

file me

RECEIVED
STATE OF COLORADO
PUBLIC UTILITIES COMM.

2005 JUN 27 PM 12:08

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

IN THE MATTER OF THE APPLICATION OF)
PUBLIC SERVICE COMPANY OF COLORADO)
FOR AN ORDER APPROVING EXPENSES)
INCURRED FOR THE PERIOD JANUARY 2003)
THROUGH DECEMBER 2003 THAT ARE)
RECOVERED THROUGH THE INTERIM)
ADJUSTMENT CLAUSE AND APPROVING THE)
CALCULATION OF 2003 SHORT TERM SALES)
MARGINS)

DOCKET NO. 04A-399E

STIPULATION AND SETTLEMENT AGREEMENT

Public Service Company of Colorado ("Public Service"), the Staff of the Colorado Public Utilities Commission ("Staff"), and the Colorado Office of Consumer Counsel ("OCC") hereby enter into this Stipulation and Settlement Agreement ("Stipulation") in full settlement of the issues in this case. Staff and OCC agree that the Commission should grant the Company's Application in this Docket, subject to the terms and conditions of this Stipulation.

On August 2, 2004, Public Service filed its Application requesting Commission approval of the fuel, purchased energy and purchased wheeling expenses incurred from January 1, 2003 through December 31, 2003 that have been reflected in the Company's Interim Adjustment Clause. In addition, Public Service requested approval of the Company's calculation of the 2003 short-term sales margins that were used to adjust the 2004 Electric Commodity Adjustment deferred balance.

THE PUBLIC UTILITIES COMMISSION
ENTERED
JUN 27 2005
THE STATE OF COLORADO

Staff, OCC and Holy Cross Energy intervened in this docket. Holy Cross Energy stipulated that it would not actively participate in this docket, but merely wanted to intervene in order to obtain public information filed in this docket. This Stipulation and Settlement Agreement has been made among all active parties to this Docket.

Staff and OCC have conducted such investigations as they deemed appropriate of the Company's books and records with respect to fuel costs, purchased energy costs, purchased wheeling costs, and short-term sales margins. Attachment A is a report prepared by Staff's accounting division summarizing Staff's review of the Company's books and records. Neither Public Service nor the OCC joins in Attachment A. This Staff report is attached to this Stipulation for information purposes only.

In responding to Staff audit questions, the Company discovered an error in the calculation of the 2003 short-term sales margins reported by Company witness Mr. Wolaver in his pre-filed Exhibit No. DAW-2. The Company inadvertently had filed Exhibit No. DAW-2 with the IAC application using non-final information on short term electric sales for December 2003. Attachment B to this Stipulation and Settlement Agreement is a correction of "Attachment 1" to Exhibit No. DAW-2, which has been revised to reflect actual gen book sales margins in December 2003, correcting this error. The revisions to the filed exhibit are highlighted. Correction of the error provides an additional \$22,308 of short-term margins to retail customers, in accord with the Settlement Agreement dated April 4, 2003 in Docket No. 02S-315EG (Public Service's 2002 General Rate Case). These additional margins will be credited to the ECA deferred balance upon approval of this Stipulation. Based upon their investigations, neither Staff nor OCC is requesting any other adjustment to the Company's reported

2003 Interim Adjustment Clause or to the Company's reported 2003 short-term sales margins.

As a result of Staff's audit, Staff has requested that Public Service develop electronic records that identify and link displacement transactions and that identify when transactions are made to "close-out" positions at remote delivery points to avoid transmission expense. Public Service agrees that the information needed to identify displacement transactions shall be set forth on the trade ticket (See Attachment C) under the "Comments" section and then entered into the Company's ACES data base. When transactions are made to "close-out" positions at remote delivery points, the Company will identify and explain such transactions on the trade ticket under the "Comments" section if the "close out" transaction would otherwise appear to depart from the incremental or decremental cost projections. In addition, upon request by the Staff, the Company will provide Staff, for the time period requested by Staff, a list of transactions where the Company has departed from the inc/dec cost signals.

The parties agree that the Public Service pre-filed testimony should be admitted into evidence to provide support for this Stipulation. No other party filed any testimony or exhibits in this docket.

