

NOTICE OF CONFIDENTIALITY
A PORTION OF THIS PROCEEDING HAS BEEN FILED UNDER SEAL
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 (1) ITS ELECTRIC AND)
NATURAL GAS DEMAND-SIDE MANAGEMENT)
(DSM) PLAN FOR CALENDAR YEARS 2017 AND)
2018, (2) REVISIONS TO ITS ELECTRIC AND) PROCEEDING NO. 16A-0512EG
GAS DSM COST ADJUSTMENT (DSMCA))
TARIFFS, INCLUDING RATES EFFECTIVE)
JANUARY 1, 2017, AND (3) APPROVAL OF THE)
PEAK PARTNER REWARDS TARIFF)

PUBLIC VERSION

UNOPPOSED COMPREHENSIVE SETTLEMENT AGREEMENT

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November 4, 2016

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EXHIBITS

Exhibit Identifier	Description
Exhibit A	Redlined 2017/2018 Demand-Side Management Plan
Exhibit B	Comparison of As Filed versus Settled 2017/2018 DSM Plan

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UNOPPOSED COMPREHENSIVE SETTLEMENT AGREEMENT

I. INTRODUCTION AND IDENTIFICATION OF THE PARTIES

This Settlement Agreement is a full and complete resolution of all issues raised in Proceeding No. 16A-0512EG, Public Service Company of Colorado’s (“Public Service” or the “Company”) Electric and Natural Gas Demand-Side Management (“DSM”) Plan for Calendar Years 2017 and 2018 (the “2017/18 DSM Plan”). The Parties to this proceeding are the following: Public Service , the Colorado Public Utilities Commission (“Commission”), Trial Staff (“Staff”), the Colorado Office of Consumer Counsel (“OCC”), the Colorado Energy Office (“CEO”), the Southwest Energy Efficiency Project (“SWEEP”), CF&I Steel, LP doing business as Evraz Rocky Mountain Steel (“CF&I”), the Colorado Energy Consumers (“CEC”), the City and County of Denver (“Denver”), the Energy Efficiency Business Coalition (“EEBC”), Energy Outreach Colorado (“EOC”), Western Resource Advocates (“WRA”), and Climax Molybdenum Company (“Climax”). The following Parties are joining this Settlement Agreement: Staff,

CEO, SWEEP, EEBC, EOC, WRA, Denver, CF&I, and CEC (collectively the “Settling Parties”).

The non-joining Party that intervened, did not file Answer Testimony, and does not oppose the Settlement Agreement is Climax.

The OCC is a non-joining Party that filed Answer Testimony in this proceeding and in light of concessions made in this Settlement Agreement and in recognition that the issues the OCC raised in this proceeding can be raised in the upcoming DSM Strategic Issues proceeding to be filed by March 31, 2017, the OCC does not oppose this Settlement Agreement. The Settling Parties agree that the OCC will enter the Answer Testimony of Mr. Chris Neil into the record via stipulation while not advocating those positions further in this proceeding.

II. BACKGROUND REGARDING PROCEEDINGS

A. Proceeding Background

Public Service’s proposed 2017/18 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 2017/18 DSM Plan was designed to achieve approximately 401 GWh in electric energy savings in 2017 and 2018, and 76 MW and 74 MW in incremental demand reduction, of which 59 MW and 57 MW were demand reductions from energy

efficiency,¹ in 2017 and 2018 respectively. The Company also originally proposed to achieve these savings with total proposed expenditures on electric energy efficiency of \$80.3 million in 2017 and \$77.7 million in 2018. The Company also proposed to implement its demand response program, which includes the Saver's Switch, Interruptible Service Option Credit ("ISOC"), and Peak Partner Rewards products. The Demand Response program including demand reductions from energy efficiency would provide 621 MW of cumulative savings in 2017 and 646 MW of cumulative savings in 2018. The annual, cost of these programs is forecasted to be \$19.2 million and \$20.6 million respectively.²

The Company also filed a gas DSM savings plan designed to save 636,078 dekatherms in 2017 at a cost of \$13.1 million and 573,136 dekatherms in 2018 at a cost of \$12.8 million.

