



Robert S. Kenney
President Xcel Energy - Colorado
1800 Larimer Street, 11th Floor
Denver, Colorado 80202

January 29, 2024

Chairman Eric Blank
Commissioner Megan Gilman
Commissioner Tom Plant
Colorado Public Utilities Commission
1560 Broadway, #250
Denver, Colorado 80202

Dear Chairman and Commissioners:

Xcel Energy has proudly served Colorado for more than 150 years. It is an honor and a privilege to serve our customers and communities.

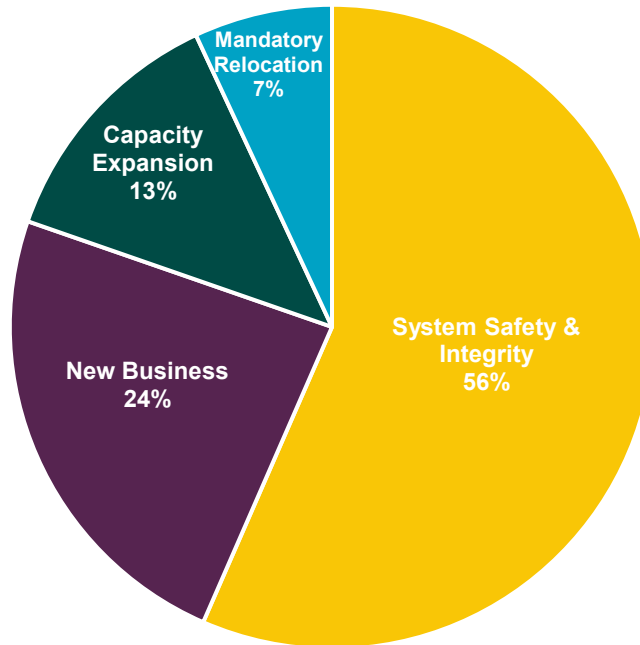
We are making necessary investments in the safety and reliability of our natural gas system. At the same time, we continue to lead the clean energy transition, as reflected in our Clean Heat Plan and our Clean Energy Plan. With the rate increase we are proposing, our average residential gas bill will remain below average compared to our peer utilities. Even with that in mind, we know that for some of our customers any rate increase can be challenging. That is why we are advancing a creative proposal to lessen the impact of the rate increase by deferring implementation of rates from November 2024 to February 2025, when the Uri surcharge will end. This creative proposal is explained in more detail below.

We are the largest local distribution company (“LDC”) in Colorado, serving approximately 1.5 million customers. We operate a gas delivery system that includes approximately 23,500 miles of distribution mains; over 2,000 miles of transmission pipeline; 18 compressor station locations (with over 40 compressors) totaling approximately 38,000 horsepower; and roughly 2,000 regulator stations, with other supporting infrastructure. This critical infrastructure moves gas safely and reliably throughout Colorado to our customers and communities. In addition to providing essential gas service to our own residential and commercial customers, we also provide transportation services to the other Colorado LDCs.

In other words, we maintain the backbone Coloradans rely on for the safe and reliable delivery of natural gas.

Our industry is witnessing a profound transformation. We are in the unique position of balancing our customers’ needs today, while simultaneously partnering with the Commission and other stakeholders to create our shared vision of the clean energy future. We are delivering on that shared vision by building and investing in an evolving energy future that harnesses the power of beneficial electrification. At the same time, we must continue the important work of ensuring the safety, reliability, and resiliency of the natural gas system our customers rely upon. Both responsibilities are critical.

Our 2024 gas rate proposal is driven largely by investments in the safety and reliability of the existing gas infrastructure that have already been serving customers by the time of the filing of this case. The chart below reflects capital investments in the gas system.



Our responsibility to provide a safe and reliable gas system is one that we know the State of Colorado and the Commission share. We ask the Commission, and the customers and communities we serve, to recognize that we are, and have long been, balancing necessary investments in the critical services on which our customers depend, with evolving policy goals and requirements.

Powered by a Purpose

Our customers rely on us to be there for them, especially during difficult times, and our commitment and ability to fulfill our vision of being the trusted and preferred provider of the energy that customers need remains strong.

Providing reliable service is the foundation on which we have built our three strategic priorities:

- Leading the clean energy transition
- Enhancing the customer experience
- Keeping bills low

Leading the Clean Energy Transition

Xcel Energy's Net-Zero Vision for Natural Gas, the first of its kind in the nation, predates even Clean Heat legislation in Colorado and demonstrates our commitment to the clean energy transition. This rate case works in concert with that plan.

More specifically, at the same time we are focused on ensuring the safety and reliability of the natural gas system that heats Coloradans' homes and businesses on the coldest days, we are also proposing solutions to strategically reduce emissions from the natural gas system. Xcel Energy's proposed Clean Heat Plan includes a diverse portfolio of projects that do everything from using electricity in place of natural gas heating, to using hydrogen and recovered methane in the natural gas system to reduce emissions. As one of many examples, Xcel Energy has proposed a project for the City of Boulder's Pearl Street Mall to convert some natural gas uses to electric, helping avoid or defer the need to invest in gas infrastructure.

