**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 2015 AND 2016 AND TO CHANGE ITS ELECTRIC AND GAS DSM COST ADJUSTMENT RATES EFFECTIVE JANUARY 1, 2015	)	**DOCKET NO. 14A-1057EG**

STIPULATION AND SETTLEMENT AGREEMENT

I. INTRODUCTION

Public Service Company of Colorado, for itself and on behalf of Staff of the Commission ("Trial Staff"), the Colorado Energy Office ("CEO"), the City and County of Denver ("Denver"), Energy Outreach Colorado ("EOC"), and EnerNoc, Inc. ("EnerNoc"), collectively referred to as the "Settling Parties", hereby enter into this Stipulation and Settlement Agreement ("Stipulation") resolving, as between these Parties, all of the issues that have been raised in the Company's 2015/16 DSM Plan filing in Docket No. 14A-1057EG. This Stipulation sets forth all the terms and conditions of such settlement. Except as set forth with particularity below, the Southwest Energy Efficiency Project (SWEEP"), Western Resource Advocates ("WRA"), and the Energy Efficiency Business Coalition ("EEBC") also join in this Stipulation and are to be considered Settling Parties with respect to the issues that have been raised in this proceeding.

The Settling Parties state that the results of the compromises reflected herein are a just and reasonable resolution of the issues addressed herein, and that reaching agreement by means of a negotiated settlement is in the public interest. Except to the extent such party has reserved its rights to contest one or more issues with particularity below, each Settling Party hereto pledges its support of this Stipulation, states that it will defend the settlement reached and respectfully requests that the Public Utilities Commission of the State of Colorado ("Commission" or "CPUC") approve this Stipulation.

II. BACKGROUND

On October 30, 2014, Public Service filed its Application For Approval Of Its Electric And Natural Gas Demand-Side Management Plan For Calendar Years 2015 And 2016 And To Change Its Electric And Gas DSM Cost Adjustment Rates Effective January 1, 2015. On January 9, 2015, the ALJ issued Decision No. R15-0024-I, adopting a procedural schedule and setting this case for two days of hearings commencing on March 30, 2015.

Public Service's proposed 2015/16 DSM Plan is a combined electric and natural gas DSM plan under which the Company proposes to offer a variety of direct and indirect impact DSM programs targeted for residential, business, government and low-income customers. Consistent with prior plans approved by this Commission, the Company's plan also includes a Planning and Research component consisting of: DSM Market Research; DSM Planning and Administration; DSM Product Development; and Measurement and Verification. As originally filed, the Company's proposed 2015/16 DSM Plan was designed to achieve approximately 407.5 GWh in electric energy savings in 2015 and 408.8 GWh in electric energy savings in 2016, and 79.6 MW in demand reduction resulting from energy efficiency products in 2015 and 76.2 MW in 2016. Also as originally filed, the Company proposed to achieve these savings with total proposed expenditures on electric energy efficiency of $81,623,698 in 2015 and $78,739,215 in 2016. The Company also proposed to implement demand response programs as part of its DSM Plan during each plan year to obtain approximately 15.5 MW of incremental demand reduction at a proposed cost of $13.7 million in 2015 and to obtain approximately 13.4 MW of incremental demand reduction at a proposed cost of $13.5 million in 2016. When combined with the demand reduction from Saver's Switches installed prior to 2015, and from the Company's ISOC and Third-Party Demand Response programs the Company originally proposed to obtain 485 MW of controllable load in 2015 and 496 MW of controllable load in 2016. On February 6, 2015 the Company filed Supplemental Direct Testimony to update its preliminary estimates of 2014 DR results and its forecast of total demand response obtainable in 2015 and 2016. Based on updated preliminary 2014 results, the Company now proposes to obtain 503 MW of total controllable load in 2015 and 516 MW in 2016 which, when combined with demand reduction from energy efficiency, would yield total demand reduction of 593 MW in 2015 and 602 MW in 2016.

The Company also filed a gas DSM savings plan designed to save 595,960 dekatherms in 2015 at a cost of $13.0 million; and 628,895 dekatherms in 2016 at a cost of $13.5 million.

The Settling Parties recommend that the Commission approve the Company's 2015 and 2016 natural gas and electric DSM plan together with the specific modifications to that plan that have been agreed to by the Settling Parties as more fully described below.

III. TERMS OF SETTLEMENT

The Settling Parties hereby stipulate and agree as follows:

1. **The 2015/16 DSM Plan.** The Settling Parties believe that Public Service's 2015 and 2016 Electric and Natural Gas DSM Plan ("the 2015/16 DSM Plan"), as modified by the terms of this Stipulation, is consistent with §§ 40-3.2-103 and 40-3.2-104, C.R.S. and the Commission's Gas DSM Rules, 4 C.C.R. 723-4-4750 through 4760, except to the extent such rules have been waived in accordance with Decision No. C11-0645 issued in Docket No. 10A-554EG. The Settling Parties also believe that the 2015/16 DSM Plan, as amended by this Stipulation, is consistent with the Commission's directive that the Company should strive to meet or exceed the Commission approved electric energy savings goals within the spending cap for each year that it implements a new DSM Plan. The 2015/16 DSM Plan, as amended, has been designed to meet the Commission approved electric energy savings goal of 400 GWh annually for 2015 and 2016.

