

Consumer Counsel – the Settling Parties have entered into settlements for each Proceeding on a comprehensive basis. The following table lists all twenty-six (26) parties to one or more of the three Proceedings. It also identifies which Proceeding(s) each Party is in, and whether the Party is joining the Settlement Agreement. If a party is listed as “joining” in the table below that means it is a Settling Party for every Proceeding it has intervened. Where applicable, the table also details whether a Party is only joining the Settlement Agreement with respect to some but not all of the Proceedings in which it is a party, in which case the table specifies the position the party is taking in each of Proceedings it has intervened. In the case of the Office of Consumer Counsel, the table also explains how it is joining the Phase II settlement on a partial basis.

Intervenor	Phase II	Solar* Connect	2017 RE Plan	Settlement Position
Staff of the Colorado Public Utilities Commission (“Staff”)	X	X	X	Joining
Office of Consumer Counsel (“OCC”)	X	X	X	Joining (with a special provision for Decoupling)
CF&I Steel, L.P. (“CF&I”)	X			Joining
City & County of Denver (“Denver”)	X		X	Joining
City of Boulder (“Boulder”)	X	X	X	Joining
Clean Energy Collective (“Clean Energy”)			X	Joining
Climax Molybdenum Company (“Climax”)	X		X	Joining Phase II; not opposing 2017 RE Plan
Colorado Communications and Utility Alliance (“CCUA”)	X			Joining
Colorado Energy Consumers (“CEC”)	X			Joining
Colorado Energy Office (“CEO”)	X	X	X	Joining
Colorado Independent Energy Association (“CIEA”)		X		Joining
Colorado Solar Energy Industries Association (“COSEIA”)	X	X	X	Joining
Energy Freedom Coalition of America (“EFCA”)	X	X	X	Joining RE Plan and Phase II; Non-Opposing No Position Party for Solar*Connect

C. Supplemental Service

The Settling Parties agree that the Supplemental Service under the standard or optional three-part service schedules (to the extent customers are either required to or opt to take service under such schedules) will be implemented as proposed by the Company in its Direct Testimony with one clarification. The service schedules under which Supplemental Service is available will include a provision explaining that Supplemental Service will apply only to customers not receiving service under Schedule Net Metering (“Schedule NM”). Specifically, Supplemental Service will apply only to customers who install a distributed generation system that generates more than 120 percent of their historical total annual energy consumption measured at the time of interconnection or who elect to not take service under Schedule NM.

D. Schedule SPVTOU

The Settling Parties agree that Schedule SPVTOU (Secondary Photovoltaic Time-of-Use), which is applicable to electric service supplied at secondary voltage for customers who install on-site photovoltaic systems (“PV systems”) between ten (10) kW and 500 kW, will not be terminated as the Company proposed in its Direct Testimony. A revised Schedule SPVTOU will be available to new customers who are awarded capacity in the Medium Solar*Rewards program on or after January 1, 2017. Customers on Schedule SPVTOU as of December 31, 2016, will remain eligible for service under Schedule SPVTOU at rates incorporating the current SPVTOU rate design, as will any customers who are awarded capacity in calendar year 2016 but do not have their photovoltaic system online prior to the end of 2016. Eligibility qualifications for new construction for Schedule SPVTOU where twelve (12) months of historical usage is

unavailable will be reviewed based on the submitted Electric Load forecast as part of the solar application. Discussions regarding the ability of commercial customers, such as Secondary General (“SG”) customers, to participate in voluntary renewable programs will continue as part of the Existing Voluntary Renewable Programs Stakeholder Group as described in Attachment F. Participation in Schedule SPVTOU after January 1, 2017, will be capped by the approved annual capacity for the Solar*Rewards medium program. The Settling Parties agree that in the event in a calendar year the Company has new participants in the SPVTOU tariff totaling 36 MW in aggregate service demand, the Company will temporarily suspend the SPVTOU tariff¹² to new entrants and convene a meeting of the Existing Voluntary Renewable Stakeholder Group to discuss the issue and seek a resolution. All demand based riders to the SPV-TOU schedule shall be designed using the 2pm-6pm G&T demand charge structure in the SPV-TOU schedule.

E. Elimination or Closing of Existing Service Schedules

The Settling Parties agree with the Company’s proposals in its direct case with respect to the restriction/elimination/closing of Schedules STOU (Secondary Time-of-Use), PTOU (Primary Time-of-Use), TTOU (Transmission Time-of-Use), and SGL (Secondary General Low- Load Factor) except as modified below:

1. Schedule STOU will be closed to new customers as of January 1, 2017. For existing customers on Schedule STOU, the Company will continue to offer Schedule STOU through 2022. Schedule STOU will expire on January 1, 2023, unless the Commission explicitly extends it.

¹² In the event that the suspension occurs prior to the fourth quarter of the year, the Stakeholder group will work to resolve the issue within a 60 day period.

2. Schedule PTOU will be closed to new customers as of January 1, 2017. For existing customers on Schedule PTOU, the Company will continue to offer Schedule PTOU through 2022. Schedule PTOU will expire on January 1, 2023, unless the Commission explicitly extends it.