The Company is taking several steps to advance and modernize its gas planning process, moving away from a “business as usual” approach and the historical default position of implementing gas infrastructure-based solutions to system challenges including:

- ***Implementing a robust Non-Pipeline Alternative (NPA) framework to address system issues.*** We are developing and analyzing NPAs to avoid investments to expand the gas system.
- ***Using Targeted Demand Areas to get ahead of future challenges.*** We are advancing efforts to identify areas to avoid or defer capacity investments, to get ahead of future efforts that may require NPAs or infrastructure-based solutions.
- ***Deploying virtual pipeline infrastructure solutions.*** We are working on interim portable liquefied natural gas uses at system pressure points. This approach complements the NPA framework, serving as a risk mitigation measure while alternatives are developed and has potential for other uses as well.
- ***Preparing the electric grid to absorb migrating load.*** We are focused on improving the interplay of migrating natural gas load to the electric system.

A particularly significant and concrete example of the impact of this work is our re-evaluation of how to meet the increasing needs of a portion of our Mountain System. Our plan to meet the capacity demands of our mountain communities has evolved to a potential long-term solution that avoids traditional pipeline reinforcements and has a heavy focus on deploying an NPA portfolio. As we move forward, the Commission will see an increasing pivot to these multi-faceted solutions to our customers’ heating needs.

Enhancing the Customer Experience—safety, reliability, and service

Our rate proposal supports industry leading public safety efforts to protect the communities we serve and strengthen system resiliency. These efforts keep neighborhoods safe through investments that include:

- Ongoing proactive pipeline safety initiatives, integrity programs, and damage prevention programs.
- Adding new compressor stations and rebuilding regulator stations, and strength testing natural gas pipelines.
- Replacing and upgrading miles of natural gas pipeline for the safety and continuity of service while reducing the risk of leaks and blowing gas.
- Inspecting natural gas pipelines with state-of-the-art tools.
- Using mobile leak-detection technology to find and fix problems to reduce methane and carbon dioxide emissions on the system.

Additionally, we’re making improvements to My Account, our customer mobile app, and other digital platforms to enhance the overall customer experience and provide exceptional service.

Keeping Bills Low

Xcel Energy is also committed to helping customers with their bills when they need it. We provide options such as payment plans and assistance programs to get them through difficult times. Our Demand Side Management portfolio offers low- to no-cost energy efficiency programs for income-qualified customers. We partner with Energy Outreach Colorado to provide these services, which include programs for single-family and multi-family homes. Additionally, in 2023 we increased the funding for the Gas Affordability Program by \$21 million annually to help our most vulnerable customers with their bills.

We are always mindful and focused on the affordability of our essential product. Coloradans are on better footing this winter compared to last year, with a significant decrease in wholesale natural gas prices across the nation. With those savings, the company expects customers’ natural gas bills will be about 28 percent lower in



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January through March than last year. And while we cannot control the global natural gas market, Xcel Energy has also taken action to help moderate the effect of future natural gas price increases by employing tools that smooth out higher costs on customers' bills.

We are also making several proposals in today's filing to moderate base rate changes for customers. As one such moderation tool, we're proposing to defer implementation of the rates on customer bills in this proceeding from November 2024 to February 2025 to coincide with the end of the Winter Uri surcharge.

- This will help to minimize rate fluctuations during this heating season and promote rate stability and predictability for customers.
- It is also intended to help to lessen the overall bill impact for Colorado customers.

Overall, Xcel Energy's average residential natural gas bills in Colorado are below average compared to our peer utilities. Residential natural gas bills will remain below average if this proposal is approved, and the Company will continue to provide support to those customers who need it.

Community Impact and Partnerships

We understand Xcel Energy is only as strong as the communities we serve. That is why we believe in giving back, whether that is by supporting our customers in need, donating our time and financial resources, or by driving economic vitality in our communities.

Last spring, Xcel Energy launched its new Resources Education Delivered (RED) Truck, which has been in the community, staffed with energy experts who can personally help with bill assistance, program signups, answering customers' questions, and more. The truck expands on existing community outreach, providing immediate energy assistance at a range of local events and locations.

Throughout the year, we put good energy into action across our service territory. From volunteer projects to grants, Xcel Energy curates opportunities and experiences to connect with our communities in meaningful ways. The Xcel Energy Foundation invested \$1.3 million last year to nearly 90 nonprofits across Colorado, and thousands of volunteers rolled up their sleeves at our annual Day of Service. At this year's signature event, participants across our eight-state service territory gave an estimated 7200 volunteer hours. Finally, we are contributing to the economic vitality of our communities by doing business with numerous Colorado businesses. Annually, we typically spend more than \$500 million with local suppliers, of which, more than \$130 million is spent with diverse suppliers.

Building the Future Together

We are proud of our accomplishments to date. And we are working every day to provide the services and vision for the future our customers expect. Our filing today is important to keep building on our track record of providing safe, reliable, affordable, and increasingly clean energy services. Like Xcel Energy, you serve a vital role in the health and wellbeing of Coloradans. We appreciate the efforts you make to evaluate investment proposals that serve our customers and communities. We know there is much work ahead and look forward to presenting this proposal to the Commission for your review and consideration.

Sincerely,

A handwritten signature in blue ink that reads 'Robert S. Kenney'.

Robert S. Kenney
President, Public Service Company of Colorado
Xcel Energy