The Settling Parties agree that Public Service has the discretion and the responsibility to manage the proposed gas and electric DSM Plan to meet and attempt to exceed the electric energy savings and demand response goals established by the Commission in Decision No. C14-0731 and the natural gas savings goals established in this proceeding. In implementing the 2015/16 DSM Plan, Public Service agrees to launch and or continue in effect all of the programs and pilots identified and described in the 2015/16 DSM Plan, as amended by this Stipulation, and not to discontinue such programs and pilots except after 90-Day Notice, as authorized in Paragraph 89 of Decision No. C11-0442. Within the budgetary limitations established by the Commission and this Settlement Agreement, the Settling Parties agree that the Company shall be permitted to make modifications to its DSM rebates and to make the other types of changes specified in Paragraph 89 of Decision No. C11-0442 by means of a 60-Day Notice.

The Settling Parties recommend that the Commission authorize the Company to continue in effect or implement each of the programs and pilots described in the 2015/16 DSM Plan, together with the amendments and additions to such programs and pilots that are described in this Stipulation.

The Settling Parties recommend that the Commission authorize the Company to incur costs that are necessary to implement its DSM plans for 2015 and 2016, and which are consistent with the Company's proposed budgets on electric energy efficiency, revised to include the incremental amounts necessary to implement this settlement. This means that the Settling Parties recommend that the Commission authorize the Company to incur costs of $81,620,698 in 2015, and $78,987,015 in 2016 to implement the energy efficiency programs and to achieve the energy savings set forth in the 2015/16 DSM Plan, as revised per this Stipulation and to incur costs of $13,731,985 in 2015 and $13,500,426 in 2016 to implement the demand reduction programs and to achieve the incremental demand reduction set forth in the 2015/2016 DSM Plan. Although the Settling Parties recognize that it is reasonable to allow the Company some degree of budgetary flexibility in managing its DSM portfolio and associated programs, absent express Commission approval, the Company shall not be eligible to recover costs incurred that are in excess of the Commission-established energy efficiency budget cap of $84.3 million for its electric DSM portfolio. For costs incurred in excess of the revised energy efficiency budgets of $81,620,698 for 2015 and $78,987,015 for 2016, but still within the Commission-established budget cap for energy efficiency of $84.3 million, the Company shall have a rebuttable presumption of prudence. The Settling Parties recommend that the Commission authorize the Company to spend no less than $12 million annually for its natural gas DSM portfolio. The 2015 and 2016 budgets agreed to in this Stipulation for the Company's natural gas and electric DSM programs are set forth in Paragraph 8, *supra*.

2. **Modifications to the 2015/16 DSM Plan.** In the course of negotiations, the Settling Parties have discussed with Public Service various details of the Company's proposed programs and pilots. As a result of these discussions, Public Service has agreed to make changes to certain aspects of certain of the DSM programs originally filed in the 2015/16 DSM Plan Application.

Paragraph 5 describes the specific program changes to the 2015/16 DSM Plan to which the Company has agreed. The Company has agreed to use its best efforts not to make changes or additions to its DSM Plan that would cause it to exceed the Commission-established budget cap applicable to its electric energy efficiency programs.

3. **Participation by All Classes of Customers.** The Settling Parties believe that the Company's proposed 2015/16 DSM Plan, as amended by this Stipulation, is designed to afford all classes of customers an opportunity to participate as required by §§ 40-3.2-103 and 40-3.2-104, C.R.S.

4. **2015 and 2016 Energy and Demand Savings.** The Settling Parties agree that Public Service shall use its best efforts to achieve at least 407.1 GWh in electric energy savings in 2015 and 407.5 GWh in 2016; and at least 79.6 MW in incremental demand reduction from energy efficiency in 2015 and 76.2 MW in 2016. As noted above, on February 6, 2015, the Company filed Supplemental Direct Testimony updating its projection of the level of demand reduction obtained in 2014 and its forecast of the level of controllable load for 2015 and 2016. Based on this update, the Company agrees to work to obtain total controllable load of at least 503 MW from its demand response program in 2015 and at least 516 MW in 2016. The combined demand reduction expected from energy efficiency and demand response programs will be 583 MW in 2015 and 592 MW in 2016. The Company will strive to meet the total demand reduction goals adopted by the Commission in Decision No. C14-0731 from the combination of demand response and energy efficiency programs, specifically 593 MW in 2015 and 602 MW in 2016. However, the Settling Parties recognize that the Company may not be able to achieve the total demand reduction goals established in Decision No. C14-0731.

The Settling Parties further agree that the Company shall use its best efforts to achieve natural gas savings of at least 573,602 dekatherms in 2015 and 619,306 dekatherms in 2016. The Settling Parties request that the Commission approve this level of gas savings, in combination with actual gas program expenditures to calculate dekatherms saved per dollar expended, as the energy savings target that shall be used in 2015 and 2016 for purposes of determining the Company's performance under Rules 4754 and 4760.

5. **Plan Modifications for 2015 and 2016.**

a. Cooling. The Company agrees to evaluate energy savings from the cooling portion of ductless minisplit systems; and, if found to be cost-effective, the Company will post a 60-Day Notice to add the systems as part of the midstream cooling product offering.

b. Energy Management Systems (EMS). The Company agrees to:

i. launch a Custom Workbook application for EMS that uses Microsoft Excel in 2015.

ii. re-evaluate the need for an up-front rebate for the Energy Management Information Systems (EMIS) measures, within the EMS product, after one year of the measure offering being in place, and provide the results of the assessment during the Q3-2016 DSM Roundtable. The Company agrees to file a 60-Day Notice, if an up-front rebate for EMIS is found to be cost-effective and necessary to achieve the Company's targets for measure up-take.