The Settling Parties recommend that the Commission approve the Company's 2017 and 2018 natural gas and electric DSM plan together with the specific modifications to that plan that have been agreed to by the Settling Parties more fully described below, the revised electric and gas DSM cost adjustment ("DSMCA") tariffs including rates effective January 1, 2017, and the proposed Peak Partner Rewards tariff.

¹ See ordering paragraph 60 of Decision No. C14-0731 in Proceeding No. 13A-0686EG.

² The Demand Response program cost does not include credits associated with the ISOC program, which are recovered through the DSMCA.

B. Procedural Background

On July 1, 2016, Public Service filed its Verified Application, including the Direct Testimony and attachments of Company witness Shawn M. White, with the Commission for approval of its Electric and Natural Gas Demand-Side Management (“DSM”) Plan for Calendar Years 2017 and 2018. Public Service also requests approval for its revised electric and gas DSM cost adjustment (“DSMCA”) tariffs including rates effective January 1, 2017, and its Peak Partner Rewards tariff.

On August 17, 2016, by minute entry, the Commission deemed the Application complete and referred this matter to an Administrative Law Judge (“ALJ”) Mana L. Jennings-Fader for disposition. In Decision No. R16-0811-I, mail date August 31, 2016, ALJ Mana L. Jennings-Fader granted all interventions³ in this proceeding.

In Decision No. R16-0855-I, mail date September 15, 2016, ALJ Jennings-Fader adopted the agreed upon procedural schedule that included the filing of Answer Testimony by October 17, 2016, Rebuttal and Cross-Answer Testimony by November 7, 2016, stipulations or settlements by November 10, 2016, and hearing from November 17 to 18, 2016.

On September 21, 2016, Public Service filed the Supplemental Direct Testimony of Shawn M. White.

³ Staff, OCC and CEO were interventions of right and SWEEP, CF&I, CEC, Denver, EEBC, EOC, WRA, and Climax were granted permissive interventions.

In Decision No. R16-0970-I, mail date October 20, 2016, ALJ Jennings-Fader granted, *nunc pro tunc*, a joint and unopposed motion extending the filing date for Answer Testimony until October 24, 2016 to accommodate settlement discussions.

On October 24, 2016, the OCC filed Answer Testimony with accompanying attachments. On that same day all other Parties to this proceeding filed a Notice of Settlement to notify the Commission and ALJ Jennings-Fader that an agreement in principal had been reached based on a series of settlement meetings that were initiated on September 12, 2016.

All of the Parties to this proceeding continued to negotiate after the OCC filed Answer Testimony and the initial agreement in principal was modified. As a result the OCC is now able to not oppose this Settlement Agreement.

III. TERMS OF SETTLEMENT

The Settling Parties agree that the Commission should grant the Application filed in this Proceeding consistent with the agreed upon modifications below.

A. The 2015/2016 DSM Plan

The Settling Parties agree that if Public Service has not received approval of its 2017/2018 DSM Plan on or before December 31, 2016 that it is reasonable for Public Service to continue the implementation of its 2015/2016 DSM Plan until a final order has been received in this Proceeding. If this were to occur, the Settling Parties will file a Joint Statement that will identify the methodology to prorate the 2015/2016 DSM Plan for 2017. Precedent for this action exists in Proceeding No. 13A-0773EG whereby Public Service and the Parties to that case filed on September 19, 2013 a “Joint

Statement” which agreed to continue the implementation of the Company’s 2013 DSM Plan into 2014 pending approval of the 2014 DSM Plan.

B. The 2017/18 DSM Plan

The Settling Parties believe that Public Service’s 2017/18 DSM Plan, as modified by the terms of this Settlement Agreement, 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 and Decision No. C14-0731 issued in Docket No. 13A-0686EG. The Settling Parties also believe that the 2017/18 DSM Plan, as amended by this Settlement Agreement, 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 2017/18 DSM Plan, as amended, has been designed to meet the Commission approved electric energy savings goal of 400 GWh annually for 2017 and 2018, and the goal of 65 MW annual demand reduction from energy efficiency for those years, at a cost of less than the \$84.3 million Commission authorized cap of electric energy efficiency expenses.⁴

The Settling Parties agree that Public Service has both the discretion and the responsibility to manage the proposed gas and electric DSM Plan in order 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

