

Prior Case History

Proceeding No. 11AL-974E – 2011 Phase I Electric Rate Case

On November 22, 2011, Public Service filed Advice Letter 1597 requesting an increase of \$141.9 million to its revenue requirement. The Company based its requested rate increase on a forecasted test year of the twelve months ending December 31, 2012, and in the course of the proceeding also developed a historic test year for the twelve months ending June 30, 2011. Public Service and ten intervening parties filed a Settlement Agreement (“2011 Phase I ERC Settlement”) with the Commission on April 2, 2012. The 2011 Phase I ERC Settlement resolved the issues in the proceeding through the use of a three-year MYP under which the Company was authorized to implement a net increase in base rates of \$114 million in steps over three years and deferred cost recovery on CACJA projects.¹ The 2011 Phase I ERC Settlement also introduced an earnings test and sharing mechanism to protect customers in the event the Company over-earned and allowed Public Service to defer property taxes into a regulatory asset over the three years of the MYP while initiating the amortization of a portion of those property taxes in accordance with the 2012 MYP.² The Commission approved the 2011 Phase I ERC Settlement on May 9, 2012 by Decision No. C12-0494.³

Proceeding Nos. 14AL-0660E / 14A-0680E – 2014 Phase I Electric Rate Case and Arapahoe Decommissioning

On June 17, 2014, Public Service filed Advice Letter 1672 seeking to increase its base rate revenues by \$157.6 million and to revise the TCA to remove costs that would be shifted into base rates. The Company also sought Commission approval of the CACJA rider, a revenue decoupling mechanism for residential and commercial customers, and an incentive mechanism tied to the performance of certain generators. On June 23, 2014, the Company filed an application for Commission approval to decommission, dismantle, remediate, and restore its Arapahoe Station plant site. The Commission consolidated the 2014 Phase I ERC and Arapahoe Decommissioning proceedings by Decision No. C14-1043 on August 28, 2014. The Commission dismissed the revenue decoupling mechanism proposed in the Company’s Advice Letter, stating that the issue would be more appropriately considered in a separate proceeding. Public Service and intervenors settled the remainder of the issues in the case through a Settlement Agreement (“2014 Phase I ERC Settlement”) filed with the Commission on January 23, 2015. By Decision No. C15-0292, the Commission approved the 2014 Phase I ERC Settlement, and in so doing authorized a ROE of 9.83 percent, approved the CACJA rider, directed the Company to file the 2016 depreciation proceeding and a rate case in 2017, approved the decommissioning and dismantling of the Arapahoe site, and found the proposed performance mechanism for certain generation facilities to be in the public interest.⁴ The rate metrics determined in this proceeding remain in effect today.

¹ Proceeding No. 11AL-947E, 2011 Phase I ERC Settlement, pp. 11 and 16 (filed Apr. 2, 2012).

² Proceeding No. 11AL-947E, 2011 Phase I ERC Settlement, pp. 24–25 and 29–32 (filed Apr. 2, 2012).

³ Proceeding No. 11AL-947E, Decision No. C12-0494 (mailed May 9, 2012).

⁴ Proceeding Nos. 14AL-0660E and 14A-0680E, Decision No. C15-0292, ¶¶ 70–76 (mailed Mar. 31, 2015).

Proceeding Nos. 16AL-0048E, 16AL-0055E, 16A-0139E – 2016 Phase II Electric Rate Case, Renewable*Connect, Renewable Energy Compliance Plan

These three proceedings were consolidated through a Settlement Agreement designed to address and resolve the interrelated issues raised in each proceeding.⁵ In the Company's 2016 Phase II Rate Case (Proceeding No. 16AL-0048E), Public Service presented the rate design and cost allocation methodology for previously approved revenue requirement increases and introduced the Company's vision and framework for the longer-term rate design it intended to develop. Through the Renewable*Connect proceeding (previously Solar*Connect) (Proceeding No. 16AL-0055E), Public Service presented a voluntary customer renewable product to complement the existing WindSource® and Solar*Rewards programs. The 2017–2019 RES Compliance Plan (Proceeding No. 16A-0139E) included the expansion of the Company's eligible energy resources by an additional 390 MW, adding significant amounts of on-site solar capacity to the Company's Solar*Rewards program, and continued development of Community Solar Gardens ("CSGs") through the Solar*Rewards Community programs. The Commission approved the Settlement Agreement by Decision No. C16-1075 on November 23, 2016.

Proceeding No. 16A-0231E – 2016 Depreciation Proceeding

On April 1, 2016 Public Service submitted an Application for Approval of Proposed Depreciation Rates for its Electric and Common Utility Plant and its proposed plan to amortize and recover the regulatory assets associated with certain recently retired or soon-to-be retired generating units. The Application was filed pursuant to the provisions of the Settlement Agreement approved by Decision No. C15-0292 issued in the Company's 2014 Phase I Electric Rate Case.⁶ The Company revised its initial proposed depreciation and amortization rates throughout the course of supplemental and rebuttal testimony and ultimately reached a Unanimous Comprehensive Settlement Agreement ("Depreciation Settlement") with intervenors on November 10, 2016. The terms of the Depreciation Settlement established an increase to the Company's annual depreciation and amortization expense of \$27.2 million, an accounting methodology, and a regulatory asset to account for deferred accruals on retired and retiring generating units. The Commission approved the Depreciation Settlement by Decision No. R16-1143 issued on December 13, 2016.⁷

Proceeding No. 17AL-0649E – 2017 Phase I Electric Rate Case

On October 3, 2017, Public Service filed Advice Letter 1748 seeking an increase in all electric base rate schedules. The Company proposed a General Rate Schedule Adjustment ("GRSA") to the Company's Colorado PUC No. 8-Electric tariff and to shift costs collected through the Clean Air-Clean Jobs Act Rider ("CACJA") and the Transmission Cost Adjustment ("TCA") into base rates beginning in 2018. To implement the rate increase, the Company proposed a multi-year plan ("MYP") for the years 2018–2021. Public Service filed the direct testimony and attachments of 19

⁵ Proceeding Nos. 16AL-0048E, 16AL-0055E, and 16A-0139E, Corrected Non-Unanimous Comprehensive Settlement Agreement (filed Sep. 27, 2016).