III. Other Pricing Issues

A. Company Pricing Proposals Adopted in Settlement Agreement

The Settling Parties expressly acknowledge that the service schedules included in Attachment D reflect agreement to implement the following pricing elements as proposed by the Company in its direct case:

- The seasonal rate differentials for Schedule SG and Schedule PG G&T Demand Charges.
- The period over which the billing demands applicable to the G&T Demand Charge will be determined.
- The 50% distribution demand ratchet for Schedule SG and Schedule PG, as approved by the Commission in the 2009 Phase II rate case.

B. Grid Use Charge – Residential and Energy-Only TOU Rates

In consideration for the compromises reached in this Settlement Agreement relating to all three Proceedings, the Company withdraws its proposed Grid Use Charge for Schedule R. The Settling Parties agree that the Company should initiate a trial Residential energy-only time-of-use (“TOU”) rate under a new Schedule Residential TOU (“RE-TOU”). The methodology and timeline for Schedule RE-TOU is described in Section IV of this Settlement Agreement. In accepting this proposal, the Settling Parties

also recognize the policy value of an appropriately designed Decoupling Mechanism. See Section VI of this Settlement Agreement regarding Decoupling.

C. Grid Use Charge - Commercial

The Company also withdraws its proposal regarding the Grid Use Charge for the small commercial service (Schedule C) in consideration for the compromises reached in this Settlement Agreement. The Settling Parties agree that Schedule C energy charges will be based on the Optional Energy Charges and lower Service and Facilities (“S&F”) charge proposed by the Company in Direct Testimony (Direct Testimony of Steven W. Wishart, Attachment SWW-2). These proposed rates will be revised as necessary to reflect the changes to the CCROSS explained above in Section I. Please see Section VIII below regarding a pilot for the Schedule C customers.

D. Generation and Transmission Charges for TG Customers

The Settling Parties agree that the Company’s proposed time-based assessment of G&T demand charges for Schedule TG warrants further collaboration. Thus, the Company withdraws its mandatory time-based assessment for Schedule TG at this time and agrees to continue to work with TG customers to move such a concept forward in the future. To facilitate such progress, the Company agrees to meet with interested parties prior to the next Phase II rate case to achieve the goal of providing Schedule TG customers additional information regarding the impacts of the time-based demand charge assessment.

E. Schedule NM Customers

The Settling Parties agree that customers who receive service under Schedule NM (Net Metering), regardless of whether they are participating through Solar*Rewards, will have equivalent treatment to comparable Solar*Rewards customers regarding base rate design. Public Service will not propose prior to the next Phase II rate case any new tariff that would alter this treatment. Public Service further agrees to cease sending the notification letters concerning the possibility of future tariff changes to customers who elect to participate in net metering, but not through a Solar*Rewards program.

IV. Residential Energy-Based TOU Base Rates and the Electric Commodity Adjustment (“ECA”)

The Settling Parties agree that the Commission should consider whether to authorize Public Service to implement energy-based TOU rates for all residential customers. This Section IV discusses the implementation of an RE-TOU trial to study and analyze whether residential energy-based TOU rates should be implemented for all residential customers.

The Settling Parties agree to the Schedule RE-TOU on a trial basis and timeline of implementation for this trial as set forth below.

A. Rate Structure for RE-TOU Trial

1. Time Periods

The trial Schedule RE-TOU features an energy-based TOU rate design with three periods. To promote customer understanding, the Settling Parties agree that the time periods should not vary by season. The time periods included in the trial Schedule RE-TOU are as follows:

On Peak: 2 PM through 6 PM (weekday, non-holiday)
 Off Peak: 9 PM through 9 AM
 Shoulder: All Other Hours

2. Summer/Winter Differential

Just as the Company's current tiered rates are higher in the summer, the energy-based Trial Program's RE-TOU rates will be higher in the summer than in the winter. The Summer period is defined as June 1 through September 30, and the Winter period is defined as all other months.

3. Proposed Rates

The Proposed Rates are as follows:

	<u>Summer</u>	<u>Winter</u>
On Peak:	\$0.13814	\$0.08880
Shoulder:	\$0.08420	\$0.05413
Off Peak:	\$0.04440	\$0.04440

These Proposed Rates are for base rates only and do not include riders and other charges that will be in addition to the Proposed Rates shown above.

B. Implementation of the RE-TOU Trial Program

1. Timeframe

The trial Schedule RE-TOU rates will be effective and available to residential customers commencing January 1, 2017,¹³ for any customer on Schedule R whose

¹³ There is a possibility that the availability of Schedule RE-TOU and RD-TDR may be delayed beyond January 1, 2017 due to software programming by the Company. In the event that this occurs, the promotion of both Schedule RE-TOU and RD-TDR will be delayed and made available to customers simultaneously. The Company will endeavor to complete the software programming and implement these changes as expeditiously as possible.

existing meter is exchanged for either (1) “a bridge meter”¹⁴ or (2) an advanced grid meter (as defined and provided below in subsection B.8).