⁴ See ordering paragraph 5 of Decision No. C14-0997 in Proceeding No. 13A-0686EG for the determination of the budget cap.

goals established in this proceeding. In implementing the 2017/18 DSM Plan, Public Service agrees to continue all of the programs, products, and pilots identified and described in the 2017/18 DSM Plan, as amended by this Settlement Agreement, and not to discontinue such programs, products, 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 make the following recommendations:

- i. The Commission authorize the Company to continue in effect or implement each of the programs, products, and pilots described in the 2017/18 DSM Plan, together with the amendments and additions to such programs, products, and pilots that are described in this Settlement Agreement.
- ii. The Commission authorize the Company to incur necessary costs to implement its DSM plans for 2017 and 2018, which are consistent with the Company's proposed budgets on electric energy efficiency, as revised in this settlement agreement to include the incremental amounts necessary to implement this Settlement Agreement.
- iii. The Commission authorize the Company to incur costs of \$80,429,748 in 2017, and \$77,741,665 in 2018 to implement the electric energy efficiency programs, to achieve the energy savings set forth in the 2017/18 DSM Plan, as revised per this Settlement Agreement.

- iv. The Commission authorize the Company to incur costs of \$19,180,133 in 2017 and \$20,625,501 in 2018 to implement the Demand Response program and to achieve the demand reduction set forth in the 2017/18 DSM Plan, as revised per this Settlement Agreement.
- v. 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 million⁵ for its electric energy efficiency portfolio.
- vi. The Company shall have a rebuttable presumption that costs incurred in excess of the revised energy efficiency budgets of \$80,429,748 for 2017 and \$77,741,665 for 2018, but still within the Commission-established budget cap for energy efficiency of \$84.3 million, are prudently incurred.
- vii. The Commission authorize the Company to spend the 2017 and 2018 budgets agreed to in this Settlement Agreement for the Company's natural gas DSM programs as set forth in below in Paragraph 6.

C. Participation by All Classes of Customers.

The Settling Parties believe that the Company's proposed 2017/18 DSM Plan, as amended by this Settlement Agreement, 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.

⁵ 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 without further Commission approval, as has been done with prior Commission approved DSM Plans.

D. 2017 and 2018 Energy and Demand Savings.

The Settling Parties agree that Public Service shall use its best efforts to achieve at least 421.7 GWh in electric energy savings in 2017 and 429.5 GWh in 2018, at least 65.0 MW in incremental demand reduction from energy efficiency in 2017 and 65.7 MW in 2018, and 16 MW of annual incremental demand response. The cumulative demand reductions from energy efficiency, demand response products, and the ISOC product is intended to be 626 MW in 2017 and 654 MW in 2018. 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 620 MW in 2017 and 640 MW in 2018.

The Settling Parties further agree that the Company shall use its best efforts to achieve natural gas savings of at least 636,078 dekatherms in 2017 and 573,136 dekatherms in 2018. 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 2017 and 2018 for purposes of determining the Company's performance under Rules 4754 and 4760.

E. Plan Modifications for 2017 and 2018.

In the course of negotiations, the Settling Parties have discussed various details of the Company's proposed programs, products, and pilots. As a result of these discussions, Public Service has agreed to make changes to certain aspects of certain of the DSM programs originally filed in the 2017/18 DSM Plan Application,

which are identified in subparts (a) through (r) below. The Company shall 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.

F. Cooling.⁶

The Company agrees to evaluate advanced rooftop controls⁷ (“ARCs”) for inclusion in the Cooling product; and, if found to be cost-effective, the Company will post a 60-Day Notice to add ARCs as part

G. Energy Management Systems (“EMS”).⁸

The Company agrees:

- i. to issue a request for qualifications⁹ for additional software providers for the Energy Information Systems (“EIS”) component of the EMS product,
- ii. to consider evaluating the ability for additional third-parties to implement the EMS product and the Company agrees to report on its evaluation and possible changes during the Second Quarter DSM Roundtable meeting in 2017 and again in the Third Quarter DSM

⁶ See page 78 of Exhibit A to the Settlement Agreement for the description of the Cooling product.

⁷ Advanced rooftop controls reduce the electricity consumption of rooftop air conditioners commonly used in smaller commercial buildings.