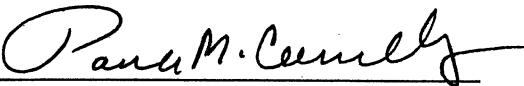
Wherefore, Public Service Company of Colorado, the Staff of the Colorado Public Utilities Commission, and the Colorado Office of Consumer Counsel respectfully request that the Commission approve Public Service's application subject to the terms and conditions of this Stipulation and Settlement Agreement.

Dated this 27th day of June, 2005.

Respectfully submitted,

PUBLIC SERVICE COMPANY OF
COLORADO

COLORADO OFFICE OF CONSUMER
COUNSEL

By: 

Paula M. Connelly, #14451
Assistant General Counsel
Xcel Energy Services Inc.
1225 17th Street, Suite 900
Denver, CO 80202
Telephone: (303)294-2222
Fax: (303)294-2988

Attorney for Public Service
Company of Colorado

By: _____

P.B. Schechter
1580 Logan Street, Suite 740
Denver, CO 80203
Telephone: 303-894-2124

Rate/Financial Analyst – Colorado
Public Utilities Commission

Approved as to Form:

John W. Suthers
Attorney General

By: _____

Stephen W. Southwick, No. 30389
First Assistant Attorney General
Office of the Attorney General
1525 Sherman Street, 5th Floor
Denver, Colorado 80203
Fax: (303) 866-5342
Telephone: (303) 866-5869

Attorney for the Colorado Office of
the Consumer Counsel

Dated this 27th day of June, 2005.

Respectfully submitted,

PUBLIC SERVICE COMPANY OF
COLORADO

COLORADO OFFICE OF CONSUMER
COUNSEL

By: _____

Paula M. Connelly, #14451
Assistant General Counsel
Xcel Energy Services Inc.
1225 17th Street, Suite 900
Denver, CO 80202
Telephone: (303)294-2222
Fax: (303)294-2988

Attorney for Public Service
Company of Colorado

By: P.B. Schechter

P.B. Schechter
1580 Logan Street, Suite 740
Denver, CO 80203
Telephone: 303-894-2124

Rate/Financial Analyst – Colorado
Public Utilities Commission

Approved as to Form:

John W. Suthers
Attorney General

By: Stephen W. Southwick

Stephen W. Southwick, No. 30389
First Assistant Attorney General
Office of the Attorney General
1525 Sherman Street, 5th Floor
Denver, Colorado 80203
Fax: (303) 866-5342
Telephone: (303) 866-5869

Attorney for the Colorado Office of
the Consumer Counsel

**STAFF OF THE COLORADO PUBLIC
UTILITIES COMMISSION**

By: *Bridget McGee-Stiles*
Bridget McGee-Stiles
1580 Logan Street, OL-2
Denver, CO 80203

Approved as to Form:

John W. Suthers
Attorney General

**OFFICE OF THE ATTORNEY
GENERAL**

By: *Michael J. Santisi*
Michael J. Santisi, #29673
Assistant Attorney General
Business and Licensing Section
1525 Sherman Street, 5th Floor
Denver, CO 80203
Telephone: (303) 866-3764
Fax: (303) 866-5936

Attorney for the Staff of the
Colorado Public Utilities

ATTACHMENT A

**Staff's Report Regarding its Accounting Review Process
in connection with Docket No. 04A-399E**

Historical Overview of the Interim Adjustment Clause (IAC) Mechanism

The IAC is the adjustment clause that the Company used to recover its 2003 Energy Costs that were not recovered through electric base rates. The IAC was not an incentive clause; it was a pass-through clause. As the name implies, the IAC was an interim measure that bridged two incentive adjustment clauses – the Incentive Cost Adjustment (“ICA”), which reflected the Energy Costs incurred by the Company through calendar year 2002, and the Electric Commodity Adjustment (“ECA”), which reflects Energy Costs incurred by the Company beginning January 1, 2004.

Public Service Company of Colorado (“PSCo” or the Company) filed its Interim Adjustment Clause application on August 2, 2004 requesting approval of the following: (1) \$501,360,100 in fuel related, and purchased power expense incurred during the period of January 1, 2003 through December 31, 2003, of the \$501 million in expense, PSCo is requesting \$205 million be recovered through the Interim Adjustment Clause (IAC); and (2) PSCo is also requesting approval of \$2,821,027 for 2003 Short Term Sales Margin that would be credited to its retail customers in the 2004 Electric Commodity Adjustment (ECA). Also included in the filing is Air Quality Improvement Rider (AQIR) credit amount that reduced the 2003 IAC deferred balance by \$7,818,515.