Public Service has made a filing, the Advanced Grid Intelligence and Security Application (“AGIS Application”) in Proceeding No. 16A-0588E, to implement advanced metering infrastructure in its service territory. This proposed metering infrastructure change would enable full deployment of the energy-based TOU rate design across the entire Residential class if approved by the Commission. As proposed in the Company’s AGIS Application, it is anticipated that the roll-out of advanced metering to all residential customers will begin in the fourth quarter of calendar year 2018 and be completed in late 2021. Although several provisions of this Settlement Agreement reference Public Service’s AGIS Application, this Settlement Agreement should not be construed as presupposing the Commission’s approval of that application or indicating any of the Settling Parties’ position on that filing. The Settling Parties are free to take any position they deem appropriate regarding the AGIS Application. In the event that the Commission does not approve the Company’s AGIS Application, the Company will file an Advice Letter to amend Schedule RE-TOU to close the schedule to new customers after December 31, 2019. In the event of this occurrence, the Company will also commence discussions in the Existing Voluntary Renewable Program stakeholder group regarding how to migrate existing customers on Schedule RE-TOU that also are subject to Schedule NM to other tariffs.

¹⁴ “Bridge meter” is defined and discussed further below.

2. Commission Consideration for Transition from RE-TOU Trial Program to Final RE-TOU Schedule for All Residential Customers

The Parties and the Commission will analyze and study the results of the trial contemporaneously with the filing of the Company's Advice Letter for a final Schedule RE-TOU for all residential customers. If the results warrant that the trial should be transitioned to all residential customers, then the Settling Parties propose to undertake several steps in order to ensure a successful implementation of the final Schedule RE-TOU schedule to all of Public Service's 1.2 million residential customers and ensure residential customers are well-informed. These steps are conditioned on Commission approval of the AGIS Application and the final Schedule RE-TOU Advice Letter discussed below.

First, prior to the Commission consideration for transition of all residential customers to final Schedule RE-TOU, the parties believe it would be informative to have a voluntary and early recruitment of diverse trial participants participating on the trial Schedule RE-TOU schedule who are representative of the residential population.

Second, the Company's Advice Letter for a potential final RE-TOU rate schedule will utilize all data gathered from the trial participant group up to five months before the Company's Advice Letter to inform its final Schedule RE-TOU Advice Letter filing. The stakeholders will convene to analyze and discuss the data and the trial participants' response prior to the filing of the final Schedule RE-TOU Advice Letter filing. Pursuant to the Pilot and Trial Program Stakeholder Group detailed in Attachment F, parties shall have access to data regarding the trial in advance of the Advice Letter filing.¹⁵ The final

¹⁵ This stakeholder group will receive similar information on the RD-TDR pilot, described below.

Schedule RE-TOU Advice Letter filing is discussed in further detail in Section IV.B.7 of this Settlement Agreement.

Third, the parties believe it is reasonable that prior to implementation of final RE-TOU rates for all residential customers, Public Service shall file an Advice Letter (a final “Schedule RE-TOU Advice Letter filing”) for at least three reasons: (1) to provide the Commission, Public Service, and stakeholders a decision point as to whether Schedule RE-TOU should become the rate for all residential customers based on the efficacy of the initial design of Schedule RE-TOU rate structure on different residential customer demographics, specifically including low-income customers; (2) to provide an opportunity to revise Schedule RE-TOU; or (3) to discontinue Schedule RE-TOU.

3. Number of Voluntary Trial Participants

As a goal for participation, the target number of voluntary participants for enrollment in the Trial Schedule RE-TOU rate is the same number of customers as in the Schedule RD-TDR (Residential Demand – Time Differentiated Rates) pilot, which is 10,000 in 2017, 14,000 in 2018 and 18,000 in 2019 of cumulative participation by year. The Schedule RD-TDR pilot is explained in further detail below in Section VII of this Settlement Agreement. The participation goals and caps for the RD-TDR pilot and the RE-TOU voluntary trial participant levels are cumulative, and are summarized below:

	2017	2018	2019
RD-TDR Participation Goal	10,000	14,000	18,000
RD-TDR Participation Cap	10,000	14,000	18,000
RE-TOU Participation Goal	10,000	14,000	18,000
RE-TOU Participation Cap	10,000	20,000	30,000

Public Service will pursue similar budgets, marketing opportunities, participant characteristics, and goals for participation of voluntary trial participants in the Schedule RE-TOU service as the Schedule RD-TDR pilot.

4. RE-TOU Trial Participants

The Company will seek voluntary participants in the trial Schedule RE-TOU to determine whether a final RE-TOU rate for all residential customers is prudent and in the public interest. Additionally, the trial will provide an opportunity for: (1) adequate educational materials to be prepared; (2) testing the impact of the trial RE-TOU rate differentials and pricing time periods; and, (3) testing the trial RE-TOU rate with existing and new DSM or energy efficiency tools, including special offers enabling information technology such as control and price/usage feedback devices and software for Schedule RE-TOU trial participants. Specifically, at a minimum, Public Service commits to promoting programmable thermostats as available through our DSM program to any residential customer that goes on the new Schedule RE-TOU service or pilot Schedule RD-TDR, including offering an incentive (rebate) on the smart thermostat under its DSM programs. Public Service commits to working with the stakeholders to recruit a representative and diverse group of residential customers to be trial participants in order to minimize the self-selection bias as discussed in Attachment F.

