
9	Total Taxes (Gross) <i>(line 7 * line 8)</i>	29,289,074
10		
11	Operations and Maintenance Expense	235,294,767
12	Depreciation and Amortization Expense	139,872,790
13	Taxes Other than Income	59,236,782
14	Less: AFUDC	5,189,526
15	Operating Expenses (Net AFUDC) <i>(sum lines 11-14)</i>	429,214,813
16		
17	Less: Other Revenue	4,771,618
18		
19	<b>Revenue Requirement</b> <i>(lines 5+9+15-17)</i>	591,688,303
20		
21	Base Revenue	497,528,825
22	Revenue Deficiency <i>(line 19 - line 21)</i>	94,159,478
23		
24	Less: PSIA Projects shift to Base Rates	16,842,768
25		
26	Net Revenue Deficiency <i>(line 22 - line 24)</i>	77,316,710

Settlement Attachment 2 Rev. 1  
 CCOSS Summary  
 Proceeding No. 20AL-0049G

**Revised Settled CCOSS Summary**

(A) Customer Class	(B) Adjusted Test Year Base Rate Revenue at Present Rates	(C) ROR at Present Rates	(D) Base Rate Revenue at Proposed Rates	(E) ROR at Proposed Rates	(F) Base Rate Revenue Deficiency at Proposed ROR	(G) % Base Rate Revenue Increase	(H) Relative Rate of Return
1 Residential	\$322,834,974	3.41%	\$382,817,115	6.84%	\$59,982,141	18.58%	0.98
2 Small Commercial	\$108,432,456	3.37%	\$130,188,524	6.84%	\$21,756,068	20.06%	1.06
3 Large Commercial	\$56,670,284	3.09%	\$66,175,532	6.84%	\$9,505,248	16.77%	0.89
4 Interruptible	\$8,078,573	2.49%	\$10,180,145	6.84%	\$2,101,572	26.01%	1.37
5 Transport Adder	\$1,507,594	-NA-	\$2,321,835	6.84%	\$814,241	54.01%	2.85
6 Lighting	\$4,945	-NA-	\$5,162	6.84%	\$217	4.39%	0.23
7 Total	\$497,528,825	3.32%	\$591,688,303	6.84%	\$94,159,477	18.93%	1.00