As a result of the Settlement Agreement approved by the Commission in Docket No. 02A-158E by Decision No. C02-609 (May 24, 2002), on November 29, 2002, the Company filed Advice Letter No. 1382 to put the IAC into effect on January 1, 2003. At that time, it was unknown what form of Energy Costs adjustment clause the Commission would approve as part of the then pending general rate case. After the conclusion of the Company's general rate case, the Company modified the IAC by filing on April 29, 2003 Advice Letter No. 1392, to change the IAC rates effective May 1, 2003. In accord with the Rate Case Settlement dated April 4, 2003, filed in Docket No. 02S-315EG and approved by the Commission by Decision No. C03-0670 (June 26, 2003), the IAC was to remain in effect for one year only – 2003 and the Company was to differentiate the IAC by service delivery voltage beginning May 1, 2003.

Staff's Accounting Review Process

The goal of Staff's review was to tie amounts for fuel and purchased power expense in which PSCo is seeking cost recovery reflected on Attachment 2 in this filing to the original source documentation verifying that these amounts were properly recorded and payments made to vendors were for invoiced items allowable for recovery through the IAC mechanism.

The process that is followed by PSCo to record costs for fuel and purchased power expense is the same. PSCo, on a monthly basis, reverses the previous month's estimates, books the total actual costs, record prior period adjustments if there are any, and then

books an estimate for the current month. PSCo accounts for its natural gas costs and electric purchases costs in this manner due to fact that no invoices will be received for a current month's purchases until the next month because there are generally is a lag in receiving the invoices for the actual costs from the time the product is delivered or service rendered.

Gas Purchases

For the accounting review of actual costs, the following is a list of documentation reviewed:

- Invoices from individual suppliers
- Monthly Gas Supply Report
- Monthly Fuels Report
- Imbalance Report
- Reconciliation of Actual Versus Estimated
- General Ledger

Staff verified dollar amounts reflected in the IAC filing (Attachment 2) for gas costs by reviewing invoices, the general ledger, various supporting reports and reconciliations. **Staff reviewed each month in the test period by reviewing general ledger amounts and reconciling reports, however, invoices were only reviewed for the months of March and July 2003 accounting months, which reflects February and June 2003 operational months.** Table 1 below reconciles natural gas costs per PSCo's reports, invoices and the amount provided in the IAC report, Attachment 2, filed with the Commission for the accounting month of March 2003.

Table 1

A	B	C
Line Description	Amount	Exhibit
Reverse prior month estimate	(\$12,478,143.61)	Staff Exhibit 1 – Column C, line 40
Prior month actuals	\$10,936,561.43	Staff Exhibit 1 – Column D, line 40
Prior period adjustment	\$949,879.21	Staff Exhibit 1 – Column E, line 40
CIS – transportation	\$419,719.43	Staff Exhibit 1 – Column F, line 40
March estimate	\$15,069,951.78	Staff Exhibit 1 – Column G, line 40
Use Tax – Denver	\$43,073.97	Staff Exhibit 1 – Column I, line 40
Less Steam	(\$1,112,417.95)	Staff Exhibit 1 – Column C, line 46
Total	\$13,828,624.26	Staff Exhibit 1 – Column H, Line 49 & Attachment 2, page 1 of 2, lines 2, 9 and 11 in the filing

Electric Purchases

Staff's review of Purchased Power for the test year consisted of reviewing invoices, reconciliations and general ledger amounts, which were compared to the amount filed in this filing on Attachment 2. **Staff reviewed each month in the test period by**

reviewing general ledger amounts and reconciling reports, however, invoices were only reviewed for the months of March and July 2003 accounting months, which reflects February and June 2003 operational months. Table 2 below reconciles Purchased Power – Economy for March 2003, per PSCo invoices, general ledger amounts and the amount provided in the IAC report (Attachment 2), Purchased Energy Cost, Economy – 555-20, filed with the Commission in this docket.