5. Low-income Trial Participants

Up to 500 low-income residential customers will also be actively recruited to participate in the voluntary RE-TOU trial group described above. This will provide an opportunity to understand how this rate design works for this subset of customers. Recognizing these customers are a protected customer class under the Colorado

Utilities Law and the benefits of obtaining information on how TOU rates impact low-income customers, a “hold harmless” provision is instituted for this subset of customers. The “hold harmless” provision would allow low-income trial participants to pay the lower of their monthly bills determined under Schedule R and trial Schedule RE-TOU. If a low-income customer’s bill under Schedule R is less than the bill under Schedule RE-TOU, then this dollar difference will be deferred and collected later through residential rates from the entire residential customer class. A low-income customer will be charged the Schedule RE-TOU rate, but will receive a bill credit on the current or subsequent bill for any amount that exceeds what the customer would have been charged under Schedule R. Low-income voluntary trial participants will be clearly notified at the commencement of their service under Schedule RE-TOU, and again on their bills, as to how this credit will work and the difference between the billings under the two tariffs. For the purposes of any approved Decoupling Mechanism, the calculated Schedule RE-TOU rates will be utilized while the “hold harmless” provision of the trial is in place.

6. *Bridge Meters for the RE-TOU Trial:*

The metering that is currently in place for residential customers is not capable of time-of-use billing. For voluntary trial participants, Public Service will install a “bridge meter” that would allow the Company to measure and bill a customer’s monthly electric usage under Schedule RE-TOU prior to such time that the advanced meter is installed and/or the Commission has issued a decision in the final Schedule RE-TOU Advice Letter filing described below. Trial participants would have the right to withdraw from the Trial RE-TOU tariff up to the end of the sixth billing cycle. The additional metering costs attributable to the bridge meter will be recovered through the S&F Charge assessed to

voluntary RE-TOU trial participants, subject to the hold harmless provision for low-income trial participants, discussed above.

7. Final Schedule RE-TOU Advice Letter Filing:

On December 2, 2019¹⁶, Public Service will file with the Commission an Advice Letter including the results of its analysis regarding participation in the Trial Schedule RE-TOU, along with all underlying data. This final Advice Letter is intended to inform the Commission whether Schedule RE-TOU requires modification prior to implementing the final RE-TOU rate design for all Residential customers, whether Schedule RE-TOU is working well as originally implemented, or whether it should be discontinued. The Advice Letter will specifically address the evaluation of the impact of Schedule RE-TOU on low-income participants. All parties reserve their rights to take any position in the Advice Letter proceeding, including on the low-income issues raised therein and/or the presented materials and recommendation of Public Service. Additionally, parties may offer other recommendations as related to the final Schedule RE-TOU Advice Letter filing, including but not limited to: discontinuing Schedule RE-TOU, modifying the Schedule RE-TOU, grandfathering of RE-TOU rate designs for trial participants, and implementing a net metering offset credit approach for those trial participants that are net metered. In the event of a Commission decision approving a final Schedule RE-TOU Advice Letter, all residential customers with adequate metering to bill the approved Schedule RE-TOU rates will be transitioned to that service schedule as of the customer's next billing cycle if practical, or no later than the billing cycle subsequent to

¹⁶ This requirement to file an Advice Letter on Schedule RE-TOU is moot if the Commission denies the AGIS application. If the AGIS Application is denied, the Company shall provide a final set of data, analysis, and results from both the RD-TDR pilot and the RE-TOU to the Pilot and Trial Program Stakeholder Group. This analysis shall include an evaluation of the impact of each rate design on low income customers.

the next billing cycle. The Settling Parties recognize that the Commission has the right to deny the Advice Letter which at a minimum closes Schedule RE-TOU.

8. *Advanced Meters:*

Under the anticipated timeline for advanced meter installations, Public Service will begin installing meters in the third/fourth quarter of 2018, provided that the Commission approves Public Service's AGIS Application. To allow sufficient time to gather data and process such data for an informed final Schedule RE-TOU Advice Letter filing, the Company will offer, as discussed above, the trial Schedule RE-TOU on a voluntary basis prior to the Company's proposed advanced meter deployment pursuant to its AGIS Application and as described in this Settlement Agreement. In addition, some customers may receive their Advanced Meters prior to the Commission's decision on the final Schedule RE-TOU Advice Letter. The parties agree that these customers should also be moved to the trial Schedule RE-TOU prior to a Commission decision regarding the final Schedule RE-TOU Advice Letter, and be afforded an opt-out during their first six billing cycles, but prior to the end of the seventh billing cycle. If a customer opts-out of the trial Schedule RE-TOU rate prior to a Commission Decision on the final Schedule RE-TOU Advice Letter and after their Advanced Meter deployment, such customer will remain on Schedule R or an alternative residential service schedule; however, the customer will continue to pay the S&F charge in Schedule RE-TOU to cover additional metering costs attributable to the Advanced Meter.

Customers, who do not migrate to the trial Schedule RE-TOU or the Schedule RD-TDR pilot between January 1, 2017, and the installation of their advanced meter, will remain on Schedule R as set forth above.

The S&F Charge for trial Schedule RE-TOU includes recovery of the additional metering costs explained above and \$330,000 of estimated one-time programming and billing expenses for both the RE-TOU and RD-TDR implementation. Any additional programming and billing costs of implementing the RE-TOU and RD-TDR services as explained above shall be treated as miscellaneous trial program/pilot expenses eligible for deferred accounting and recovery in a subsequent proceeding, as explained in more detail below.