**Settlement Attachment 3, Rev. 2  
Rate Comparisons  
Proceeding No. 20AL-0049G**

	<b>Current Rates</b>	<b>Settled Rates</b>	<b>Change</b>
<b>S&amp;F Charges have been updated for new GAP Adjustment</b>			
<b>Residential (RG)</b>			
Service and Facility Charge	\$12.21/Month	\$12.21/Month	\$0.00/Month
Usage Charge	\$0.13268/therm	\$0.19394/therm	\$0.06126/therm
Monthly Minimum	\$12.21/Month	\$12.21/Month	\$0.00/Month
<b>Residential Gas Lighting (RGL)</b>			
Charge for one or two mantle fixture	\$15.50	\$16.20	\$0.70
Charge for each additional mantle over two mantles	\$7.75	\$8.10	\$0.35
<b>Small Commercial Sales (CSG)</b>			
Service and Facility Charge	\$43.88/Month	\$43.88/Month	\$0.00/Month
Usage Charge	\$0.11585/therm	\$0.16360/therm	\$0.04775/therm
Monthly Minimum	\$43.88/Month	\$43.88/Month	\$0.00/Month
<b>Large Commercial Sales (CLG)</b>			
Service and Facility Charge	\$110.15/Month	\$134.15/Month	\$24.00/Month
Capacity Charge	\$8.73/Dth	\$11.00/Dth	\$2.27/Dth
Usage Charge	\$0.2302/Month	\$0.2759/Month	\$0.0457/Month
<b>Commercial Gas Lighting (CGL)</b>			
Charge for one or two mantle fixture	\$15.50	\$16.20	\$0.70
Charge for each additional mantle over two mantles	\$7.75	\$8.10	\$0.35
<b>Interruptible Sales (IG)</b>			
Service and Facility Charge	\$67.86/Month	\$74.86/Month	\$7.00/Month
On-Peak Demand Charge,	\$8.73/Dth	\$11.00/Dth	\$2.27/Dth
Usage Charge,	\$0.3476/Month	\$0.4374/Month	\$0.0898/Month
<b>Small Firm Transport (TFS)</b>			
Service and Facility Charge	\$58.88/Month	\$67.88/Month	\$9.00/Month
Usage Charge			
Standard Rate	\$1.1585/Dth	\$1.6360/Dth	\$0.4775/Dth
Minimum Rate	\$0.010/Dth	\$0.010/Dth	\$0.000/Dth
Unauthorized Overrun Penalty			
Maximum Rate (unless CIG calls critical condition)	\$25.00/Dth	\$25.00/Dth	\$0.00/Dth
Minimum Rate	\$1.1585/Dth	\$1.6360/Dth	\$0.4775/Dth
Backup Sales Service Option			
Backup Sales Service Reservation	\$0.00/Dth	\$0.00/Dth	\$0.00/Dth
Backup Sales Supply Charge	\$1.1585/Dth	\$1.6360/Dth	\$0.4775/Dth
<b>Large Firm Transport (TFL)</b>			
Service and Facility Charge	\$125.15/Month	\$158.15/Month	\$33.00/Month
Firm Capacity Reservation Charge			
Standard Rate	\$8.73/Dth	\$11.00/Dth	\$2.27/Dth
Minimum Rate	\$0.60/Dth	\$0.60/Dth	\$0.00/Dth
Usage Charge			
Standard Rate	\$0.2302/Dth	\$0.2759/Dth	\$0.0457/Dth
Minimum Rate	\$0.010/Dth	\$0.010/Dth	\$0.000/Dth
Authorized Overrun Charge	\$0.3539/Dth	\$0.4460/Dth	\$0.0921/Dth
Unauthorized Overrun Penalty			
Maximum Rate (unless CIG calls critical condition)	\$25.00/Dth	\$25.00/Dth	\$0.00/Dth
Minimum Rate	\$0.2302/Dth	\$0.2759/Dth	\$0.0457/Dth
Backup Sales Service Option			
Backup Sales Service Reservation	\$0.00/Dth	\$0.00/Dth	\$0.00/Dth
Backup Sales Supply Charge	\$0.2302/Dth	\$0.2759/Dth	\$0.0457/Dth
<b>Interruptible Transport (TI)</b>			
Service and Facility Charge	\$160.86/Month	\$192.86/Month	\$32.00/Month
Monthly On Peak Demand Quantity Charge	\$8.73/Dth	\$11.00/Dth	\$2.27/Dth
Usage Charge			
Standard Rate	\$0.3539/Dth	\$0.4460/Dth	\$0.0921/Dth
Minimum Rate	\$0.010/Dth	\$0.010/Dth	\$0.000/Dth
Unauthorized Overrun Penalty			
Maximum Rate (unless CIG calls critical condition)	\$25.00/Dth	\$25.00/Dth	\$0.00/Dth
Minimum Rate	\$0.3539/Dth	\$0.4460/Dth	\$0.0921/Dth

**Settlement Attachment 4 Rev. 1 - Bill Impacts**  
**Proceeding No. 20AL-0049G**  
**Public Service Company of Colorado**  
**Gas Department**

**Revised Settlement Bill Impacts**  
**Current Rates vs Settled Rates**

Rate Schedule	Average Monthly Bills		Change	
	Current Rates	Settled Rates	\$	%
Residential (RG)	\$40.90	\$44.73	\$3.83	9.36%
Small Commercial (CSG)	\$160.78	\$172.92	\$12.14	7.55%
Large Commercial (CLG)	\$2,879.12	\$3,072.51	\$193.40	6.72%
Interruptible Sales (IG)	\$10,125.85	\$10,236.85	\$111.00	1.10%
Small Firm Transportation (TFS)	\$554.98	\$623.24	\$68.26	12.30%
Large Firm Transportation (TFL)	\$4,664.95	\$4,985.44	\$320.49	6.87%
Interruptible Transportation (TI)	\$26,343.00	\$26,670.23	\$327.23	1.24%

**Colorado PUC E-Filings System**

