

**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 A CERTIFICATE OF)	
PUBLIC CONVENIENCE AND NECESSITY)	
FOR INTERCONNECTION FACILITIES)	PROCEEDING NO. 21A-0298E
AND NETWORK UPGRADES)	
ASSOCIATED WITH THE COLORADO)	
ENERGY PLAN PORTFOLIO)	

NON-UNANIMOUS COMPREHENSIVE SETTLEMENT AGREEMENT

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INTRODUCTION AND IDENTIFICATION OF PARTIES

This Non-Unanimous Comprehensive Settlement Agreement (“Settlement” or “Agreement”) is intended to resolve, on a comprehensive basis, all issues raised in this proceeding between Public Service Company of Colorado (“Public Service” or the “Company”) and Trial Staff of the Colorado Public Utilities Commission (“Staff”)

(collectively, the “Settling Parties”). The Settlement represents the comprehensive agreement between the Settling Parties to resolve all the issues that were or could have been raised in this proceeding. Public Service initiated this Proceeding through its Application requesting that the Colorado Public Utilities Commission (“Commission”) grant Public Service a certificate of public convenience and necessity (“CPCN”) for certain interconnection facilities and a network upgrade required to accommodate new generation additions as part of the Company’s Colorado Energy Plan Portfolio (“CEPP”) approved by the Commission in the Company’s 2016 electric resource plan (“ERP”) in Proceeding No. 16A-0396E. The interconnection facilities and network upgrade include the new Tundra Switching Station, the new Mirasol Switching Station, and the installation of communications equipment at the Company’s existing Keenesburg Switching Station (collectively, “Projects”).

In addition to Public Service and Staff, the Colorado Office of the Utility Consumer Advocate (“UCA”) and Colorado Energy Consumers (“CEC”) are the parties to this Proceeding.

BACKGROUND

On June 24, 2021, the Company initiated this Proceeding by filing its Verified Application requesting a CPCN for Interconnection Facilities and Network Upgrades Associated with the CEPP (“Application”), together with the supporting Direct Testimony of Mr. Patrick M. Corrigan and Mr. Brian J. Richter. The Commission issued a minute order deeming the Application complete and referring the matter to an Administrative Law Judge (“ALJ”) on August 11, 2021. Staff and the UCA filed notices of intervention on July 15 and July 12, 2021, respectively. CEC requested permissive intervention on July 6, 2021. The ALJ acknowledged the interventions of right filed by Staff and the UCA, and

granted CEC's request to intervene by Interim Decision No. R21-0500-I, issued on August 17, 2021. Interim Decision No. R21-0500-I also scheduled a pre-hearing conference for September 9, 2021. At the pre-hearing conference the parties discussed and agreed upon the procedural deadlines for this Proceeding.

On September 13, 2021, the ALJ issued Interim Decision No. R21-0565-I, which set forth the procedural schedule agreed to at the pre-hearing conference. The procedural schedule included the following relevant deadlines: Answer Testimony due November 5, 2021; Rebuttal/Cross-Answer Testimony due December 3, 2021; Stipulations, Settlement Agreement(s), and Responses to Prehearing Motions due December 17, 2021; a remote evidentiary hearing on December 20, 2021; a settlement hearing on January 7, 2022 (if necessary); and Statements of Position on January 7, 2022.

All parties to this Proceeding engaged in settlement negotiations on October 5 and October 8, 2021. Staff witness Mr. Adam Gribb and UCA witness Mr. Chris Neil filed Answer Testimony on November 5, 2021. CEC did not file Answer Testimony.

Public Service filed the Rebuttal Testimonies of Ms. Brooke A. Trammell and Mr. Richter on December 3, 2021, after which settlement negotiations with Staff continued. As a result of the negotiations, the Settling Parties reached a settlement in principle on December 17, 2021. The Agreement provided here represents the comprehensive agreement between Public Service and Staff to resolve all the issues in this Proceeding No. 21A-0298E that were raised or could have been raised.