9. *Other Issues related to the Implementation of Schedule RE-TOU*

The following items are other issues related to the implementation of Schedule RE-TOU:

- The Settling Parties agree that the tiered rate structure and rate differential for residential customers remain as proposed by the Company in Schedule R. Customers not yet moved to Schedule RE-TOU will remain on the revised Schedule R as described above.
- In order to simplify a residential customer's ability to track their energy periods, the Settling Parties agree that a TOU ECA should be assessed on Schedule RE-TOU customers. The Company agrees to work to implement an ECA that has an off-peak period defined consistently with the off-peak period designated for Schedule RE-TOU.

V. Net Metering Considerations

In light of the agreements reached regarding the Electric Phase II and RE Plan issues, the Settling Parties agree that changes to when a production meter is required

and how excess energy is treated for Schedule NM customers are necessary. As such, the Settling Parties agree as follows:

A. Production Meters:

Customers included under the Company's Solar*Rewards programs are governed by applicable terms of the voluntary PV and NM tariffs. Under such tariffs, Solar*Rewards customers are required to pay for applicable production meter costs as approved by the Commission.¹⁷ Customers not participating in the Solar*Rewards programs but taking service under Schedules PV and NM will also be subject to production metering; however, in recognition that such meters are not necessary for the tracking of production based incentives, the cost of those production meters will be assessed to the Company and funded through the RESA account.

B. Excess Energy Treatment:

Under a TOU-based rate design, it is feasible to measure customer consumption and customer renewable energy production within TOU time periods. The parties agree that within a monthly billing period, netting of customer renewable energy production and customer consumption inside of the TOU time periods is appropriate. This will allow, for example, customer renewable energy production in the On Peak time period to offset customer consumption within this same time period. However, the question of how to compensate customers for any monthly excess energy production needs to be addressed. With respect to monthly excess energy, § 40-2-124(1)(e)(I)(B), C.R.S., states a customer is able to make a one-time election regarding how he or she is

¹⁷ See Decision R14-0902 in Proceeding No. 13A-0836E, R12-0261 in Proceeding No. 11A-418E and tariff approval through Proceeding 15AL-0120E.

credited for excess energy. A customer may either elect to (1) roll such monthly excess energy forward to offset future monthly bills in perpetuity (the “Roll Over Option”) or (2) accumulate such monthly excess energy from month-to-month, and to the extent that any remains at the end of the year, the customer will be compensated at the Average Hourly Incremental Cost (“AHIC”) (the “Cash Out Option”). Current customers that have enrolled in net metering have already made this selection and new customers will continue to make this selection.

Commission Rule 3664(b) requires monthly excess energy generation to be credited against a customer’s next month’s bill on a one-to-one basis. However, a TOU rate structure assigns different values to kilowatt-hours (“kWhs”) based on the time of energy generation and consumption. Parties agree that a one-to-one retail credit for monthly excess generation may be achieved consistent with a TOU rate approach through one of two approaches, depending on whether a customer elects the Roll Over Option or the Cash Out Option. Accordingly, on a going forward basis under a TOU rate design, the Settling Parties agree that the following approach should be adopted for all net metering customers, new and existing.

1. Roll Over Option

For any Customer who is net metered and on a service schedule featuring time-differentiated base energy charges, the Company will track the Customer’s excess energy by the time period that the energy was generated (On Peak, Shoulder, or Off Peak, as applicable). A Customer’s excess energy by billing period will then be multiplied by the prevailing total energy rate (base energy rate plus riders assessed on a per-kWh basis) for the same time period that the excess energy was generated (On Peak, Shoulder, Off Peak, as applicable) to determine a dollar credit. This credit will

then be used to offset the Customer's bill for retail electric consumption, except for the Service and Facilities charge. To the extent that a remaining credit exists, it will roll from Month-to-Month in perpetuity until the Customer leaves the premise. The implementation of this Roll Over Option is dependent on a customer's service schedule:

- a. Schedule R, Schedule C, Schedule SG, Schedule PG, and Schedule TG – A customer's excess energy credit will be calculated by multiplying the prevailing monthly base energy rate by the excess energy generated (in kWh) in that month.
- b. Schedule RE-TOU and Schedule SPVTOU – A customer's excess energy will be multiplied by the prevailing base energy rate for the time period that the excess energy was generated (On Peak, Shoulder, or Off Peak as applicable) by the excess energy generated (in kWh) during that time period.

2. Cash Out Option

For any Customer who is net metered and on a service schedule featuring time-differentiated base energy charges, the Company will track the Customer's excess energy by the time period that the energy was generated (On Peak, Shoulder, or Off Peak, as applicable). Inside of a billing period, excess On Peak energy may be utilized to offset either Shoulder or Off Peak energy, and excess Shoulder energy may be utilized to offset Off Peak energy. Across billing periods, the Company will first apply accumulated excess On Peak energy to the On Peak period if the Customer has On Peak net consumption, then apply any remaining excess On Peak energy to the Shoulder Energy or Off Peak energy, as applicable. Shoulder energy will first be applied

to Shoulder Month consumption, then applied to Off Peak consumption. At the end of the Year, any remaining excess energy shall be compensated at the Average Hourly Incremental Cost (“AHIC”). The implementation of this Cash Out Option is dependent on a customer’s service schedule:

- a. Schedule R, Schedule C, Schedule SG, Schedule PG, and Schedule TG – No changes will be implemented to how customers are currently being provided compensation for excess energy.
- b. Schedule RE-TOU, Schedule RD-TDR, and Schedule SPVTOU– Public Service will accumulate the customer’s excess energy credit as it pertains to the time period that the energy was generated (On Peak, Shoulder, or Off Peak). In the month the energy is generated, excess On Peak energy generation at the end of the month will be utilized to offset Shoulder consumption first then Off Peak energy consumption second. Excess Shoulder energy generation at the end of the month will be utilized to offset Off Peak energy. Across months, Public Service will first apply excess On Peak energy from the prior month (or months) to the On Peak period in the event that the customer has On Peak net consumption before applying such excess On Peak energy to the Shoulder net consumption. The same will apply to excess Shoulder month energy: across months it will first be applied to Shoulder net consumption prior to being applied to Off Peak net consumption. At the end of the year, to the extent any excess kWhs remain, such excess energy shall be compensated at the AHIC.

Rule 3664(b) was adopted at a time that did not contemplate TOU rates. The Settling Parties, however, believe this approach is consistent with § 40-2-124(1)(e)(I)(B), C.R.S. Accordingly, to implement this provision, the Settling Parties agree to seek a waiver of Commission Rule 3664(b).

VI. Decoupling

The Company has proposed a decoupling mechanism for its residential (Schedule R) and small commercial (Schedule C) customers in Proceeding No. 16A-0546E. For purposes of this proceeding and this Settlement Agreement, the Company is agreeing to: (1) withdraw the Grid Use Charge proposal, (2) implement Schedule RE-TOU, and (3) expand the capacity in the RE Plan beyond that originally offered in the Company's Direct Testimony. In consideration for these agreements, while not necessarily agreeing with the Company regarding the reasons a decoupling mechanism may be appropriate for residential (Schedule R) and small commercial (Schedule C) customers, the Settling Parties who are joining this Phase II settlement agreement in its entirety agree not to oppose the principle that the Company should be permitted to have some form of a decoupling mechanism in place for its residential (Schedule R) and small commercial (Schedule C) customers for a period of time, the duration of which will be determined in Proceeding 16A-0546E.¹⁸ However, the Settling Parties are free to take any other position they deem appropriate regarding the form and mechanics of the decoupling mechanism including, but not limited to, positions on how such a mechanism should be implemented, how it should be structured, appropriate rate levels, and

¹⁸ The limitation set out in the Decoupling section shall not apply to the OCC, which has retained the right to advocate any position regarding the Company's proposed revenue decoupling application including denial of the Company's application.

appropriate terms and conditions for the mechanism. The Settling Parties are also free to take any position they deem appropriate regarding the broader implications of the existence of such a mechanism on how the Company is regulated and its rates are set. For example and without limitation, the Settling Parties are free to argue whether the existence of such a mechanism changes the level of risk borne by the Company and whether such a change should be reflected in the determination of the reasonable return on equity for Public Service. Finally, Settling Parties are free to take any position they deem appropriate on whether decoupling should be implemented for any other customer class.

VII. Pilot Program for Residential Customers

The Settling Parties agree that Public Service shall implement the Schedule Residential Demand - Time Differentiated Rate (“RD-TDR”) Pilot, which was originally named the RD-TOU pilot in the Company’s Direct Testimony, as modified below in this Settlement Agreement. The Settling Parties agree to the rate and implementation of Schedule RD-TDR Pilot as described below. By agreeing to the Schedule RD-TDR pilot, the Settling Parties are not expressing support for the rate designs being tested through that pilot. The Settling Parties can express opposition to the tested rate design in any stakeholder group meeting related to a long-term rate design or in any Commission proceeding.

A. Grid Use Charge

Effective January 1, 2017, the Schedule R-TDR pilot will be implemented as proposed in the Company’s Direct Testimony except that the Grid Use Charge will be converted into an around-the-clock demand charge to recover the same costs included

in the proposed Grid Use Charge. Attachment D to this Settlement Agreement provides a clean version of the tariff modified from the Company's direct case as specified above.

B. Pilot Costs

The S&F Charge assessed on RD-TDR customers will collect the incremental metering costs of the service and \$330,000 of one-time programming and billing costs for both the RD-TDR and RE-TOU implementation. Any additional programming and billing costs of implementing the RD-TDR and RE-TOU service as explained above shall be treated as rate-case expenses eligible for deferred accounting and recovery in a subsequent proceeding, as explained in more detail below.

C. Self-Selection Bias

As part of the Pilot Stakeholder process more fully described below and in Schedule B, the Settling Parties agree to collaborate and determine prior to December 31, 2016 adequate methods to mitigate self-section bias with respect to participation in not only the Schedule RD-TDR pilot but also the participation in the Schedule RE-TOU trial.

D. Size of Pilot

The participation pool of customers for the Schedule RD-TDR pilot is unchanged from Public Service's Direct Testimony and the cumulative participation by year is detailed in the table below for convenience. Public Service will pursue similar budgets, marketing opportunities, participant characteristics, and goals for participation in the Schedule RE-TOU trial as the Schedule RD-TDR pilot.