⁸ See page 92 of Exhibit A to the Settlement Agreement for the description of the EMS product.

⁹ A request for qualifications (“RFQ”) is a solicitation by the Company to interested third-parties to show that the third-party’s product is sufficient to meet the Company’s measurement and verification process. Responses to the RFQ allow a third-party to participate in the program but do not require a specific contract.

Roundtable meeting in 2017 if requested by stakeholders, and¹⁰

- iii. that Process Efficiency product participants will be eligible for EIS.

H. Energy Manager Co-Funding and Strategic Energy Manager Training.

The Company agrees to:

- i. pilot one Strategic Energy Management (“SEM”) cohort¹¹ if the cost to implement the cohort is consistent with the Company’s estimate to implement of no more than \$300,000,
- ii. explore the concept of co-funding an energy manager¹² for at least one commercial, industrial, or governmental entity using the existing Process Efficiency and/or EMS budgets,
- iii. claim savings for all participants in the Process Efficiency¹³ product associated with behavioral and operational savings which meet the requirements set forth in the EIS component of the EMS product, and¹⁴
- iv. make a reasonable attempt, in collaboration with interested stakeholders, to develop an alternative methodology to claim

¹⁰ Public Service’s DSM Roundtables occur approximately 45 days after the close of a calendar quarter. Therefore, the second and third quarter roundtables would be expected in August and November of 2017.

¹¹ SEM cohort” means a group of companies/organizations engaged in a training program over a period of approximately one year, in which participants receive group training and individual coaching in implementing the key elements of SEM within their respective facilities.

¹² “Energy manager co-funding” means providing incentives to a commercial, industrial, or governmental customer to help pay for the part of a salary for an energy manager. The energy manager co-funding activity may also include coaching/training to help the energy manager identify projects, organize energy teams, and track energy savings.

¹³ See page 133 of Exhibit A to the Settlement Agreement for the description of the Process Efficiency product.

¹⁴ See pages 95, 261, and 262 of Exhibit A to the Settlement Agreement for a description of the EIS component of the EMS product.

behavioral savings which will be presented in the Company's 2017 Strategic Issues filing.

I. New Construction (residential¹⁵ and commercial¹⁶).

The Company agrees to:

- i. provide a summary of the results of a survey to gauge the interest level of trade allies in Net Zero Energy in the residential new construction product, after the survey is completed; and, if cost-effective measures and/or polices can be identified, the Company will post a 60-Day Notice to add those as part of the new construction product offering,
- ii. consider co-funding education, training and outreach opportunities with interested organizations to encourage Net Zero Ready projects within the existing portfolio budget, and
- iii. hold discussions with stakeholders in early 2017 to further explore the co-funding issue identified in Section (d)(ii) immediately above.

¹⁵ See page 160 of Exhibit A to the Settlement Agreement for the description of the ENERGY STAR New Homes product.

¹⁶ See page 125 of Exhibit A to the Settlement Agreement for the description of the New Construction product.

J. Recommissioning.¹⁷

The Company agrees to:

- i. evaluate the potential for additional third-party vendors to implement the Building Tune Up product as this product matures, and
- ii. provide an update on the performance of the Building Tune Up product and its evaluation of alternative delivery methods in a DSM roundtable meeting by the second quarter of 2017.

K. Evaporative Cooling.¹⁸

The Company agrees to increase the budget and forecast for this product as part of a strategy to close the 65 MW demand reduction from energy efficiency gap, which is described in Section 11 below.

L. High Efficiency Air Conditioning.¹⁹

The Company agrees to:

- i. focus its marketing efforts towards the rebating of new installation air conditioning systems with quality installations²⁰ that do not qualify for a trade-in rebate, and
- ii. evaluate additional efficiency and rebate tiers to ductless mini-splits in 2017; and, if found to be cost-effective, the Company will

¹⁷ See page 137 of Exhibit A to the Settlement Agreement for the description of the Recommissioning product.

¹⁸ See page 167 of Exhibit A to the Settlement Agreement for the description of the Evaporative Cooling product.

¹⁹ See page 171 of Exhibit A to the Settlement Agreement for the description of the High Efficiency Air Conditioning product.