iii. contract for one or more Strategic Energy Management Consultants (SEMCs), selected through a competitive RFP, to provide program implementation consulting services, including implementation of the Evaluation Measurement and Verification (EM&V) protocol for the EMIS measure, and individual project consulting services.

c. LED Street Lights. The Company will:

i. within a reasonable time following the Commission's approval of LED

Street Lighting rates or the time such rates are permitted to take effect by operation of law, submit a 60-Day Notice to update the LED Street Lights product technical assumptions regarding energy usage and incremental costs to reflect the same energy usage and cost assumptions used in designing the approved LED Street Light rates.

ii. remove from the 2015 and 2016 DSM LED street lighting budgets costs associated with "incremental marketing efforts" ($28,000 in 2015 and $35,000 in 2016) and reduce the overall DSM budget by these amounts. The Company also agrees to apply a net-to-gross value to the LED Street Lighting program of 90% for the purpose of determining energy savings that count towards the Company's energy savings goals. The Company agrees to use gross energy savings in determining the LED street lighting rates.

iii. conduct mutually agreeable co-marketing with the municipal Settling Parties.

With the exception of the specific agreements set forth above, the Settling Parties, Boulder and the Municipalities agree that this stipulation does not preclude them from taking any position within the upcoming LED street light tariff filing.

d. ENERGY STAR New Homes. The Settling Parties agree that the Company will implement the product modifications described within the Company's Response to Comments on the 60-Day Notice posted on December 1, 2014. A copy of the redlined product write-up, is included as Appendix A.

e. **High Efficiency Air Conditioning.** The Company will include some training on the Western Cooling Control device during its planned Quality Installation training session in 2015.

f. **Home Energy Squad**. The Company will offer LED light bulbs as an à la carte purchase option for customers, and strive to match the cost of LED bulbs as offered for LED bulbs in the Home Lighting & Recycling product.

g. **Residential – ENERGY STAR® New Homes and Home Performance with ENERGY STAR®.** The Company agrees to exercise its discretion, as needed, in managing the 2015 gas DSM portfolio budget, shifting dollars among gas DSM products throughout 2015, including to the ENERGY STAR New Homes and Home Performance with ENERGY STAR products, up to the approved budget for the gas portfolio. The Company agrees to provide an update on participation and budget expenditure for these two products during the DSM Roundtable meetings in 2015.

h. **Low-Income Energy Savings Kits and Single-Family Weatherization**. The Company will add LED light bulbs to these two products in 2016 via 60-Day Notice, if the measure becomes cost-effective. The Company also agrees to share the results of the cost-effectiveness analysis at the Q3-2015 DSM Roundtable.

i. **Single-Family Weatherization.** The Company agrees to raise the incentive level for furnace rebates, if cost-effective, from $720 to $750.

j. **Pilots.** The Company agrees to work with all interested stakeholders to test alternatives for stakeholder input into the development of new pilots and programs. Initially, the Company will initiate the following efforts. If mutually agreeable the parties may adjust these communication channels over time. The Company agrees to:

i. distribute a bi-monthly DSM Pilot/Product Development ("PD") e-mail update describing the status of DSM Pilot/PD efforts, including the status of any upcoming and completed solicitations, as well as results of cost-effectiveness evaluations and technical feasibility.

ii. provide a thirty-day advance notification to the Roundtable, via email, when the Company's PD product development opportunity identification and prioritization effort will be initialized—which occurs approximately every 12-18 months. This notification will serve as a reminder to DSM Roundtable participants to submit Idea Submission Forms for consideration in this process.

iii. provide the product development scoring matrix template (a blank copy) to the DSM Roundtable by May 2015.

iv. offer to hold at least two meetings with interested stakeholders, for each pilot that the Company decides to pursue, prior to 60-Day Notice.

k. DSM Market Research and Participation Analysis. The Company agrees to:

i. hold a meeting with EEBC, and other interested stakeholders, to discuss and answer questions on the results of the participation analysis presented in the 2014 DSM Annual Status Report. The meeting will be scheduled after April 1, 2015 and before June 1, 2015.

ii. hold a meeting with EEBC, and other interested stakeholders, to discuss the market research and customer surveys used by the Company to support efforts to reduce non-participants. The meeting will be scheduled after June 1, 2015 and before September 1, 2015.

I. **Comprehensive Evaluations.** The Company will:

i. increase its 2016 electric budget for Evaluations by $220,000 and the 2016 gas budget for Evaluations by $100,000 to include two additional process and impact evaluations.

ii. conduct comprehensive evaluations of the Home Lighting & Recyling and Lighting Efficiency products in 2015 and adjust the deemed savings values and other technical assumptions for these products in 2016 based on the results of these evaluations.

iii. going forward, starting in 2016, conduct four comprehensive product evaluations each year.

iv. conduct evaluations of Home Lighting & Recycling, Lighting Efficiency, and Small Business Lighting on a three-year rotating cycle, as one of the four evaluations each year. Thus, the Small Business Lighting product will be evaluated in 2016.

v. apply comprehensive evaluation recommendations in the same manner as it has done so in the past, on a prospective basis, following a review of the results to assess the reasonableness of the recommendations.

m. **DOE Better Buildings Energy Data Accelerator.** The Company agrees to support up to five Denver buildings that have voluntarily elected to participate in the Denver City Energy Project to test a new benchmarking tool being developed as part of the DOE Better Buildings Energy Data Accelerator. The tool will be used to deliver whole-building energy data exclusively to the building owner, who may share their data with the City and County of Denver.

n. **Building Energy Codes Training.** The Company will re-allocate $25,000 of the Business Education budget in 2015 and 2016 to support communities in providing codes training. The Company will consult with interested stakeholders about how it can most effectively support energy codes training.