⁶ Proceeding Nos. 14AL-0660E and 14A-0680E, Decision No. C15-0292 (mailed Mar. 31, 2015).

⁷ Proceeding No. 16A-0231E, Decision No. R16-1143 (mailed Dec. 13, 2016).

witnesses in support of its proposed rate increase. Following the Commission's notice of the rate increase, the federal Tax Cuts and Jobs Act ("TCJA") was signed into law. Because the legislation carried implications for the rates and revenue requirement at issue in the 2017 Phase I Electric Rate Case, the Company worked diligently with intervenors in the proceeding to account for the effects of the TCJA on both Public Service and its customers. Public Service, the Colorado Energy Consumers ("CEC"), and OCC agreed that a rate reduction paired with an earnings cap to protect customers from the Company overearning was an appropriate method to accommodate the effects of the TCJA. Public Service, CEC, and OCC filed the Settlement Agreement in Electric Rate Case on Impacts of the Tax Cuts and Jobs Act ("2017 ERC TCJA Settlement") to this effect on January 30, 2018.⁸ On February 27, 2018, the Commission issued Decision No. C18-0144-I denying the Joint Motion to Approve the 2017 ERC TCJA Settlement, stating that it was contested and complex and unclear in whether it achieved a proper balance of the TCJA benefits between the Company and its customers. Public Service and the intervenors continued to work to modify the scope of the 2017 Phase I ERC to account for the TCJA and the additional possibility that Public Service would join the Southwest Power Pool ("SPP"). However, the Commission ultimately determined that the unexpected complexity from the TCJA and the proposed adjustments to the Company's original advice letter filing created "insoluble problems with respect to statutory requirements for rate proceedings in Colorado."⁹ The Commission further determined that the proposed adjustments were not properly noticed and thus dismissed the proceeding while allowing the Company to file a new advice letter on not less than 30 days' notice to open a new electric rate proceeding.¹⁰

Proceeding Nos. 18M-0074EG and 18M-0401E – TCJA Implementation

On December 22, 2017, the President signed the TCJA into law. The Commission initiated Proceeding No. 18M-0074EG on February 1, 2018 to allow for a full consideration of the impacts of the TCJA on the revenue requirements and rates of investor-owned electric and natural gas utilities in Colorado.¹¹ At the time the Commission initiated Proceeding No. 18M-0074EG, Public Service was in the process of litigating its 2017 Phase I Electric Rate Case (17AL-0649E). Recognizing that the TCJA would affect the rates and revenue requirements at issue in the 2017 Phase I Electric Rate Case, Public Service, joined by the Staff of the Colorado Public Utilities Commission ("Staff") and the Colorado Office of Consumer Counsel ("OCC") filed a Revised Stipulation and Settlement Agreement Regarding Incorporating TCJA Impacts into Public Service's Rates ("TCJA Settlement") on April 27, 2018. The Commission subsequently initiated Proceeding No. 18M-0401E to address the issue of whether approval of the TCJA Settlement Agreement was in the public interest.¹² As detailed in the TCJA Settlement, the annual amount attributable to the change of the federal tax income rate from 35 percent to 21 percent was \$42 million on a revenue requirement basis. Among other terms, Public Service proposed to modify its GRSA to be negative

⁸ Proceeding No. 17AL-0649E, Settlement Agreement in Electric Rate Case on Impacts of Tax Cuts and Jobs Act (filed Jan. 30, 2018).

⁹ Proceeding No. 17AL-0649E, Decision No. C18-0280, ¶ 60 (mailed Apr. 26, 2018).

¹⁰ Proceeding No. 17AL-0649E, Decision No. C18-0280, ¶¶ 75–77 (mailed Apr. 26, 2018).

¹¹ Proceeding No. 18M-0074EG, Decision No. C18-0075 (mailed date Feb. 1, 2018).

¹² Proceeding No. 18M-0401E, Decision No. R18-0817, ¶ 4 (mailed Sept. 17, 2018).

4.19 percent so that the Company could return the full \$42 million to its customers during June 1, 2018–December 31, 2018.¹³ On September 17, 2018, the Administrative Law Judge (“ALJ”) assigned to the proceeding issued Decision No. R18-0817 approving the TCJA Settlement agreement finding that its terms were in the public interest and requiring the Company to file an advice letter with an appropriate adjustment to the GRSA and other accounting mechanisms.¹⁴

¹³ Proceeding No. 18M-0074E, TCJA Settlement, p. 6, ¶ 2 (filed Apr. 27, 2018).

¹⁴ Proceeding No. 18M-0401E, Decision No. R18-0817, ¶¶ 31–32 (mailed Sept. 17, 2018).