²⁰ A quality installation is a verification by the installing contractor that the air conditioning system is properly sized and optimized for the building at which it is installed. This process ensures a higher level of energy savings.

post a 60-Day Notice to propose adjustments as part of the high efficiency air conditioning offering.

M. Home Energy Squad.²¹

The Company agrees to:

- i. include smart thermostats in the product via a 60-Day Notice if the current smart thermostat pilot results indicate they are cost effective, and
- ii. partner with the product implementer on more joint marketing efforts, including concentrated neighborhood sweeps and additional targeted promotions in 2017 and 2018.

N. Home Performance with Energy Star.²²

The Company agrees to continue to evaluate this product's performance and will increase the funds spent for this product if cost-effective opportunities that remain within the budgetary cap of \$84.3 million are identified by the Company and that will assist the Company in meeting or exceeding the Company's DSM goals.

²¹ See page 178 of Exhibit A to the Settlement Agreement for the description of the Home Energy Squad® product.

²² See page 184 of Exhibit A to the Settlement Agreement for the description of the Home Performance with ENERGY STAR product.

O. Home Lighting and Recycling.²³

The Company agrees to:

- i. begin reducing energy efficient bulb discounts at stores in border territories and focus on expanding relationships with existing retailers within the electric service territory in order to serve more Public Service electric customers,
- ii. Not claim savings associated with retail locations located outside its electric service territory but include savings associated with retail locations outside but at the edge of its electric service territory, and
- iii. collaborate with the Colorado Energy Office and other Colorado electric utilities to convene a stakeholder group to determine if it is possible for multiple utilities to share the cost of incentives paid in stores in non-Public Service electric service territories or bordering the Company's electric service territory²⁴ and/or encourage neighboring utilities to fund incentives for LED lamps in stores located in their service areas.

²³See page 181 of Exhibit A to the Settlement Agreement for the description of the Home Lighting and Recycling product.

²⁴ Bordering stores would include those which are outside the Company's certificated service territory but are located near large populations of Public Service customers.

P. Residential Heating.²⁵

If the Residential Heating product is not meeting savings targets in 2017 and 2018, Public Service will consider increasing the incentives for cost effective measures, in this product, to drive the market and increase gas savings achievements.

Q. Water Heating.²⁶

The Company agrees that it will investigate alternative product delivery methods including shifting to upstream incentives for heat pump water heaters by the end of 2017. The goal of this investigation will be to improve the cost effectiveness of the product. The Company agrees to report on the results of this investigation in the fourth quarter 2017 DSM roundtable meeting, which will be held in the first quarter of 2018.

R. Multifamily Buildings.²⁷

The Company agrees to:

- i. consider prescriptive rebates²⁸ for future biennial DSM Plans and 60-Day Notices, and
- ii. evaluate the inclusion of additional products, including Multifamily Buildings, on its web portal and will add any other products if practical.

²⁵See page 196 of Exhibit A to the Settlement Agreement for the description of the Residential Heating product.

²⁶See page 203 of Exhibit A to the Settlement Agreement for the description of the Water Heating product.

²⁷See page 121 of Exhibit A to the Settlement Agreement for the description of the Multifamily Buildings product.

²⁸ A prescriptive rebate is a standard rebate offering that does not require a customized analysis of the measured energy savings of a specific customer.

S. Consumer and Business Education.²⁹

The Company agrees to:

- i. allocate \$50,000 in 2017 and 2018, from the proposed budget, to co-fund building energy code training³⁰,
- ii. continue to develop digital and online tools, such as “do it yourself” energy efficiency videos, for small and mid-sized business customers, and
- iii. commit to report the number of leads generated and shared with internal product management and customer service specialists from all customer outreach event categories in its DSM Status Report filed annually on March 31, including, but not limited to the cost for events and the methodology Public Service uses to track and verify energy savings that directly and proximately result from Public Service’s education efforts.

T. Product Development and Pilots.³¹

The Company commits to reporting results of any pilots, including the ENERGY STAR Retail Products Platform Pilot and Business Smart Thermostat pilot, prior to any product launch at the quarterly DSM roundtable meetings. The Company also agrees to reduce the proposed Product Development budget by approximately

²⁹ See pages 233 and 227, respectively, of Exhibit A to the Settlement Agreement for the description of the Consumer Education and Business Education products.