Table 2

A	B	C
Line Description	Amount	Exhibit
Reverse prior month estimate	(\$39,426,072.81)	Staff Exhibit 2 – Column D, line 25
Prior month actuals	\$33,645,092.80	Staff Exhibit 2 – Column F, line 25
March estimate	\$19,262,615.59	Staff Exhibit 2 – Column H, line 25
Total Purchased Power Short Term-Purchases	\$13,481,635.57	Staff Exhibit 2 – Column J, line 25 & Attachment 2 – page 1 of 2, line 18 in the filing

Short Term Trading

Staff reviewed a sampling of trade tickets to ensure that transactions were assigned to the appropriate book, generation (Gen) or proprietary (Prop), per PSCo's trading business rules in effect during the test period, ie PSCo's incremental and decremental price signals. Staff reviewed PSCo's justification(s) for book assignment of a trade that did not comply with the business rules that were effective. Staff also reviewed general ledger amounts that supported the transaction. Trade ticket number traced dollar amounts for an individual trade to the general ledger.

Staff Findings

After conducting the review as described above, Staff found the costs as reflected in the application filed with the Commission reflect amounts in the general ledger and various supporting reports. Therefore, Staff recommends that the Commission approve the 2003 IAC costs included in PSCo's application.

Staff Exhibits 1 and 2 to Attachment A are being filed
under seal

Public Service Company Trading Margins 2003

Exhibit DAW-2

Attachment 1 Revised

	January		February		March		April		May		June		July		August		September		October		November		December		Year to Date	
	Final	Final	Final	Final	Final	Final	Final	Final	Final	Final	Final	Final	Final	Final	Final	Final	Final	Final	Final	Final	Final	Final	Final	Final		
Generation Trading	575,957	(1,122,539)	(205,577)	1,103,288	237,031	451,611	397,892	434,722	238,308	156,223	(69,759)	655,655	1,661,502													
PSC Prop Margins	297,467	(1,541,549)	(333,281)	(364,576)	(548,582)	1,512,466	653,747	103,868	1,182,178	(390,867)	92,847	(189,893)	473,825													
PSC Option Premiums	-	-	-	-	41,000	41,000	21,560	52,760	21,560	-	119,040	20,800	317,720													
JOA PSCo to NSP/SPS	(194,869)	1,035,823	220,333	228,019	351,213	(1,055,814)	(443,353)	(103,036)	(816,157)	264,632	(142,897)	116,430	(539,675)													
JOA SPS to PSC												15,198														
JOA NSP to PSCo	105,332	109,418	181,558	57,408	171,211	416,677	381,349	324,325	657,589	1,023,872	910,534	1,062,893	5,402,165													
Total Prop Margins	207,930	(396,308)	68,610	(79,149)	14,842	914,329	613,303	377,917	1,045,170	897,637	979,524	1,025,428	5,669,234													
Total PSC Margins	783,887	(1,518,847)	(136,967)	1,024,139	251,873	1,365,940	1,011,195	812,639	1,283,478	1,053,860	909,765	489,773	7,350,756													

Rules:

- 1) Generation Book margins and Proprietary Book margins shall be calculated separately for each book.
- 2) Gross margin shall be aggregated annually. If the aggregated Gross Margin from either book is negative, the negative margin shall not be passed on to retail customers.
- 3) Positive Annual Generation Book Gross Margin:

Determine the CPUC jurisdictional share of Gen Book margins, then retail customers will receive the first \$1.74 million, the Company will retain the next \$1.74 million, the remaining Gross margin will be shared 60% retail/40% Company.

- 4) Positive Annual Proprietary Book Gross Margin:

Determine the CPUC jurisdictional share of prop margins, then Company shall retain the first \$1 million, the remaining Gross Margin will be shared 40% Retail/60% Company

- 5) Timing of Margin Sharing:

The Company shall file on or before April 1 of 2004, ECA rates to go into effect on May 1.

Total Prop Margins	5,669,234
Jurisdictional Split	82.5445%
Company retention	(1,000,000)
40% retail/60% Company	40%
Prop Book sharing	1,471,856
Total Gen Margins	1,661,502
Jurisdictional Split	82.5445%
Customer retention	
60% retail/40% Company	
Gen Book sharing	1,374,479
Prop	1,471,856
Gen	1,374,479
Total	2,846,335

Rules are set forth in Docket No. 025-315EG Settlement Agreement, beginning on page 69