SETTLEMENT AGREEMENT

The following terms comprise the Agreement reached by the parties in this proceeding.

I. Approval of CPCN for the Projects

1. The Settling Parties agree that the Company has adequately supported its application through its Direct and Rebuttal Testimony and Attachments, and met its burden of proof of demonstrating that the Projects are needed to reliably integrate three renewable generation resources that are part of the CEPP selected in the Company's 2016 ERP. The Settling Parties therefore agree that the Projects are in the public interest and that the public convenience and necessity require the Projects. Accordingly, the Settling Parties agree that the Commission should issue a finding of need by granting the Company a CPCN for the Projects identified below:

CPCN Project Description	County Location
New 345 kV Tundra Switching Station Supporting Bid ID X645 Neptune 250 MW solar project w/125 MW storage	Pueblo
New 230 kV Mirasol Switching Station Supporting Bid ID X647 Thunderwolf 200 MW solar project w/100 MW storage	Pueblo
New Communications Equipment at Existing 230 kV Keenesburg Switching Station Supporting Bid ID W090 Mountain Breeze 169 MW wind project	Weld

II. Project Costs

2. The Settling Parties agree that the Company has presented adequate cost information in support of its \$47.3 million cost estimate (including land rights costs, but excluding Allowance for Funds Used During Construction ("AFUDC")) for the Projects for which the Company requests a CPCN, which includes the following individual project cost estimates: (1) approximately \$22.9 million for the Tundra Switching Station; (2) approximately \$24.3 million for the Mirasol Switching Station; and, (3) approximately

\$175,000 for the Keenesburg Switching Station communications equipment. These costs do not include a contingency, in contrast to past CPCN applications that the Company has filed and that the Commission has approved. The cost information support is provided in the Company's Direct Testimony and Attachments in this proceeding as well as the Company's Rebuttal Testimony and Attachments. No Settling Party disputes the reasonableness of the Company's cost estimates, inclusive of the base estimate and the risk reserve, for the Projects as set forth by the Company in this proceeding.

III. Project Cost Recovery

3. The Company will recover costs of the Projects through the Transmission Cost Adjustment ("TCA") as components are in-serviced, consistent with the terms of the TCA. Settling Parties agree that no presumption of prudence will attach to the cost estimates for the Projects, and the Company will bear the burden going forward of demonstrating actual costs incurred are prudent and reasonable when it brings the costs of the Projects forward for recovery in base rates. The Settling Parties agree that the cost estimates and evidence presented in this Proceeding will be used as a reference point in such future base rate recovery proceeding(s), and the Company will be permitted to recover all costs that it reasonably and prudently incurs to construct the Projects, except as modified by the Performance Incentive Mechanism ("PIM") discussed below. The Company further agrees to specifically identify the actual costs of the Projects, individually and in total, in its next base rate case following the in-servicing dates associated with each individual project, in at least as much detail as provided in this Proceeding.

IV. Performance Incentive Mechanism

4. The Settling Parties recognize that the Commission has directed utilities and stakeholders to focus consideration of performance incentives on areas that

encourage reductions in greenhouse gas emissions and that also encourage cost containment.¹ Given the Projects' role in accommodating CEPP generation, the Settling Parties agree that the establishment of a PIM for the Projects, as outlined below and detailed in Appendix 1, is reasonable and should be approved.

5. The PIM shall apply to the aggregate project costs identified in Attachment BJR-1 to Mr. Richter's Direct Testimony for individual projects that have not yet been placed into service. That is, the PIM shall apply to the aggregate project cost estimates for the Tundra and Mirasol Switching Stations, totaling approximately \$47.1 million, and shall not apply to the approximately \$175,000 cost of the Keenesburg communications equipment because that project has already been placed into service. This PIM is generally consistent with the PIM included in the non-unanimous comprehensive settlement agreement reached in Proceeding No. 21A-0096E (the Company's "Colorado's Power Pathway" 345 kV backbone transmission proposal); however, the project costs subject to the PIM in this Proceeding include land and materials costs given the more advanced stage of development for the Projects, meaning these costs are known with more certainty and the Company has greater control over these costs at this time.

