



Important Notice About Your Natural Gas Service and Rates

At Xcel Energy, it's our job to provide customers with safe, reliable, increasingly clean energy at an affordable price. Our natural gas pipeline network stretches across the four corners of the state and we serve nearly 1.4 million natural gas customers in Colorado.

To deliver on our promise to provide safe and reliable energy—as well as the high-quality service that our customers expect—we must maintain and continue to invest in more than 24,000 miles of natural gas pipelines.

That's why we recently submitted a natural gas rate case to the Colorado Public Utilities Commission (CPUC, or Commission). It is a regulatory rate review proceeding that determines how much it costs Xcel Energy to serve customers, and how much the utility needs to recover these costs.

As we continue to make significant improvements and modernize our infrastructure, we have kept rates competitive. Our 2018-2020 natural gas regulatory rate review proposal is driven by extensive capital investments we are making in the system to serve our growing customer base and meet your needs and expectations for safe, reliable and affordable natural gas. Low commodity costs make this the right time for these improvements, and will help costs remain stable and predictable.

In this regulatory rate review, we are requesting approval for a three-year natural gas pricing plan to enable these investments in the system. The proposal is subject to approval by the Commission.

If approved as filed, a typical residential customer using 64 therms of natural gas per month would see a change of approximately \$2.73 (or 6.08 percent) a month starting in early 2018, \$2.19 (or 4.58 percent) a month in 2019, and \$1.74 (or 3.49 percent) a month in 2020. For a typical small business using 291 therms a month, bills would increase by approximately \$10.91 (or 5.67 percent) a month starting in early 2018, \$6.97 (or 3.43 percent) a month in 2019 and \$6.95 (or 3.31 percent) a month in 2020.

The Commission has 210 days from the day of filing—and typically takes that time—to hold hearings on the proposals and issue its decision on pricing plan changes. While we requested new pricing become effective in 30 days of filing, we anticipate the Commission will need more time to evaluate our filing and new rates resulting from their review will be implemented in February 2018.

Learn more

More details about this regulatory rate review are contained in this bill and at xcelenergy.com/GasRateCaseCO. The website has video programs about our natural gas system and shows how we continually maintain and update it. You can also call **800.895.4999** with questions or to inquire about energy conservation programs, rebates and energy efficiency tips.

It's a privilege to be your natural gas provider. We aim to meet or exceed your expectations for reliable, safe and affordable service. The measures we have proposed to the Colorado Public Utilities Commission will help us achieve this goal for you.

**NOTICE OF REVISION IN THE COLORADO P.U.C. NO. 6-GAS TARIFF
OF PUBLIC SERVICE COMPANY OF COLORADO
1800 LARIMER STREET, DENVER, COLORADO 80202-5533**

Date of Notice: June 2, 2017

You are hereby notified that Public Service Company of Colorado ("Public Service" or the "Company") has filed with the Colorado Public Utilities Commission ("Commission"), in compliance with the Public Utilities Law, an advice letter for permission to revise rates for all natural gas sales and transportation services by implementing a General Rate Schedule Adjustment ("GRSA") in the Company's Colorado P.U.C. No. 6 - Gas tariff, in three steps pursuant to a proposed multi-year plan ("MYP"). The first step adjustment will become effective July 3, 2017, if said advice letter is granted by the Commission. The Company requests that two subsequent stepped GRSA increases become effective January 1, 2019, and January 1, 2020. These three-stepped GRSA factors are proposed to be applied to all base rates for gas sales and gas transportation services under all rate schedules in the tariff, except Schedules TF FRP and TI-FRP.

Under Public Service's proposed MYP applicable to its gas business for the years 2018 through 2020:

- rates will increase in three steps in accordance with the proposed GRSA effective dates;
- subject to limited exceptions, the Company will not file a Phase 1 rate case that would have the effect of further changing gas service base rates prior to January 1, 2020;
- the Company will operate under an Earnings Test mechanism that provides for the annual sharing of gas department earnings with customers driven by the achievement of certain threshold returns on equity ("ROE"); and
- the Pipeline System Integrity Adjustment ("PSIA") rider will end on its sunset date of December 31, 2018, and the cost recovery of various PSIA projects will be shifted to base rates on January 1, 2019, with the exception of the true-up of actual 2017 and 2018 PSIA costs and revenues.