No need to Confirm _____ Trader has confirmed _____

Attachment C

XCEL Trading – Physical / Financial

Purchase / Sale

Nº 92662

Trader: _____ SBU: _____ PSCo Proprietary _____ NSP Retail
Date: _____ PSCo Real-Time _____ NSP Prop
Counterparty: _____ PSCo Load Mgmt _____ NSP Wholesale
Contact: _____ CP&L Load Mgmt _____ SPS Load Mgmt
Fax: _____ Other: _____ SPS Proprietary

Trade Time

Strategy: Prop Day Book / Purchase Native
Purchase Resale / Other: _____

Broker: N/A (Direct) _____ Amerex _____ GFI _____ Prebon _____ ICAP _____ Landmark
Other: _____ ICE _____ Traditions _____ Bloomberg _____ TLIB _____ ClearPort /Nymex

Delivery Point: _____ Time Zone: _____ CPT _____ PST _____ PPT _____ MST
_____ EPT _____ PDT _____ MPT _____ MDT

Contract: _____ Product: _____
_____ WSPP _____ Schedule A (Economy)
_____ Schedule B (Unit Contingent)
_____ Schedule C (Firm)
_____ ICE/NYMEX _____ Financial
_____ MEMA _____ System Firm _____ Unit Contingent
_____ One-hour Firm _____ Firm
_____ Economy _____ General Purpose
_____ Seasonal Diversity
_____ ISDA
_____ EEI _____ Other: _____
_____ Master _____ Gas
_____ Other

Hour	MW	\$/MW	Hour	MW	\$/MW
1			13		
2			14		
3			15		
4			16		
5			17		
6			18		
7			19		
8			20		
9			21		
10			22		
11			23		
12			24		

_____ On-Peak _____ Off-Peak _____ Shaped Schedule

Term: Jan Feb Mar Apr May Jun
Jul Aug Sep Oct Nov Dec

Daily: Mon Tue Wed Thu Fri Sat Sun
_____ Include NERC Holidays
_____ Exclude NERC Holidays

Delivery Date: _____

MW: _____ \$/MWh: _____ mmbtu: _____ Daily Qty _____
_____ Monthly Qty _____ mmbtu: _____
Outage: _____ Planned _____ Unplanned _____ Comment: _____

Options: _____ Penultimate _____ American _____ Call _____ Call Premium: _____
_____ One-time Strike _____ European _____ Put _____ Put Premium: _____
_____ Daily Strike _____ Total Premium: _____
Exercise: _____ Expiration: _____ Total MWh: _____
Total \$ Due: _____

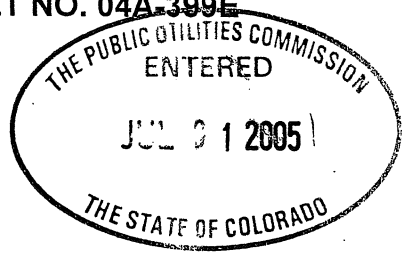
Comments:

- 1) Gen/Wholesale Sale above Incremental Price of _____ per (Daily, _____) analytics report.
- 2) Gen Retail Purchase below Decremental Price of _____ per (Daily, _____) analytics report.
- 3) Gen/Retail Purchase Reliability.
- 4) Displacement – Link with Ticket _____ Original Link Ticket _____
- 5) Cannot be delivered to/from System.
- 6) Prop Sale below Incremental price of _____ per (daily, _____) analytics report.
- 7) Prop Sale below Incremental price of _____ per (daily, _____) analytics report with transmission costs of _____.
- 8) Prop Purchase above Decremental price of _____ per (daily, _____) analytics report.
- 9) Prop Purchase above Decremental price of _____ per (daily, _____) analytics report with transmission costs of _____.
- 10) Other - _____

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

IN THE MATTER OF THE APPLICATION OF)
PUBLIC SERVICE COMPANY OF COLORADO)
FOR AN ORDER APPROVING EXPENSES)
INCURRED FOR THE PERIOD JANUARY 2003)
THROUGH DECEMBER 2003 THAT ARE)
RECOVERED THROUGH THE INTERIM)
ADJUSTMENT CLAUSE AND APPROVING THE)
CALCULATION OF 2003 SHORT TERM SALES)
MARGINS)

DOCKET NO. 04A-399E



SUPPLEMENT TO STIPULATION AND SETTLEMENT AGREEMENT

At the request of the Administrative Law Judge, Public Service Company of Colorado ("Public Service"), the Staff of the Colorado Public Utilities Commission ("Staff"), and the Colorado Office of Consumer Counsel ("OCC") (collectively, the "Parties") hereby clarify an ambiguous phrase in the Stipulation and Settlement Agreement among the Parties dated June 27, 2005 ("Stipulation").