³⁰ See page 160 of Exhibit A to the Settlement Agreement for an example of the impact of building codes specifically on the ENERGY STAR New Homes product.

³¹ The Company’s Product Development process is discussed beginning on page 284 of Exhibit A to the Settlement Agreement.

\$1.7 million annually in 2017 and 2018 by scaling back its forecast of a potential smart thermostat product for business customers, as shown in Exhibit B.

U. Comprehensive and Process Evaluations.³²

The Company agrees to conduct a Comprehensive Evaluation for the Home Lighting product by the end of 2018 and a Process Evaluation for the Commercial Refrigeration product in 2017.

V. C&I Energy Data Analytics Tool.

The Company will provide an update on the C&I Benchmarking pilot at the Second Quarter DSM roundtable in 2017 and agrees to work with EEBC and any interested commercial and industrial customers or other interested parties to identify alternative delivery methodologies, including pilots, that provide energy data analytics for C&I customers.

W. Notice Requirements.

The Company agrees to:

- i. Provide a notice of each 60-Day Notice and 90-Day Notice for new products and measures to the Parties on the certificate of service for this Proceeding through the Commission's electronic filing system, as well as all of the participants in the DSM Roundtable, and
- ii. Post the Notices on its energy efficiency website, continue to submit its quarterly filings, which include the quarterly write up and achievements spreadsheet, summarize its 60-Day, 90-Day, and

³² See Table 2b of Exhibit A to the Settlement Agreement for a list of all comprehensive analyses included in the 2017/2018 DSM Plan.

Decision Notices in its annual report, and will also begin to file with the Commission for informational purposes: the notice of a DSM Roundtable meeting and a summary of the 60-Day, 90-Day, and Decision Notices during that quarter. 60-Day, 90-Day, and Decision Notices will be filed in summary format quarterly for administrative efficiency. Interested parties will still receive timely email communication when the initial 60-Day or 90-Day Notice is posted and when, if applicable, a Decision Notice is posted in response to stakeholder comments.

X. Trade-Ally Incentive Policy.

Public Service commits to delivering its products through an open process that provides a reasonable opportunity for all third-party trade allies to participate. However, some programs are delivered by contracted partners, through requests for proposals (“RFP”), in order to minimize the associated administrative costs, provide specialized skills or tools, provide product implementation services, and monitoring and verification (M&V) services. Where a product is delivered by a partner acquired through a competitive RFP, Public Service is willing to meet with interested stakeholders, including third-party trade allies and partners, to discuss alternative delivery methods and strategies.

Public Service commits to addressing in its testimony in its next Strategic Issues filing, the Company’s use of outside DSM consultants and providers and why those entities are needed, the provision of incentives to entities other than customers,

including the amounts involved, why such incentives are needed, and whether those incentives flow through to customers.

Y. 2017 and 2018 DSM Budgets.

The Settling Parties recommend approval by the Commission of the Company's electric and gas DSM budgets as modified by the Company in this Settlement Agreement and reflected in Exhibits A and B; specifically, for electric energy efficiency programs, \$80,429,748 in 2017 and \$77,741,665 in 2018, for electric demand response programs, \$19,180,133 in 2017 and \$20,625,501 in 2018, and for gas efficiency programs, \$13,130,855 in 2017 and \$13,719,957 in 2018. The Settling Parties agree that the DSM Plan budgets, as proposed by the Company, and as modified by this Settlement Agreement, were developed by 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 Settlement Agreement, the Settling Parties understand and acknowledge that the Company has the right to file and, in some circumstances under Decision Nos. C11-0442 and C14-0731, is required to file, a formal application for approval to implement DSM products that are currently not part of the 2017/18 DSM Plan. The Settling Parties agree that the Company has the discretion to include in such an application a specific request for approval of the additional budget dollars needed to implement such new products, and that Settling Parties have the right and the opportunity to challenge any 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 \$80,429,748 for 2017 and \$77,741,665 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.