The proposed GRSA rate changes are supported in part by cost of service studies for each of the three years of the MYP plan.

Over the three-year period of the MYP, Public Service proposes a total increase in revenues in nominal dollars of \$232,937,199. For the initial GRSA, proposed to become effective July 3, 2017, unless suspended by the Commission, the Company is seeking a net increase in annual gas base rate revenues of \$63,195,261, based on total base rate revenue requirements of \$523,648,000 using a test year ("TY") of calendar year 2018, an overall return on rate base ("RORB") of 7.49 percent, and a return on equity ("ROE") of 10.0 percent. The incremental revenue deficiency reflected in the 2018 TY revenue requirement is \$63,195,261. The proposed incremental 2018 GRSA is a positive 16.52 percent, and the total GRSA is 33.64 percent.

For the second GRSA, proposed to become effective January 1, 2019, the Company is seeking an additional \$126,826,936 increase in its annual gas base rate revenues, based on total base rate revenue requirements of \$657,616,537 using a TY of calendar year 2019, an overall RORB of 7.47 percent, and a ROE of 10.0 percent. The proposed 2019 GRSA will be calculated to recover the \$126,826,936 of additional annual revenues based on the most recent sales forecast available at the time. Based on the current sales forecast, the proposed incremental GRSA is estimated to be a positive 32.29 percent, and the total GRSA is 65.93 percent.

For the third GRSA, proposed to become effective January 1, 2020, the Company is seeking an additional \$42,915,002 increase in its annual gas base rate revenues, based on total base rate revenue requirements of \$704,291,574 using a TY of calendar year 2020, an overall RORB of 7.49 percent, and a ROE of 10.0 percent. The proposed 2020 GRSA will be calculated to recover the \$42,915,002 of additional annual revenues based on the most recent sales forecast available at the time. Based on the current sales forecast, the proposed incremental GRSA is estimated to be a positive 10.53 percent, and the total GRSA is 76.46 percent.

To mitigate the rate increase for our customers in the first and second years of the MYP (2018 and 2019), the Company is proposing to defer certain costs that would otherwise be recoverable in those years to the third year of the MYP (2020). It is possible that the Commission could reject or modify that mitigation proposal, or any other aspect of the Company's proposed MYP, which could result in adjustments to the amounts that the Company is proposing to recover, and the GRSA's estimated above, in each year of the MYP period. It is possible, for example, that the Commission could approve rates higher than the Company's proposed rates for the first and second years of the MYP and lower rates for the third year of the MYP.

With respect to the Earnings Test, the Company proposes a structure under which the Company absorbs all under-earnings and retains 50 percent of any over-earnings up to 200 basis points above the authorized ROE. Any earnings in excess of this threshold would be returned 100 percent to customers. The structure provides the Company with no downside protection against earned returns lower than the authorized levels, and shares with customers either partially or totally all earnings in excess of the authorized levels. The Company also proposes to recover 100 percent of the costs of the four remaining PSIA projects through base rates beginning on January 1, 2019. The costs of these four projects are currently collected through a combination of base rates and the PSIA.

The Company is also proposing changes to the charges for various services provided upon request as needed.

The total gas department increase in base rates over the MYP period of 2018 through 2020 is \$232,937,199. The projected impacts of the Company's filing on typical monthly bills during the term of the MYP are shown below. The first row for each customer class shows the projected impacts if the Company's advice letter was not suspended by the Commission and rates became effective July 3, 2017. The second row for each customer class shows the projected impact in the event that the Company's advice letter is suspended by the Commission and rates instead become effective in 2018.