6. Beyond a five percent deadband above and below the Company's budget (base estimate and risk reserve), the PIM shall symmetrically apply a cash penalty or incentive based upon the final capital cost comparisons to the Company's \$47.1 million budget in the manner detailed below and in Appendix 1:

¹ See, e.g., Proceeding No. 19M-0661EG, Investigation into Performance Based Regulation in Colorado § 40-3-117, C.R.S., at 14 (filed Nov. 30, 2020).

Interconnection Facilities Project PIM

<i>Total Base Estimate</i>	\$	43,830,200	
<i>Total Risk Reserve</i>	\$	3,271,555	
<i>Total Budget</i>	\$	47,101,755	
----- 5% Deadband - Nothing Happens -----			
Penalty			
If 5-10% higher than Budget, then:	Penalty=50 bps, increm., 10 yrs		
10% above Budget	\$	51,811,931	10%
@ 9.3%	\$	328,515	
@ 8.8%	\$	315,419	
<i>Difference</i>	\$	13,097	
<i>Total Cash Penalty (10 years)</i>	\$	130,966	
	\$	4,710,176	2.78%
If 10-15% higher than Budget, then:	Penalty=100 bps, increm., 10 yrs		
15% above Budget	\$	54,167,018	15%
@ 9.3%	\$	492,773	
@ 8.3%	\$	453,483	
<i>Difference</i>	\$	39,290	
<i>Total Cash Penalty (10 years)</i>	\$	392,899	
	\$	7,065,263	5.56%
If 15% or more than Budget, then:	Penalty=150 bps, increm., 10 yrs		
15% above Budget	\$	54,167,018	15%
@ 9.3%	\$	492,773	
@ 7.8%	\$	433,838	
<i>Difference</i>	\$	58,935	
<i>Total Cash Penalty (10 years)</i>	\$	589,349	
	\$	7,065,263	8.34%
Incentive			
If 5-10% lower than Budget, then:	Incentive=50 bps, increm., 10 yrs		
10% below Budget	\$	42,391,580	-10%
@ 9.3%	\$	(328,515)	
@ 8.8%	\$	(315,419)	
<i>Difference</i>	\$	(13,097)	
<i>Total Cash Bonus (10 years)</i>	\$	(130,966)	
	\$	(4,710,176)	2.78%
If 10-15% lower than Budget, then:	Incentive=100 bps, increm., 10 yrs		
15% below Budget	\$	40,036,492	-15%
@ 9.3%	\$	(492,773)	
@ 8.3%	\$	(453,483)	
<i>Difference</i>	\$	(39,290)	
<i>Total Cash Bonus (10 years)</i>	\$	(392,899)	
	\$	(7,065,263)	5.56%
If 15% or more below Budget, then:	Incentive=150 bps, increm., 10 yrs		
15% below Budget	\$	40,036,492	-15%
@ 9.3%	\$	(492,773)	
@ 7.8%	\$	(433,838)	
<i>Difference</i>	\$	(58,935)	
<i>Total Cash Bonus (10 years)</i>	\$	(589,349)	
	\$	(7,065,263)	8.34%

7. Any cash penalties or incentives will be calculated on final capital costs once both the Tundra and Mirasol Switching Stations are placed in service. Cash penalties or incentives will be amortized over 10 years and incorporated into either an associated TCA true-up or TCA estimate, both of which will be incorporated into the annual November TCA filing, in the year when each individual project is in-serviced.

8. The Settling Parties agree that a PIM penalty or incentive should be amortized over 10 years and recovered/returned through the TCA. If, in the future, an amortization of a PIM penalty or incentive extends beyond the period in which associated project capital is recovered through the TCA, ratemaking treatment of a PIM penalty or incentive in the TCA is still reasonable.

9. The Settling Parties acknowledge that tariff changes may be needed to implement the proposed PIM and request the Commission authorize the Company to file a compliance advice letter (or letters) to implement any necessary tariff changes after the effective date of its final decision in this Proceeding, but on not less than 15 days' notice. Settling Parties agree they will not protest any compliance advice letter filed to implement the Settlement Agreement.