On page 3 of the Stipulation, in the concluding sentence of the first full paragraph, the Parties had agreed as follows:

In addition, upon request by Staff, the Company will provide Staff, for the time period requested by Staff, a list of transactions where the Company has departed from the inc/dec cost signals.

The Administrative Law Judge requested clarification of the phrase "for the time period requested by Staff." This phrase was chosen by the Parties to leave flexibility for the Staff to choose the time periods that the Staff wishes to sample in future audits of the Company's short term trading operations. It is contemplated that the Staff will conduct future audits using a sampling procedure where the Staff selects certain months or

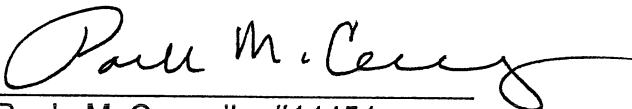
other discrete periods of time to review trades conducted by the Company. The phrase "for the time period requested by Staff" signifies an agreement by Public Service that, upon request by the Staff, the Company will provide a list of transactions for the discrete time period requested by Staff, i.e., for the specific days, weeks or months that Staff wishes to audit.

The Parties intend that this Supplement become part of the Stipulation and Settlement Agreement among them dated June 27, 2005.

Dated this 30th day of June, 2005.

Respectfully submitted,

PUBLIC SERVICE COMPANY OF COLORADO

By: 

Paula M. Connelly, #14451
Assistant General Counsel
Xcel Energy Services Inc.
1225 17th Street, Suite 900
Denver, CO 80202
Telephone: (303)294-2222
Fax: (303)294-2988

Attorney for Public Service
Company of Colorado

COLORADO OFFICE OF CONSUMER
COUNSEL

STAFF OF THE COLORADO PUBLIC
UTILITIES COMMISSION

By: P.B. Schechter
P.B. Schechter
1580 Logan Street, Suite 740
Denver, CO 80203
Telephone: 303-894-2124

Rate/Financial Analyst – Colorado
Public Utilities Commission

By: _____
Bridget McGee-Stiles
1580 Logan Street, OL-2
Denver, CO 80203

Financial Analyst – Colorado
Public Utilities Commission

Approved as to Form:

John W. Suthers
Attorney General

By: Stephen W. Southwick
Stephen W. Southwick, No. 30389
First Assistant Attorney General
Office of the Attorney General
1525 Sherman Street, 5th Floor
Denver, Colorado 80203
Fax: (303) 866-5342
Telephone: (303) 866-5869

Attorney for the Colorado Office of
the Consumer Counsel

Approved as to Form:

John W. Suthers
Attorney General

By: _____
Michael J. Santisi, #29673
Assistant Attorney General
Business and Licensing Section
1525 Sherman Street, 5th Floor
Denver, CO 80203
Telephone: (303) 866-3764
Fax: (303) 866-5935

Attorney for the Staff of the
Colorado Public Utilities

**COLORADO OFFICE OF CONSUMER
COUNSEL**

**STAFF OF THE COLORADO PUBLIC
UTILITIES COMMISSION**

By: _____

P.B. Schechter
1580 Logan Street, Suite 740
Denver, CO 80203
Telephone: 303-894-2124

Rate/Financial Analyst – Colorado
Public Utilities Commission

By: Bridget McGee-Stiles

Bridget McGee-Stiles
1580 Logan Street, OL-2
Denver, CO 80203

Financial Analyst – Colorado
Public Utilities Commission

Approved as to Form:

John W. Suthers
Attorney General

Approved as to Form:

John W. Suthers
Attorney General

By: _____

Stephen W. Southwick, No. 30389
First Assistant Attorney General
Office of the Attorney General
1525 Sherman Street, 5th Floor
Denver, Colorado 80203
Fax: (303) 866-5342
Telephone: (303) 866-5869

Attorney for the Colorado Office of
the Consumer Counsel

By: Michael J. Santisi

Michael J. Santisi, #29673
Assistant Attorney General
Business and Licensing Section
1525 Sherman Street, 5th Floor
Denver, CO 80203
Telephone: (303) 866-3764
Fax: (303) 866-5935

Attorney for the Staff of the
Colorado Public Utilities