

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO**

* * * * *

RE: IN THE MATTER OF ADVICE LETTER)	
NO. 912-GAS FILED BY PUBLIC SERVICE)	
COMPANY OF COLORADO TO REVISE ITS)	
COLORADO PUC NO. 6-GAS TARIFF TO)	PROCEEDING NO. 17AL-0363G
IMPLEMENT A GENERAL RATE)	
SCHEDULE ADJUSTMENT AND OTHER)	
RATE CHANGES EFFECTIVE ON 30-DAYS)	
NOTICE.)	
)	

SETTLEMENT AGREEMENT ON IMPACTS OF TAX CUTS AND JOBS ACT

Introduction and Identification of Parties

This Settlement Agreement on Impacts of the Tax Cuts and Jobs Act (“Settlement” or “Settlement Agreement”) presents the agreement of Public Service Company of Colorado (“Public Service” or the “Company”) and Commission Trial Staff (“Staff”) (the “Settling Parties”) on a process to determine and implement the impacts of the Tax Cuts and Job Act (“TCJA”)¹ on Public Service’s provisional rates and General Rate Schedule Adjustment (“GRSA”) for the Gas Department in this Proceeding No. 17AL-0363G. The Settling Parties’ agreed process enables incorporation of tax law changes into the Public Service Gas Department provisional and general rates in a manner that provides customers with estimated benefits of the tax law change as early as March 1, 2018, while both (i) avoiding undue delay in completion of the primary

¹ The official title of the TCJA is “An Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018.” Public Law No. 115-97 (Dec. 22, 2017).

proceedings in this rate case to the Company's harm and prejudice and (ii) ensuring a final resolution of the impacts of tax law change in a reasonable timeframe that permits full analysis and due process to all parties.

Background

On December 18, 2017, the evidentiary record closed with respect to Public Service Company's request to revise its Colorado Public Utilities Commission No. 6-Gas Tariff to Implement a General Rate Schedule Adjustment and Other Rate Changes with in this Proceeding No. 17AI-0363G. In pre-filed testimony and the evidentiary hearings, the parties noted that there was a possibility a new comprehensive tax law change would be finalized and signed into law; however, it was not clear whether that tax law change would become law and, if so, in what form and with what impacts to Public Service Gas Department rates.

On December 22, 2018, the TCJA was signed into law. That same day, the Office of Consumer Counsel ("OCC") filed a Motion to Reopen Evidentiary Record, Vacate the Date to File Statements of Position and Establish Procedural Schedule ("Motion").

On January 1, 2018, provisional rates were placed in effect, reflecting the Company's proposed general service rate adjustment increase based on the Company's requested 2018 Forward Test Year.

On January 5, 2018, Public Service filed a response opposing the OCC's Motion. Public Service explained that although the Company believes general service rates should ultimately be adjusted to reflect the TCJA benefits and impacts, determining the specific effects is complex. Re-opening this gas rate proceeding immediately would

unduly delay resolution of multiple other, important issues in the case and prejudice the Company, without passing rate savings to customers in a reasonably timely or efficient manner.

Based on subsequent discussion and negotiation, the Settling Parties arrived at this Settlement Agreement by which estimated savings are passed on to customers effective March 1, 2018, with procedures to ensure final impacts are determined in an appropriate manner and customers ultimately receive the benefit of TCJA changes going back to January 1, 2018. This agreed process is set forth below.

Agreed Process to Address Net Impacts of TCJA

Step 1: Preliminary Adjustment to Provisional Rates Effective March 1, 2018

- a. Effective March 1, 2018, the Company's gas rate case provisional rates will be reduced to reflect the Company's preliminary estimate of TCJA net impacts of \$20 million, as set forth in Appendix A to this Settlement Agreement. The Settling Parties acknowledge that this preliminary estimate in Appendix A is based on high level early estimates using the limited information presently available. To this end, this preliminary estimate includes a contingency to account for uncertainty and avoid a surcharge to customers in the event the final determination of tax law reductions to rates is lower than the preliminary estimate of the reduction to provisional rates.
- b. By agreeing to this preliminary adjustment to provisional rates, no Settling Party is taking any particular position on the validity of the amount or calculation methodology of the preliminary adjustment. Rather, the Settling Parties

acknowledge this is an early estimate and that there are still many unknowns about the TCJA and its impacts, and reserve all rights to address the appropriate final net impact of the TCJA, as well as the calculation of that net impact and any appropriate adjustment to provisional rates as of January 1, 2018 and/or to the Gas GRSA, via the process set forth in Step 3 below.

Step 2: Adjustment to Rates Based On Final Commission Decision in Proceeding

- c. Upon receipt of the Commission's decision in this rate case, including resolution of all issues addressed in the evidentiary record before the Commission (which may include the appropriate test year(s), the future of the PSIA, cost of capital, recovery of expenses, revenues, and capital investments, etc.), adjust provisional rates to incorporate the Commission's decisions as well as the preliminary estimate of net TCJA impacts identified in Appendix A, subject to the true-up processes set forth in Steps 3 and 4 below.

Step 3: Evidentiary Process to True-Up Provisional Rates and Determine Final GRSA Adjustment for Impacts of TCJA.