V. Magnetic Fields and Noise Levels

10. The Settling Parties agree that, under Rule 3206(e) and (f), the expected maximum magnetic field and noise levels associated with the Projects are reasonable and require no further mitigation or prudent avoidance measures, as demonstrated by the Mr. Corrigan's Direct Testimony.

VI. General Provisions

11. This Agreement is made for settlement purposes only. No Settling Party concedes the validity or correctness of any regulatory principle or methodology directly or

indirectly incorporated in this Agreement. Furthermore, this Agreement does not constitute agreement, by any Settling Party, that any principle or methodology contained within or used to reach this Agreement may be applied to any situation other than the Proceedings defined in this Agreement, except as expressly set forth herein. No binding precedential effect or other significance, except as may be necessary to enforce this Agreement or a Commission order concerning the Agreement, shall attach to any principle or methodology contained in or used to reach this Agreement, except as expressly set forth herein.

12. Each Settling Party understands and agrees that this Agreement represents a negotiated resolution of all issues the Settling Party either raised or could have raised in the Proceedings. The Settling Parties agree this Settlement, as well as the negotiation process undertaken to reach this Settlement, are just, reasonable, and consistent with and not contrary to the public interest and should be approved and authorized by the Commission.

13. The discussions among the Settling Parties that produced this Agreement have been conducted in accordance with Rule 408 of the Colorado Rules of Evidence (“CRE”).

14. Nothing in this Agreement shall constitute a waiver by any Settling Party with respect to any matter not specifically addressed in this Agreement. In the event this Agreement becomes null and void or in the event the Commission does not approve this Agreement, then this Agreement, as well as the negotiations or discussions undertaken in conjunction with this Agreement, shall remain inadmissible into evidence in these or any other proceedings in accordance with CRE 408.

15. The Settling Parties will support all aspects of this Agreement embodied in this document in any hearing conducted to determine whether the Commission should approve this Agreement, and/or in any other hearing, proceeding, or judicial review relating to this Agreement or the implementation or enforcement of its terms and conditions. Each Settling Party also agrees that, except as expressly provided in this 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 Agreement. However, each Settling Party expressly reserves the right to advocate positions different from those stated in this Agreement in any proceeding other than one necessary to obtain approval of, or to implement or enforce, this Agreement or its terms and conditions. Each Settling Party agrees to testify in support of this Agreement if the Commission or assigned ALJ approves a procedural schedule that allows for either live testimony or the filing of Testimony in support of this Agreement. This Settlement Agreement may be modified by the express written agreement of both Settling Parties.

16. No waiver or variance of Commission Rules is required to effectuate this Agreement, but the Settling Parties agree jointly to apply to the Commission for a waiver of compliance with any requirements of the Commission's current Rules and Regulations if necessary to permit all provisions of this Agreement to be approved, carried out and effectuated.

17. This 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 Agreement (including attachments and appendices thereto).

18. This Agreement shall not become effective until the Commission issues a final decision addressing the Agreement. In the event the Commission modifies this Agreement in a manner unacceptable to any Settling Party, that Settling Party may withdraw from the Agreement and shall so notify the Commission and the other Settling Parties in writing within ten days of the date of the Commission order. In the event a Settling Party exercises its right to withdraw from the Agreement, this Agreement shall be null and void and of no effect in the Proceedings or any other proceeding.

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

20. This 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 Agreement. This 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 Agreement by the Settling Parties to the same extent that an original signature could be used.

Dated this 17th day of December, 2021.

Agreed on behalf of:

PUBLIC SERVICE COMPANY OF COLORADO

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

Approved as to form:

**ATTORNEY FOR PUBLIC SERVICE COMPANY OF
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Attachment A – Settlement Agreement
Proceeding No. 21A-0298E

FOR STAFF OF THE COLORADO
PUBLIC UTILITIES COMMISSION

APPROVED AS TO FORM

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