	2017	2018	2019	2020	2021
Cumulative Number of Participants	10,000	14,000	18,000	18,000	18,000

E. Reporting

Public Service will submit a study and evaluation plan by November 15, 2016, in this proceeding. Additionally, Public Service will institute a stakeholder group, the Pilot Stakeholder Group, to review the implementation, testing and evaluation plans, and information received as part of this pilot over the course of testing. The Pilot Stakeholder Group is detailed further in Attachment F to this Settlement Agreement.

F. Sunset/Termination of Pilot

The Schedule RD-TDR pilot will end January 1, 2022, unless explicitly otherwise changed by the Commission.

G. Low-Income Participation

Up to 500 low-income residential customers will also be actively recruited to participate in the Schedule RD-TDR pilot described above. This will provide an opportunity to understand how this rate design works for this subset of customers. Recognizing these customers are a protected customer class under Colorado utility law and the benefits of obtaining information on how demand rates impact low-income customers, a “hold harmless” provision is instituted for this subset of customers. The “hold harmless” provision would allow low-income participants to pay the lower of their monthly bills determined under Schedule R and Schedule RD-TDR. If a low-income customer’s bill under Schedule R is less than the bill under Schedule RD-TDR, then this dollar difference will be deferred and collected later through residential rates. A low-income customer will be charged the Schedule RD-TDR rate, but will receive a bill credit on the current or subsequent bill for any amount that exceeds what the customer would have been charged under Schedule R. Low-income participants will be clearly notified

at the commencement of their service under Schedule RD-TDR, and again on their bills, as to how this credit will work and the difference between the billings under the two tariffs. For the purposes of any approved Decoupling Mechanism, the calculated Schedule RD-TDR rates will be utilized.

H. Participation:

Public Service commits to implement marketing and encourage participation in the Schedule RD-TDR pilot and Schedule RE-TOU trialgroup on an equal basis. Public Service will strive to achieve equivalent participation levels of the Schedule RD-TDR pilot and the Schedule RE-TOU trial, to the extent possible. Pilot participants would have the right to withdraw from the Schedule RD-TDR pilot prior to the end of the seventh billing cycle.

VIII. Pilot Program for Commercial Customers

The Settling Parties agree that a pilot program for “Commercial class” customers similar to that being proposed for the Residential customers is not appropriate at this time. However, because there may be merit in testing other rate design methods for the Commercial class, the Settling Parties agree to include this issue in the Pilot Stakeholder group discussions. Public Service may bring such a pilot to the Commission prior to the next Phase II rate case.

IX. Street Lighting Issues

The Settling Parties agree that the Company’s proposed Tariff R141, which concerns attachments to the Company’s Street Light facilities, be deemed approved as revised in Attachment D to this Settlement Agreement. The Company agrees to

withdraw proposed Tariffs R142 and R143 regarding the relocation and removal of street light facilities, respectively.

X. Revenue Requirement Issues

The Settling Parties agree that the rate revenue level to be allocated in this proceeding is comprised of the revenue requirement of \$1,558,026,498 approved in the last Electric Phase I rate case, Proceeding No. 14AL-0660E, plus the costs associated with Public Service's Electric Affordability Program ("EAP") of \$4,000,000, for a total of \$1,562,026,498. This \$4,000,000 of EAP expenses is currently being collected through the General Rate Schedule Adjustment. The Settling Parties agree that the costs associated with the Company's Electric Affordability Program is a valid utility cost that is appropriate for continued recovery through base rates.

The Settling Parties also agree that Public Service will defer its actual rate case expenses for recovery in the next Electric Phase I rate case. All actual expenses are deemed eligible for recovery. Public Service will defer and track the actual costs in an accounting asset without interest until they are included for recovery in the next Electric Phase I rate case. In the next Electric Phase I rate case, parties will be free to challenge the recovery of these amounts and the manner in which those amounts may be recovered to the extent Public Service incurred those amounts imprudently or the recovery as proposed by the Company would be unjust or unreasonable. Attachment G provides an updated Phase II Rate Case Expense estimate as of August 1, 2016.

XI. Colorado PUC No. 8 - Electric

The Company's existing Colorado PUC No. 7 – Electric became effective on May 5, 1997, and has been altered by approximately 450 Advice Letters over the last

twenty (20) years. Following an evaluation of Colorado PUC No. 7 – Electric, Public Service in its Direct Filing proposed to replace Colorado PUC No. 7 – Electric with Colorado PUC No. 8 – Electric. The Settling Parties support approval of Colorado PUC No. 8 – Electric, as set forth in Attachment D.

Settlement of Solar*Connect Application (Proceeding No. 16A-0055E)

I. General

The Settling Parties¹⁹ agree that the Commission should authorize Public Service's Solar*Connect Program, and allow the issuance of the RFP necessary for Public Service to acquire the solar resource(s) for that program. The terms of the Program shall be as set out in Public Service's direct and rebuttal cases, unless expressly modified through this Settlement Agreement. As part of the settlement provisions, the program name will be changed to Renewable*Connect and shall be referred to as Renewable*Connect throughout the remainder of this Settlement Agreement.

II. Size of the Program

The new solar resource or resources acquired for the Renewable*Connect Program shall not exceed fifty (50) MW (nameplate rating).