o. **Demand Response**. The Settling Parties recognize that the Public Service's DR targets for 2015 and 2016 are below the DR goals approved by the Commission in Proceeding No. 13A-0686EG. In order to address this shortfall, the Company will bring together those Settling Parties interested in demand response for two meetings in 2015. The first meeting will be to discuss ideas to improve the Company's current demand response programs as well as ideas to expand its current levels of customer participation, which will be held before July 1, 2015. The second meeting will occur before December 1, 2015 to review the current performance of the demand response programs, as described in pages 306-333 of the 2015/16 DSM Plan, as compared to the goals from DSM Strategic Issues Decision No. C14-0731 and the DR targets reflected in the 2015/16 DSM Plan, with the intent to discuss the need to file a demand response solicitation before February 15, 2016. Public Service and the Settling Parties will discuss the current Third-Party Demand Response program contract set to expire at the end of 2016, as well as the overall Public Service electric system conditions. The Company projects that the cost to complete development, issuance, and review of responses to a Request for Proposals (RFP) may range up to $40,000. The Company estimates the cost to acquire additional demand response resources may range from $4 million for 10 MW and up to $10.5 million for 25 MW assuming a contract life of five years, which is subject to change pending an actual demand response solicitation. This projected cost is based on assumptions related to the current Third-Party Demand Response program and ISOC (1-hour notice, primary service, 80 hours/year term) and is only intended to provide an estimate to Settling Parties. The final terms of the RFP will be set by the Company with input from Settling Parties. Any Settling Parties must identify their intent to bid in any DR solicitation prior to the Company getting input from Settling Parties and may not participate in any discussions in case that would provide an unfair advantage in their bid. In addition, any additional demand side resources the Company would acquire through a DR solicitation to address the demand reduction gap in the 2015/16 DSM Plan must provide utility system benefits that exceed the costs assuming the demand side resources pass cost effectiveness screening. In supporting the Company's procurement of additional demand response to address the gap in the 2015/16 DSM Plan as provided in this Stipulation, the Settling Parties have not reached consensus as to the reasonableness of the Company's estimate of the costs of acquiring such incremental demand response. As a result, and because such costs are not subject to the budgetary cap established by the Commission in Proceeding No. 13A-0686EG, the Settling Parties reserve, and do not waive, their rights to challenge the Company's recovery of such costs.

6. **2015 and 2016 DSM Budgets.** The Settling Parties agree to recommend to the Commission that it approve the Company's electric and gas DSM budgets as modified by the Company in this Stipulation; specifically, for electric energy efficiency programs, $ 81,620,698 in 2015 and $78,987,015 in 2016, for electric demand response programs, $13,731,985 in 2015 and $13,500,426 in 2016, and for gas efficiency programs, $13,130,855 in 2015 and $13,719,957 in 2016. The Settling Parties agree that the DSM Plan budgets, as proposed by the Company, and as modified by this Stipulation, were and are developed giving due consideration to the impact of the DSM Plan on non-participants and low-income customers, as required by C.R.S. §40-3.2-104(4).

Notwithstanding the electric and gas DSM budgets agreed to as part of this Stipulation, the Settling Parties understand and acknowledge that the Company has the right to file and, in some circumstances under Decision No. C11-0442, is required to file, a formal application for approval to implement DSM programs that are currently not part of the 2015/16 DSM Plan. The Settling Parties agree that the Company retains discretion to include in such an application a specific request for approval of the additional budget dollars needed to implement such new programs, and that Settling Parties have the right and shall have the opportunity to challenge such request. Consistent with the provisions above, absent express Commission approval, the Company shall not be eligible to recover costs incurred that are in excess of the Commission-established budget cap of $84.3 million applicable to energy efficiency programs within the electric DSM portfolio. For costs incurred in excess of the revised budgets 81,620,698 for 2015 and $78,987,015 for 2016, but still within the Commission-established budget cap for energy efficiency of $84.3 million, the Company shall have a rebuttable presumption of prudence.

7. **Updated Avoided Costs.** With the exception of WRA, SWEEP, and EEBC, the Settling Parties agree that the Commission should approve, or do not oppose Commission approval of, the Company's proposed updated avoided costs as contained in Appendix E to the 2015/16 DSM Plan. Specifically, WRA, EEBC SWEEP and Energy Outreach Colorado agree that the Commission should approve the Company's proposed updated avoided electric generation capacity costs and the Company's proposed updated gas program avoided costs. EOC does not oppose approval of the Company's other updated avoided costs. WRA, EEBC, and SWEEP do not support and reserve the right to contest the Company's proposed avoided energy and avoided transmission and distribution costs.

The Settling Parties agree that the Company shall use the avoided costs that are ultimately approved in this proceeding to calculate the net economic benefits associated with DSM products actually installed during 2015 and 2016.

8. **Technical Assumptions.**

The Settling Parties also request approval of the technical assumptions set forth in the Technical Reference Manual ("Manual") appended to the 2015/16 DSM Plan as Appendix G. These include the deemed savings and net-to-gross ratios used for purposes of developing the 2015/16 gas and electric DSM plans.

The Settling Parties agree that for purposes of calculating the gross savings associated with each of the prescriptive gas or electric DSM product measures offered as part of the gas and electric DSM portfolios, Public Service shall use the technical assumptions relating to the energy savings calculations for such measures actually installed during calendar years 2015 and 2016. Such savings shall be referred to as "deemed savings."