- d. As soon as practicable, but not later than 90 days after the Commission's decision in this rate case, Public Service will make a filing in this Proceeding (No. 17AL-0363G) providing its proposed final calculation of TCJA net impacts on the Company's costs, as well as all supporting information and/or testimony the Company believes is appropriate and necessary to support these cost impacts. The Company will also propose and support all rate adjustments necessary to reflect these cost impacts on an ongoing basis (including any rate adjustments

necessary in 2019 and 2020 if a multi-year plan is approved in this rate case). In addition, the Company's initially-proposed rate adjustment will be calibrated to include any necessary true-ups to the rates effective in 2018 to ensure customers receive the full benefit of the TCJA beginning January 1, 2018.

- e. In response to the Company's filing, any party to the gas rate case may take any position it feels appropriate with respect to appropriate calculation of TCJA net impacts to customers and the Company, except that the Settling Parties agree they will not make procedural objections to the initiation of the true-up processes set forth in this Step 3 and Step 4.
- f. Unless the Commission directs differently or the parties agree to a net impact of the TCJA, the Settling Parties anticipate that the evidentiary process identified in this Step 3 will involve direct, answer and rebuttal/cross-answer testimony, discovery, and a hearing. The parties anticipate that this proceeding will be conducted expeditiously, with the goal of placing final rates in effect on or before January 1, 2019. The specific procedural timelines will be determined in a scheduling conference following the Company's initial filing in this Step 3.
- g. The Settling Parties wish to be clear that this evidentiary process is limited in scope to the determination of TCJA impacts on the provisional rates and GRSA set forth in this gas rate case (in Step 2), which may, but does not necessarily include and are not limited to, impacts on the corporate tax rate, deferred tax liabilities and assets, changes in the deductibility of certain expenses, and/or impacts to the Company's credit metrics. Elements of the revenue requirement

and other rate case matters not affected by the TCJA are outside the scope of the evidentiary process in this Step 3.

Step 4: Implement Final True-Up of Provisional Rates and Adjustment to GRSA

- h. Upon completion of the evidentiary process described in Step 3 and a decision on the Company's proposal for final determinations of TCJA net impacts to customers in this gas rate case, such adjustments will be made as needed to ensure customers receive the full net benefit of the TCJA effective January 1, 2018 and in implementation of the GRSA in this case. To the extent this adjustment results in a refund of a portion of provisional rates to customers, the refund will be provided with interest at the same rate established in this proceeding for other provisional rate refunds.

Comment Relating to the Foregoing Four-Step Approach in Contrast to Deferred Accounting Treatment

The Parties believe deferred accounting treatment, either as a regulatory asset or liability, is not necessary for the Company gas department with the Steps identified above as the road map for moving forward. If, however, circumstances change, the Parties will address the merits of deferred accounting if or when appropriate.

Statement of Position Deadline

In consideration of the additional time needed to reach this Settlement Agreement, the extensive resources the Parties have dedicated dealing with TCJA issues on other matters outside this proceeding, and to facilitate robust and beneficial briefing of all issues in the proceeding (other than impacts of the TCJA, which are addressed by this Settlement Agreement and the Steps 1-4 contained herein), the

Settling Parties request that the Administrative Law Judge extend the Statement of Position deadline in this proceeding to February 2, 2018.

General Provisions

1. Each Settling Party understands and agrees that this Settlement Agreement represents a negotiated resolution of all issues the Settling Party either raised or could have raised in this proceeding. The Settling Parties state that reaching resolution of these issues in this proceeding 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. Each Settling Party has the discretion to sponsor a witness at any proceeding to address the Settlement Agreement. In the event that a Settling Party sponsors a witness, its witness will only testify in support of the Settlement Agreement and all of the terms and conditions of the Settlement Agreement.
3. The Settling Parties agree that this Settlement is not intended to amend or change any testimony or Exhibit previously submitted in this proceeding. Rather, it is a procedural Settlement to address the net impacts of the TCJA as of January 1, 2018.
4. Except as expressly stated herein, nothing in this Settlement Agreement shall resolve any principle or establish any precedent or settled practice. Moreover, 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 this Settlement Agreement.

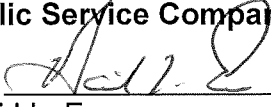
5. The discussions among the Settling Parties that produced this Settlement Agreement have been conducted with the understanding, pursuant to Colorado law, that all offers of settlement, and discussions relating thereto, are and shall be privileged and shall be without prejudice to the position of any of the Settling Parties and are not to be used in any manner in connection with this or any other proceeding.
6. This Settlement Agreement shall not become effective until it is approved by the Administrative Law Judge ("ALJ") or Commission without modification of the terms and conditions of this Settlement Agreement that is unacceptable to any of the Settling Parties. In the event the ALJ or 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. The withdrawing Settling Party shall notify the Commission counsel, Commission advisors, and the Settling Parties to this Settlement Agreement by email within three (3) business days of the Commission modification that the party is withdrawing from the Settlement Agreement.

7. There shall be no legal presumption that any specific Settling Party was the drafter of this Settlement Agreement.
8. This Settlement Agreement may be executed in counterparts, all of which when taken together shall constitute the entire Settlement Agreement with respect to the issues addressed by this Agreement.

Dated this 19th day of January, 2018

Agreed on behalf of:

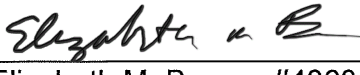
Public Service Company of Colorado

By: 

David L. Eves
President, Public Service Company of
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Respectfully submitted,

Approved as to form:

By: 

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Dated this 19th day of January, 2018

Agreed on behalf of:

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By: _____
David L. Eves
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Respectfully submitted,

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