

SUMMARY OF THE COMPONENTS OF THE ADVANCED GRID RIDER (“AGR”)

Scope: The AGR will support initial implementation of the Advanced Grid Intelligence and Security (“AGIS”) initiative, including the following projects (the “AGR Projects”):

- 1) Advanced Metering Infrastructure (“AMI”);
- 2) Advanced Distribution Management System (“ADMS”) and associated updates to the Geospatial Information System (“GIS”);
- 3) Integrated Volt-VAR Optimization (“IVVO”);
- 4) Fault Location Isolation and Service Restoration (“FLISR”), which includes Fault Location Prediction (“FLP”);
- 5) Field Area Network (“FAN”); and
- 6) Advanced Planning Tool (“APT”)

Costs Included in the AGR: The AGR will include capital additions and the related Accumulated Deferred Income Taxes (“ADIT”), depreciation expense, taxes, and Operation and Maintenance (“O&M”) expenses for the AGR Projects above the level currently included in base rates. The AGR annual revenue requirement will also include:

- 1) A shared asset credit for the use of Company-owned AGIS assets by other Xcel Energy operating companies;
- 2) Amortization of previously deferred costs as outlined in the Unopposed Comprehensive Settlement Agreement that was approved by the Commission in Decision No. C17-0556 in Proceeding No. 16AL-0588E; and
- 3) A regulatory asset and related amortization for retirement of legacy meters.

Term: The term of the AGR will commence upon Commission approval and will end after true-up processes are completed for 2025 (the year AGIS initial implementation is expected to be complete).

Weighted Average Cost of Capital: The AGR capital structure will be composed of:

- 1) Actual 13-month average ratio of long-term debt and equity;
- 2) Actual 13-month average cost of long-term debt; and
- 3) Return on equity (“ROE”) approved in the most recent Electric Phase I Rate Case.

Rate Base Methodology: 13-month average.

Semi-Annual Filings and Reporting: Public Service will file:

- 1) A forecasted AGR revenue requirement on or before November 15 for the upcoming calendar year (beginning in 2021), and
- 2) An annual true-up report on or before April 15 of each year (beginning in 2022) to report the actual costs from the prior calendar year and the need for any true-up from the previously forecasted revenue requirement. Any true-up amounts will be rolled into the following year’s AGR as part of the annual revenue requirement estimate filed on November 15.

The November and April AGR reports will address the same topics and metrics currently addressed in the Company’s semi-annual reports required by Decision No. C17-0556 in Proceeding No. 16A-0588E.