The Settling Parties, agree that the Company shall use the net-to-gross ratios and the technical assumptions relating to incremental customer O&M savings (for prescriptive measures only), customer O&M costs (for prescriptive measures only), incremental customer capital costs (for prescriptive measures only), the deemed savings formulas and other technical assumptions set forth in the Appendix G for purposes of determining program and portfolio cost-effectiveness and for calculating annual portfolio net economic benefits based on measures actually installed during calendar years 2015 and 2016. In the case of the Home Lighting & Recycling and Lighting Efficiency products, the deemed savings values, net-to-gross ratios, and other technical assumptions will be adjusted for 2016 based on the results of the comprehensive program evaluation that will be carried out in 2015, as provided in Section 5(l)(ii) of this Stipulation and Settlement Agreement.

9. **DSMCA Tariffs.** The Settling Parties agree to recommend to the Commission that it authorize the Company to implement changes in the electric and gas DSMCA rates on not less than one day's notice following issuance of a final order in this proceeding approving this Settlement Agreement as necessary to recover the approved

2015 gas and electric DSM budgets set forth in Section 6, pro-rated to reflect that portion of 2015 calendar year during which the 2015 Plan will be in effect.

IV. GENERAL PROVISIONS

The Settling Parties agree to join in a motion that requests the Commission to approve this Stipulation and to support this Stipulation.

This Stipulation is a negotiated compromise of issues raised in this proceeding relating to the Company's proposed gas and electric DSM plan for calendar years 2015 and 2016 and the proposed changes to the electric and gas DSMCA to become effective January 1, 2015. By signing this Stipulation and by joining the motion to adopt the Stipulation filed with the Commission, the Settling Parties acknowledge that they pledge support for Commission approval and subsequent implementation of these provisions However, WRA, SWEEP, and EEBC reserve the right to contest the Company's avoided energy and avoided transmission and distribution costs.

Nothing in this Stipulation shall bind any of the Settling Parties with respect to any position such party may take in any subsequent or pending proceeding before this Commission in which the Company's DSM programs or plans are at issue. The Settling Parties agree that nothing in this Stipulation shall constitute precedent for purposes of any future proceeding.

This Stipulation shall not become effective until the issuance of a final Commission Order approving the Stipulation, which Order does not contain any modification of its terms and conditions that is unacceptable to any of the Settling Parties. In the event the Commission modifies this Stipulation in a manner unacceptable to any Party, that Party shall have the right to withdraw from this

Stipulation and proceed to hearing on the issues that may be appropriately raised by that party in Docket No. 14A-1057EG. The withdrawing Party shall notify the Commission and the Parties to this Stipulation by e-mail within five business days of the Commission's final order modifying the Stipulation that the Party is withdrawing from the Stipulation and that the Party is ready to proceed to hearing; the e-mail notice shall designate the precise issue or issues on which the Party desires to proceed to hearing (the "Hearing Notice").

The withdrawal of a Party shall not automatically terminate this Stipulation as to the withdrawing Party or any other Party. However, within five business days of the date of the Hearing Notice from the first withdrawing Party, all Settling Parties shall confer to arrive at a comprehensive list of issues that shall proceed to hearing and a list of issues that remain settled as a result of the first Party's withdrawal from this Stipulation. Within five business days of the date of the Hearing Notice, the Settling Parties shall file with the Commission a formal notice containing the list of issues that shall proceed to hearing and the list of issues that remain settled. The Parties who proceed to hearing shall have and be entitled to exercise all rights with respect to the issues that are heard that they would have had in the absence of this Stipulation. Hearing shall be scheduled on all of the issues designated in the formal notice filed with the Commission as soon as practicable.

The Settling Parties agree that the negotiations, and discussions and any exchange of written documentation undertaken in conjunction with the Stipulation are confidential to the extent provided by the Colorado Rule of Evidence and shall not be admissible into evidence in this or any other proceeding, except as may be necessary in any proceeding to enforce this Stipulation.

Approval by the Commission of this Stipulation shall constitute a determination that the Stipulation represents a just, equitable and reasonable resolution of all issues that were or could have been contested among the Settling Parties in the above-captioned proceeding. The Settling Parties state that reaching Stipulation in this docket by means of a negotiated settlement is in the public interest and that the results of the compromises and settlements reflected by this Stipulation are just, reasonable and in the public interest.

All Settling Parties have had the opportunity to participate in the drafting of this Stipulation. There shall be no legal presumption that any specific Settling Party was the drafter of this Stipulation.

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

Dated as of the 20th day of February, 2015.

Dated this 20th day of February, 2015

Agreed on behalf of:

PUBLIC SERVICE COMPANY OF COLORADO

By: */s/Robin Kittel*

Robin Kittel
Director, Regulatory Administration
Xcel Energy Services, Inc.
1800 Larimer Street, Suite 1400
Denver, Colorado 80202
Telephone: 303-294-2242
Robin.kittel@xcelenergy.com

Approved as to Form:

By: Victoria R. Mandell

Victoria R. Mandell #17900
Attorney for Public Service Company of Colorado
1800 Larimer Street, Suite 1100
Denver, Colorado 80202
Telephone: 303-294-2268
Victoria.r.mandell@xcelenergy.com

Dated this 20th day of February, 2015

Agreed on behalf of:

COLORADO PUBLIC UTILITIES STAFF

By: Paul C. Caldara

Paul C. Caldara
Professional Engineer, Energy Section
Colorado Public Utilities Commission

Approved as to form by: S Dunbar

Scott C. Dunbar, #44521
Assistant Attorney General
Colorado Department of Law

CITY ATTORNEY
for the City and County of Denver

BRANDON M. DITTMAN #47583
Special Counsel

CHARLES T. SOLOMON #26873
Assistant City Attorney

By: ______________________
Brandon M. Dittman
Charles T. Solomon
201 West Colfax Ave., Dept. 1207
Denver, CO 80202
Telephone: 720-913-3287
Facsimile: 720-913-3180
Email: brandon.dittman@denvergov.org
Email: charles.solomon@denvergov.org

Agreed on behalf of:

ENERGY OUTREACH COLORADO

By: ______________________
Jennifer Gremmert
Deputy Director
225 E. 16th Ave., Suite 200
Denver, CO 80203
303-226-5050
jgremmert@energyoutreach.org.