TOTAL PROPOSED MONTHLY BILL IMPACTS				
Type of Service	Current	Proposed	Monthly \$ Change	Monthly % Change
Residential (RG)				
Current vs Proposed July 2017 Rates	\$44.96	\$49.17	\$4.20	9.35%
Current vs 2018 Proposed Rates	\$44.96	\$47.70	\$2.73	6.08%
Proposed 2018 vs Proposed 2019 Rates	\$47.70	\$49.88	\$2.19	4.58%
Proposed 2019 vs Proposed 2020 Rates	\$49.88	\$51.62	\$1.74	3.49%
Residential Gas Lighting (RGL) - First 2 Fixtures				
Current vs Proposed July 2017 Rates	\$22.09	\$25.01	\$2.92	13.20%
Current vs 2018 Proposed Rates	\$22.09	\$24.15	\$2.06	9.33%
Proposed 2018 vs Proposed 2019 Rates	\$24.15	\$27.23	\$3.08	12.76%
Proposed 2019 vs Proposed 2020 Rates	\$27.23	\$29.70	\$2.47	9.07%
Residential Gas Lighting (RGL) - Greater than 2 Fixtures				
Current vs Proposed July 2017 Rates	\$11.03	\$12.49	\$1.46	13.21%
Current vs 2018 Proposed Rates	\$11.03	\$12.06	\$1.03	9.31%
Proposed 2018 vs Proposed 2019 Rates	\$12.06	\$13.60	\$1.54	12.76%
Proposed 2019 vs Proposed 2020 Rates	\$13.60	\$14.26	\$0.65	4.81%

TOTAL PROPOSED MONTHLY BILL IMPACTS (CONTINUED)				
Type of Service	Current	Proposed	Monthly \$ Change	Monthly % Change
Small Commercial (CSG)				
Current vs Proposed July 2017 Rates	\$192.36	\$212.85	\$20.49	10.65%
Current vs 2018 Proposed Rates	\$192.36	\$203.27	\$10.91	5.67%
Proposed 2018 vs Proposed 2019 Rates	\$203.27	\$210.24	\$6.97	3.43%
Proposed 2019 vs Proposed 2020 Rates	\$210.24	\$217.19	\$6.95	3.31%
Large Commercial (CLG)				
Current vs Proposed July 2017 Rates	\$3,246.36	\$3,525.83	\$279.47	8.61%
Current vs 2018 Proposed Rates	\$3,246.36	\$3,331.01	\$84.65	2.61%
Proposed 2018 vs Proposed 2019 Rates	\$3,331.01	\$3,149.78	\$(181.23)	-5.44%
Proposed 2019 vs Proposed 2020 Rates	\$3,149.78	\$3,203.73	\$53.95	1.71%
Commercial Gas Lighting (CGL) - First 2 Fixtures				
Current vs Proposed July 2017 Rates	\$23.17	\$26.24	\$3.07	13.23%
Current vs 2018 Proposed Rates	\$23.17	\$25.23	\$2.06	8.89%
Proposed 2018 vs Proposed 2019 Rates	\$25.23	\$28.16	\$2.93	11.62%
Proposed 2019 vs Proposed 2020 Rates	\$28.16	\$29.47	\$1.31	4.65%
Commercial Gas Lighting (CGL) - Greater than 2 Fixtures				
Current vs Proposed July 2017 Rates	\$10.14	\$11.46	\$1.32	12.98%
Current vs 2018 Proposed Rates	\$10.14	\$11.17	\$1.03	10.13%
Proposed 2018 vs Proposed 2019 Rates	\$11.17	\$12.83	\$1.66	14.85%
Proposed 2019 vs Proposed 2020 Rates	\$12.83	\$13.49	\$0.65	5.10%
Interruptible Sales (IG)				
Current vs Proposed July 2017 Rates	\$6,701.17	\$7,233.77	\$532.60	7.95%
Current vs 2018 Proposed Rates	\$6,701.17	\$6,791.80	\$90.63	1.35%
Proposed 2018 vs Proposed 2019 Rates	\$6,791.80	\$6,142.63	\$(649.17)	-9.56%
Proposed 2019 vs Proposed 2020 Rates	\$6,142.63	\$6,200.39	\$57.76	0.94%
Small Firm Transportation (TFS)				
Current vs Proposed July 2017 Rates	\$446.95	\$494.25	\$47.30	10.58%
Current vs 2018 Proposed Rates	\$446.95	\$494.25	\$47.30	10.58%
Proposed 2018 vs Proposed 2019 Rates	\$494.25	\$484.49	\$(9.76)	-1.97%
Proposed 2019 vs Proposed 2020 Rates	\$484.49	\$514.63	\$30.14	6.22%
Large Firm Transportation				
Current vs Proposed July 2017 Rates	\$1,692.40	\$1,859.24	\$166.84	9.86%
Current vs 2018 Proposed Rates	\$1,692.40	\$1,859.24	\$166.84	9.86%
Proposed 2018 vs Proposed 2019 Rates	\$1,859.24	\$1,718.70	\$(140.54)	-7.56%
Proposed 2019 vs Proposed 2020 Rates	\$1,718.70	\$1,825.03	\$106.33	6.19%
Interruptible Transportation (TI)				
Current vs Proposed July 2017 Rates	\$6,592.56	\$6,971.98	\$379.42	5.76%
Current vs 2018 Proposed Rates	\$6,592.56	\$6,971.98	\$379.42	5.76%
Proposed 2018 vs Proposed 2019 Rates	\$6,971.98	\$4,137.70	\$(2,834.28)	-40.65%
Proposed 2019 vs Proposed 2020 Rates	\$4,137.70	\$4,379.52	\$241.82	5.84%