Z. Avoided Costs.³³

The Company agrees to use the Commission-approved avoided cost methodology from the 2013 Strategic Issues Proceeding No. 13A-0686EG, which includes the 2011 Resource Acquisition Plan Combustion Turbine (“RAP CT”) to calculate avoided generation capacity costs, and Strategist modeling with the input assumptions approved by the Commission in the Proceeding No. 11A-869E to calculate avoided energy costs, with an updated natural gas price forecast using the Company’s updated Four Source Blend forecast and updated Gas Price Volatility Mitigation (“GPVM”) adder as filed in the 2016 Electric Resource Plan (“ERP”) application.³⁴ Use of the 2011 RAP CT as the basis for the avoided generation capacity cost assumption, updated for inflation and operations and maintenance costs, is in accordance with Decision No. R15-0496, in Proceeding No. 14A-1057EG.³⁵ Avoided costs for the Company’s ISOC program shall be determined in the

³³ See Appendix E of Exhibit A to the Settlement Agreement for the avoided energy, capacity, and Transmission & Distribution (T&D) costs calculated as part of the Settlement Agreement.

³⁴ Avoided transmission and distribution costs of the 2017/ 18 DSM Plan will be assumed to total \$11.20/kW-year, as proposed in the Company’s application.

³⁵ See ordering paragraph 79 of Decision No. C14-0731 in Proceeding No. 13A-0686EG. As an example, in accordance with that decision and Decision No. R15-0496, in Proceeding No. 14A-1057EG, Public Service updated

Company's next Strategic Issues filing which Public Service plans to make in the first quarter of 2017.

AA. Demand Response Dispatch Procedures.

The Company agrees to sponsor testimony in the next Strategic Issues filing, to be made on or prior to March 31, 2017, that discusses the Company's current dispatch procedures, specifically how and why each demand response product included in the DSM portfolio is dispatched, and incremental cost assumptions used for dispatch, as well as any proposed changes to the dispatch procedures. This testimony will also identify the number and type of events called for each demand response product during the prior 4 years.

BB. Peak Partner Rewards ("PPR").

The Settling Parties recommend approval of the Peak Partner Rewards Tariff. The Peak Partner Rewards product costs is forecasted to be \$3.80/kW-mo (\$3.17 total incentives + \$0.60 administration) compared to the current Third-Party Demand Response contract at [REDACTED]. The Parties agree that the PPR product is forecasted to be more cost effective than the existing Third-Party Demand Response product that it replaces. Further, the Parties recognize that the total annual incentive for the Peak Partner Rewards program is \$45.60 per kW (\$3.80 multiplied by 12 months), which is below the avoided cost of \$102.85 per kW³⁶ used to measure the cost effectiveness of the Company's 2017/18 DSM portfolio. The result is that the cost of this incentive is less than the avoided capacity costs, which suggests that

in a compliance filing for the 2015-2016 DSM Plan in Proceeding No. 14A-1057EG, avoided energy costs in Strategist with an updated gas price forecast, and avoided generation capacity costs based on the 2011 RAP CT.

³⁶ See Appendix E of Exhibit A to the Settlement Agreement for the annual avoided capacity costs.

nonparticipating customers also receive a benefit from the program. The Company agrees to:

- i. include a comprehensive evaluation of the PPR program in its biennial plan filing for 2019 and 2020, and to include in its annual status report filing the number of customers under the tariff, the number of interruptions called, and the number of interruptions that were coincident with the system peak,
- ii. convene a stakeholder meeting within fifteen months of the product launch to assess Peak Partner Rewards performance, develop the parameters of the comprehensive evaluation, and propose modifications to the tariff, if necessary, and
- iii. conduct a RFP in 2017 for implementation services, such as customer recruitment and/or hardware installations in 2018.

CC. Vendor Incentives.

Where the Company can verify and document that vendor incentives are directly benefiting end-use customers the Company will claim those costs as rebate or incentive costs and where it cannot, those costs will be identified as administrative costs during implementation of the 2017/18 DSM Plan. The Company will also provide available data and will propose a methodology in the next Strategic Issues filing to determine whether and to what measureable extent upstream incentive costs are indeed passed to customers, and if so, to calculate a more accurate percentage of such incentive costs. The Company will also evaluate the non-energy and market transformation benefits of

providing vendor incentives versus direct rebates as part of the regular product evaluations for midstream products.

DD. Demand Reduction from Energy Efficiency.