Approved as to Form:

By: ______________________
Jeffrey G. Pearson
Pro Bono/Emeritus No. 13PB0051
Jeffrey G. Pearson, LLC
1570 Emerson Street
Denver, CO 80218
Tel: 303.618-0686
Fax: 303.837.1557
jpearson@jgp-law.com

ATTORNEY FOR ENERGY OUTREACH COLORADO

ENERNOC, INC.

By: ______________________
Matthew Cushing
General Counsel and Vice President
One Marina Park Drive, Suite 400
Boston, MA 02210
Office: 617.692.2690

By: ______________________
Mark D. Detsky, Atty. Reg. No. 35276
Karl F. Kumli, III, Atty. Reg. No. 11784
Gabriella Stockmayer, Atty. Reg. No. 43770
DIETZE AND DAVIS, P.C.
2060 Broadway, Suite 400
Boulder, CO 80302
Phone: (303) 447-1375
Fax: (303) 440-9036
Email: MDetsky@dietzedavis.com

ATTORNEYS FOR ENERNOC, INC.

Dated this 20th day of February, 2015

Agreed on behalf of:

COLORADO ENERGY OFFICE

By: ______________________
Ellen I. Howard #46019
Assistant Attorney General

By: ______________________
Claybourne F. Clarke #44625
Assistant Attorney General

By: ______________________
Christopher M. Worley
Director of Policy & Research
Natural Resources and Environment Section
1300 Broadway, 7th Floor
Denver, Colorado 80203
Telephone: 720-508-6250

ENERGY EFFICIENCY BUSINESS COALITION

By: ______________________________
Lauren Poole, Executive Director
EEBC Executive Director
Phone: 720-274-9764
Email: lauren@eebco.org

By:
Mark D. Detsky, Atty. Reg. No. 35276
Karl F. Kumli, III, Atty. Reg. No. 11784
Gabriella Stockmayer, Atty. Reg. No. 43770
DIETZE AND DAVIS, P.C.
2060 Broadway, Suite 400
Boulder, CO 80302
Phone: (303) 447-1375
Fax: (303) 440-9036
Email: MDetsky@dietzedavis.com

ATTORNEYS FOR ENERGY EFFICIENCY BUSINESS COALITION

Dated this 20th day of February, 2015

Agreed on behalf of:

SOUTHWEST ENERGY EFFICIENCY PROJECT

By: ______________________
Sue Ellen Harrison #5770
Sue Ellen Harrison P.C.
Attorney for Southwest Energy Efficiency Project

By: ______________________
Howard Geller
Executive Director
Southwest Energy Efficiency Project

WESTERN RESOURCE ADVOCATES

Erin A. Overturf, # 40187
Senior Staff Attorney
Western Resource Advocates
2260 Baseline Rd, Suite 200
Boulder CO 80302
720-763-3724
303-786-8054 (fax)
erin.overturf@westernresources.org

➢ ENERGY STAR New Homes

A. Description

The ENERGY STAR® New Homes product provides homebuilders with an incentive to exceed state and local building codes, applying innovation beyond common construction practices. Homebuilders are encouraged to consider a "whole-house" approach to energy conservation when constructing new single-family and small multi-family homes. This approach combines energy saving construction methods with energy-efficient appliances to achieve significant energy savings and provide the customer with lower energy bills, fewer maintenance concerns, higher resale value, and a more comfortable, quiet home.

Builders have the flexibility to mix and match efficient technologies and building techniques to meet the product requirements and qualify for a rebate. In order to qualify for a rebate, participants are required to build homes that exceed state and local building energy codes by at least ~~15%~~ 10%. In order to measure this, a Performance rating must be completed on all homes by a Residential Energy Services Network (RESNET) certified home energy rating system (HERS) rater. HERS raters will complete the Performance rating for each home using REM/Rate software and will submit selected output information to the Company's third-party implementer for evaluation. Energy savings are determined individually for each home based on the difference between the energy used by the reference home (or baseline home; modeled to match the local jurisdictional energy code) and the energy used by the new as built home.

Builders will receive a rebate based on the percent improvement achieved over their jurisdictional energy code and can earn a $100 bonus rebate if their home is ENERGY STAR certified. Additional rebate dollars are available to the builder if qualifying energy-efficient appliances are installed at the time the home is rated. See section G below for rebate details.

Xcel Energy has received several awards from ENERGY STAR for this product:[1]

- *2011 Leadership in Housing Award*
- *2011 ENERGY STAR Partner of the Year*
- *2012 Leadership in Housing Award*
- *2012 Sustained Excellence in Energy Efficiency Program Delivery*
- *2013 Leadership in Housing Award*

The Company utilizes a third-party implementer to encourage builders to participate in the product, working jointly with local raters to get homes enrolled in the product. The HERS rater will model and test the home and, in conjunction with the third-party implementer, determine whether it meets the product requirements and is eligible for a rebate. HERS rating companies have the flexibility to participate in this product by completing a standard scope of work managed by the Company's third-party implementer. HERS raters in the state of Colorado have established strong relationships with the builder community they serve and the Company wishes

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[1] View the ENERGY STAR Awards Archive: https://www.energystar.gov/about/awards/awards-archive

to build on those relationships and support the raters in their efforts. The third-party implementer will provide product training for the rater and assist with builder training as needed. The third-party implementer will also be responsible for obtaining rating information from the rater and reporting it to the Company.