III. Potential Future Renewable*Connect

In the event that in the future Public Service wishes to expand Renewable*Connect to include more than fifty (50) MW of resources, it must file an

¹⁹ The following are Settling Parties of the Settlement Agreement for Solar*Connect: Staff, OCC, Boulder, CEO, CIEA, COSEIA, NextEra, SEIA, Vote Solar, and WRA. The following are Opposing Parties of the Settlement Agreement for Solar*Connect: SunShare and Walmart. The following are Non-Opposing Parties of the Settlement Agreement for Solar*Connect: ~~EFCA and Interwest.~~

The following are No Position Parties of the Settlement Agreement for Solar*Connect: EFCA

application with the Commission to obtain its authorization. All parties are free to take any position regarding such future application or applications. Furthermore, Public Service is committing to exploring future Renewable*Connect alternatives or complements through the Future Voluntary Renewable Programs Stakeholder process that would potentially combine Windsource® and Renewable*Connect.

IV. Subscription Issues

A. Capacity:

Each customer subscribing to Renewable*Connect may subscribe up to 100 percent of its annual energy consumption translated to a kilowatt basis. No one customer may subscribe to more than ten (10) percent of the total Renewable*Connect capacity. In addition, a corporate entity with multiple premises cannot subscribe to more than forty (40) percent of the total Renewable*Connect capacity, and each corporate premise is limited to an allocation not to exceed 100 percent of that premise's energy consumption.

B. Term:

Participation may be under any one of three (3) terms – month to month, five (5) years or ten (10) years.

C. Initial Subscription Availability:

Public Service will limit the availability of the initial Renewable*Connect offering to Residential and Commercial Service level customers for the first eight (8) weeks of the Program offering. After that period, Public Service will make the remaining capacity available to all retail customers throughout its service territory.

D. Transferability:

A customer subscribing to Renewable*Connect may transfer its subscription associated with a current premise to a new premise provided that the following conditions are met:

1. The new location is within Public Service's service territory;
2. The subscription does not exceed 100 percent of the customer's load at the new location;
3. Should the subscription exceed the load of the new location, the customer will pay a pro-rata portion of the penalty that applies for early termination, calculated using the percentage decrease in the subscribed amount multiplied by the full penalty amount for the customer; and,
4. The original subscription term will continue to apply to the transferred subscription.

V. Renewable Energy Credits ("REC")

A. Certification:

Public Service will certify RECs associated with the energy under the Program via Green-e.

B. Retirement:

Renewable*Connect subscribers may choose one of the following two options for how the RECs will be handled on their behalf:

1. Public Service will retire RECs on the customer's behalf allowing the customer to claim the environmental attributes associated

with its subscription; or

2. The customer may elect to have Public Service transfer RECs to a subscriber's Western Renewable Energy Generation Information System ("WREGIS") account commensurate with their subscription. Any customer electing to take possession of the RECs must register with WREGIS and assume the financial obligations under WREGIS associated with RECs in their account.

VI. Bill Charges

The Renewable*Connect Bill Charge shall include: (1) the cost of the resource in the Purchase Power Agreement ("PPA") as executed by Public Service; (2) Solar Integration costs as updated through the 2016 Electric Resource Plan in Phase I; and (3) the Program's administrative costs, marketing, and IT costs. The Bill Charge shall be updated on an annual basis to reflect changes in PPA charges, Program administration costs, and IT costs. The risk factors applied to each of the terms will remain as proposed by the Company in its rebuttal case.²⁰ In each annual Advice Letter the Company will represent the respective cost allocation associated with the program cost to the respective tariff term offering.

VII. Bill Credit

The Renewable*Connect Bill Credit will be calculated using a Qualifying

²⁰ Direct Testimony of Steven W. Wishart page 18 line 14 through page 19 line 13 and Rebuttal Testimony of Steven W. Wishart page 19 line 9 through page 20 line 5.

Facility (“QF”) methodology²¹ as follows:

- A. The avoided energy credit will be calculated based on the approved small QF energy component per Decision No. R15-1177, with the exception that the marginal energy cost would be based on an annual 8,760 hour forward-looking calculation based on a 50 MW resource. The energy benefit will not include any line loss savings.
- B. The avoided energy credit will be updated annually.
- C. The avoided capacity credit will be calculated based on the 2018 projection of a 50 MW solar resource over the following ten (10) years starting in 2018. This capacity credit will be locked in for the term of the PPA.

VIII. Unsubscribed Energy

Public Service will sink the Renewable*Connect energy that is unsubscribed to the system at the Unsubscribed Energy Rate, which will be calculated as follows:

- A. The energy component of the Unsubscribed Energy Rate will be calculated consistent with the energy benefit for the Bill Credit described in subsection VII.
- B. The capacity component of the Unsubscribed Energy Rate will be calculated consistent with the capacity benefit for the Bill Credit described in subsection VII.c. The capacity rate will be locked down for the life of the PPA.

All unsubscribed energy will be sunk to the system at the rate detailed above and the associated RECs will be transferred to the general pool of RECs. The rate

²¹ The parties agree to discuss further as part of the Future Voluntary Renewable Programs Stakeholder Group the appropriate methodology to utilize to provide a bill credit for future voluntary programs.