Public Service will propose to achieve 65 MW of demand savings in its energy efficiency programs by modifying products with high potential for demand savings to increase participation. The Company agrees to report on the forecasted achievement during the second quarter DSM roundtable in 2017, and if the Company finds that it is unlikely to reach the 65 MW goal, it will issue an RFP with the aim of reducing any demand shortfall.

EE. Avoided Transmission and Distribution Study.

The Company will evaluate the use of historical five-year average costs for transmission and distribution costs to update the avoided transmission and distribution value utilized in DSM avoided cost calculations and will be provided in the Strategic Issues filing. If the Company finds that historical transmission and distribution expenditures are more stable than its forecast of future annual budgets, the Company will calibrate its future budget forecasts to historical expenditures.

IV. GENERAL PROVISIONS

1. Each Settling Party understands and agrees that this Settlement Agreement represents a negotiated resolution of all issues that the Settling Party either raised or could have raised in this Proceeding to which it is a Party. Each Settling Party understands that the Commission's approval of this Settlement Agreement shall constitute a determination that the Settlement Agreement represents a just, equitable, and reasonable resolution of these issues. Accordingly, the Settling Parties state that reaching resolution of these issues through this negotiated Settlement Agreement is in the public interest and that the results of the compromises and agreements reflected in the Settlement Agreement are just reasonable, and in the public interest.

2. This Settlement Agreement is intended to be a comprehensive settlement resolving all issues raised by the Parties in this Proceeding. To the extent that an issue has not been addressed specifically in this settlement, the Settling Parties agree that the Company's position as set forth in its Direct and Supplemental Direct Testimony and Attachments shall govern as it relates to the 2017/18 DSM Plan. A redlined version of the 2017/2018 DSM Plan is included as Exhibit A to this Settlement Agreement.

3. The Settling Parties agree to join in a motion that requests that the Commission approve this Settlement Agreement, and to support the Settlement Agreement in any subsequent pleadings or filings. Each Settling Party further agrees that in the event that it sponsors a witness to address the Settlement Agreement at any hearing that the Commission may hold to address it, the Settling Party's witness will testify in support of the Settlement Agreement and all of the terms and conditions of the Settlement Agreement. The Settling Parties agree to reasonably seek approval of this

Settlement Agreement before the Commission against challenges that may be made by non-executing parties.

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

5. Except as expressly stated herein, nothing in this Settlement Agreement shall resolve any principle or establish any precedent or settled practice.

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

7. The discussions among the parties that produced this Settlement Agreement have been conducted with the understanding, pursuant to Colorado law, that all offers of settlement, and discussions relating thereto, are and shall be

privileged, inadmissible, and without prejudice to the position of any party. Such communications shall not be used in any manner in connection with this or any other proceeding.

8. This Settlement Agreement shall not become effective until the issuance of a final Commission Order approving the Settlement Agreement, which Order does not contain any modification of the terms and conditions of this Settlement Agreement that are unacceptable to any of the Settling Parties. In the event the Commission modifies this Settlement Agreement in a manner unacceptable to any Settling Party, that Settling Party shall have the right to withdraw from this Agreement and proceed to hearing on any issue(s) that may be appropriately raised by that Settling Party in any applicable Proceeding. The withdrawing Settling Party shall notify the Commission and the Settling Parties to this Settlement Agreement by e-mail within three business days of the Commission modification that the party is withdrawing from the Settlement Agreement and that the party desires to proceed to hearing; the e-mail notice shall designate the precise issue or issues on which the party desires rehearing (the "Hearing Notice").

9. The withdrawal of a Settling Party shall not automatically terminate this Agreement as to any other party. However, within three (3) 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 Settlement Agreement. Within five (5) business days of the date of the Hearing Notice, the Settling Parties shall file with the Commission in each Proceeding, a formal notice

By: /s/ Anne K. Botterud

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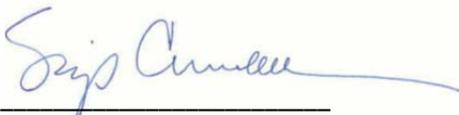
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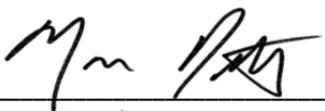
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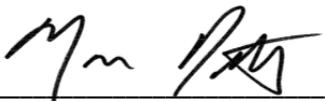
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