Product Improvements toward a Year-Round Offering
The Company recognizes that in 2012 and 2014, the product became fully subscribed prior to the end of the calendar year, which drew concern from interested stakeholders. The Company has made several improvements to the product since implementation of the 2014 DSM Plan, aimed at keeping the product open throughout the calendar year in 2015 and 2016:

- Rebates will are no longer based on the HERS index achieved but instead based on the homes improvement over local energy code. This change better aligns the rebate level with the level of energy savings. Homes built in jurisdictions where IECC 2012 or higher is adopted are generating a low HERS index (low is better), but many of these homes do not provide a high level of energy savings since the baseline home is now more efficient.
- In late July of 2014, the Company implemented a 60-Day Notice which modified how incremental capital costs (ICC) are assigned to each home. The ICC for the reference (baseline) home is now calculated, rather than deemed. This change does a better job aligning the ICC incurred by the builder and the energy savings being claimed by the Company.
- Previously the Company offered an incentive to energy raters for each home that earned a rebate, which ~~will no longer be offered~~ is being reduced from $200 to $75 starting in 2015. Here forward the Company will refer to this as an "administrative fee." ~~Energy raters participating in the product asked the Company discontinue payment of this incentive as it caused challenges for the raters, such as management of contracts with builders and the perception of setting the market price for an energy rating.~~ The ~~elimination~~ reduction of this ~~incentive~~ fee improves the product's cost-effectiveness.

B. Targets, Participants & Budgets

Targets and Participants
The product's energy savings and participation targets are based on historical product performance—the product was fully subscribed prior to calendar year end in 2014—and a forward look into new construction trends based on available market intelligence. Nationally, new home construction-starts in 2014 reached their highest level since 2008, but remained below pre-2008 levels. While, the Colorado market seems to be growing at a faster pace than the national market, growth levels are anticipated to be modest. In addition, the Company has changed its methodology for calculating rebates to be based on the percentage of improvement over local energy code requirements[2] (rather than being based on the HERS Index)—resulting in some homes no longer qualifying for rebate. Nonetheless, the Company is forecasting product participation to increase approximately 7% in 2015 (from 2014 targets) and 8% in 2016 (over 2015 targets).

[2] Reference is to an individual participating home's presiding local energy code requirements.

Budgets

The budget for this product is driven by forecasted participation levels for 2015/16 and includes costs for: product administration, builder rebates, promotional and outreach activities, measurement and verification, and internal Company labor. Product administration costs include third-party implementer services. Builder rebates are the single largest expense component for this product.

C. Application Process

Enrollment for this product is typically completed by the HERS raters on behalf of their clients (builders). HERS raters have strong, long standing relationships with most of the builders operating within the Company's Colorado service territory. To initiate the enrollment process, HERS raters will contact builders to encourage their participation, or the builder will contact a rater and express interest in constructing a better-than-code home. The rater will explain the product and potential rebates available, review the home's blueprints and building schedule, and enter the home details into the third-party implementer's tracking database. The rater will also consult with the builder throughout the construction phase to construct the home to better-than-code standards.

When the home is completed, the HERS rater will perform an air tightness test on the house and determine the energy impacts using REM/Rate. This information is submitted to the third-party implementer who will review and approve each request. The builder will receive a rebate based on a percent improvement achieved over the prevailing jurisdiction's energy code. The percent improvement achieved in each home is used to determine the rebate level earned. Specific gas and electric savings are determined by the HERS raters modeling. There is no rebate application for the builder or rater to complete since all required information is entered by the HERS rater into the third-party implementer's database using a web portal interface. The third-party implementer reviews and ensures all information is accurate and captured and works directly with the energy rater to correct any omissions or errors. Once the data is deemed complete, the third-party implementer is responsible for manually entering a portion of the collected data for each home into the Company's database.

D. Marketing Objectives & Strategies

The Company will update existing marketing materials to distribute to participants and possibly develop new materials for homebuyers and other stakeholders such as realtors and builder's sales agents. The development of new materials will be driven in large part by the outreach plans of the third-party implementer selected for 2015/16. The objective of the marketing material is to effectively communicate the benefits (energy, economics, and comfort/durability) and requirements of participation to existing and new participants. The product does not utilize mass marketing campaign efforts as a method of driving participation.

The Company's third-party implementer will engage in outreach activities with participants and stakeholders. The objective of outreach efforts is to maintain working relationships with builders and raters, ensuring that they are satisfied with the product offering and are provided clear communications and customer service. This is accomplished through a combination of in-person and conference-call meetings with raters and one-on-one meetings and routine email and phone communications with raters and builders.

The third-party implementer will develop and offer training to participants (primarily raters) on the use of their database system and REM/Rate modeling software, with the objective of improved efficiency and more accurate data output, and to encourage energy-efficient building practices resulting in increased energy savings. Additionally, the third-party implementer will work the Company to identify key stakeholders and will be responsible for developing specific outreach plans designed to increase product visibility and awareness. Key stakeholders may include organizations such as local homebuilder associations, the Colorado Energy Office (CEO), and other related industry organizations.