These impacts are based on the projected changes to the GRSA and PSIA from 2018 through 2020 under the Company's proposal. For purposes of deriving these impacts the Commission assumes that the Gas Commodity Adjustment and Demand Side Management Cost Adjustment remain constant at their current levels through 2020.

In accordance with Rule 1210(a) of the Commission's Rules of Practice and Procedure, copies of the current and proposed tariffs summarized above and as filed with the Commission, are available for examination and explanation at the main office of Public Service, 1800 Larimer Street, Suite 1400, Denver, Colorado 80202-5533, or at the Commission office, 1560 Broadway, Suite 250, Denver, Colorado 80202-5143. Customers who have questions may call the Commission at 303.894.2000, call Xcel Energy at 800.895.4999, fax to Xcel Energy at 800.895.2895, or email to inquire@xcelenergy.com.

Anyone who desires may file written comments or objections to the proposed action. Written comments or objections shall be filed with the Commission, 1560 Broadway, Suite 250, Denver, Colorado, 80202-5143 or e-mailed to: dora_puc_website@state.co.us on or before 10 days before the proposed effective date of July 3, 2017, or later should the Commission set this matter for hearing and suspend and delay the effective date of the request. The Commission will consider all written comments and objections submitted prior to the evidentiary hearing on the advice letter. The filing of written comments or objections by itself will not allow you to participate as a party in any proceeding on the proposed action. If you wish to participate as a party in this matter, you must file written intervention documents in accordance with Rule 1401 of the Commission's Rules of Practice and Procedure or any applicable Commission order.

It is likely that the Commission will hold a hearing regarding the requested rate increase proposed by Public Service, which would result in the Commission's suspending and delaying the proposed effective date of July 3, 2017. Should the Commission hold a hearing, customers may submit written protests, comments or objections any time prior to the scheduled hearing date.

The Commission may hold a public hearing in addition to an evidentiary hearing on the advice letter. If such a hearing is held, members of the public may attend and make statements even if they did not file comments, objections or interventions. If the advice letter is uncontested or unopposed, the Commission may determine the matter without hearing and without further notice. Anyone desiring information regarding if and when a hearing may be held shall submit a written request to the Commission or, alternatively, shall contact the External Affairs section of the Commission at 303.894.2070 or 800.456.0858. Notices of proposed hearings will be available on the Commission website under "News Releases" or through the Commission's e-filing system.

By: Scott B. Brockett
Director, Regulatory Administration