E. Product-Specific Policies

This product applies to builders of residential single-family buildings, small multi-family (duplex, triplex, fourplex) buildings and town homes that receive combined electric and gas service, or gas only service, from Public Service. Structures that have common conditioned space such as hallways and elevator shafts are not eligible for the product.

HERS raters must be RESNET certified and must use the REM/Rate modeling software for each home. All qualifying homes must be rated using the widely adopted Performance path method, which requires independent verification by a qualified, participating HERS rater. The HERS rater must complete the Thermal Enclosure System Rater Checklist and the home must pass all applicable sections in order for the builder to qualify for a rebate.

Homes do not need to be ENERGY STAR-certified to receive rebates; however, homes achieving ENERGY STAR certification may be eligible for an additional $100 bonus rebate. The requirements for the ENERGY STAR-certified rebate tier are detailed in Section G below.

Natural gas only participants are not eligible to receive the appliance rebate for installing the ENERGY STAR refrigerator or Lighting Efficiency measures. Natural gas only participants that do not install a natural gas water heater are not eligible for the ENERGY STAR dishwasher or clothes washer rebate. Homes that receive electric service only from the Company are not eligible to participate in this product. In other words, the home must receive gas only service or combined gas and electric service from the Company in order to participate.

The product does not include the impacts of a PV or other renewable generation systems when calculating the percent better-than-code achieved by a home. Incentives for PV systems are paid through the Company's Solar*Rewards product, under separate application. Accordingly, energy savings credit for installed PV systems are not captured within this product.

F. Stakeholder Involvement

The product continues to evolve due to changes occurring in the new homes marketplace. The Company maintains on-going relationship with the U.S. Environmental Protection Agency (EPA) and U.S. Department of Energy, which jointly oversee the national ENERGY STAR program. The Company is an active Sponsor and participant in the national program, recognizing the strong customer awareness of the ENERGY STAR brand.

In 2013, the Company initiated product research, conducted with participating builders and energy raters, recognizing that the product savings were declining due to jurisdictions adopting increasingly stringent energy codes. Product changes would be necessary to maintain cost-effectiveness. The Company also solicited feedback on the product's operational strengths and weaknesses, and sought input on test concepts for future product design. Some of the key findings included:

- The builder and energy rater's relationship is highly valued by both parties and builders want the freedom to choose their rater.
- Builders value third-party testing conducted by energy raters and the assurance it provides that installation is done properly.
- Participants responded positively to the concept of awarding rebates based on a home's percent improvement over local energy code.
- Builders value the rebate offered by the Company and a tiered approach that increases the reward as additional energy efficiency levels are achieved.
- Builders would like assistance communicating the benefits of energy efficiency to homebuyers and specifically suggested a more robust website that helps potential homebuyers find participating builders.
- Participants wanted the Company to design a product that would allow year-round participation.

In addition, the Company serves on the new home construction committee of the Consortium for Energy Efficiency (CEE), which meets regularly and works closely with the EPA. The third-party implementer attends RESNET conferences on behalf of the Company.

Public Service will strive to work with the CEO and other Colorado stakeholders, such as the City of Denver, to continue the product's success, including via consistent messaging.

The Company will continue monthly communications to builders and energy raters, providing year-to-date product updates on participation, achievements and other important product information as it arises.

G. Rebates & Incentives

Builders with qualifying homes are eligible to receive a rebate based on the percent better than local energy code achieved. Additional rebates are available for homes that are ENERGY STAR certified and for installing one, or any combination of, the qualifying appliances. A builder's home must achieve a minimum ~~15%~~ 10% better-than-code improvement (over their local jurisdiction' building energy code) in order to qualify.

Builder Rebate Levels Based on Percent Better than Local Energy Code

Percent "Better than Local Energy Code"	Rebate
10% - 14.999%	$200
15% - 19.999%	$350
20% - 24.999%	$500
25% - 29.999%	$650
30% - 34.999%	$800
35% ~~and higher~~ – 39.999%	$1,000
40% and higher	$1,400
ENERGY STAR certified bonus*	$100

*The ENERGY STAR-certified bonus rebate is only available to combined natural gas and electric homes served by the Company. Gas only or electric only homes served by the Company are not eligible for the bonus rebate. Qualifying homes that earn the ENERGY STAR label are eligible to receive a bonus rebate when the following criteria are met:

a) The home receives both electric and gas service from Public Service;
b) The home qualifies for a percent better than local energy code rebate;
c) The HERS rater has verified the home meets all requirements for the applicable ENERGY STAR certification standard and;
d) The ENERGY STAR label is applied to the home's electrical breaker box.

For the appliance rebate option, the builder will receive a rebate for installing one or any combination of the qualifying appliances. The appliance rebate option is available to all newly constructed homes served by the Company with combined residential natural gas and electric service. Homes that receive natural gas service only from the Company are not eligible for the ENERGY STAR Refrigerator or Lighting Efficiency product rebates.

Appliance Rebate Levels for Qualifying Homes

Appliance	Rebate
ENERGY STAR Dishwasher	$10
ENERGY STAR Clothes Washer	$50
ENERGY STAR Refrigerator	$10
Lighting Efficiency (minimum 20 CFL lamps)	$20

Appliance rebates will only be paid to builders for homes that also qualify for a percent better than local energy code rebate. Separate prescriptive rebates offered by the Company for other equipment such as lighting, air conditioners, furnaces, insulation, and hot water heaters are not available for homes participating in the ENERGY STAR New Homes product because the impacts from this equipment are already included in the performance analysis and are reflected within any rebate earned by the participating builder.