

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

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IN THE MATTER OF THE COMMISSION)	
ADOPTING POLICIES AS REQUIRED BY)	DOCKET NO. 07M-230E
HOUSE BILL 07-1288)	

INITIAL COMMENTS OF PUBLIC SERVICE COMPANY OF COLORADO

Public Service Company of Colorado ("Public Service") hereby submits its Initial Comments addressing the Commission's Order Opening Docket and Establishing Schedule for Comments and Workshop, in Decision No. C07-0514, mailed June 18, 2007. The Commission seeks comments with respect to how it should perform the tasks assigned it by House Bill 07-1228, which reads, in pertinent part, as follows:

40-2-109.5. Incentives for distributed generation – definition.

(1) The Commission shall develop a policy to establish incentives for consumers who produce Distributed Generation, including, but not limited to small wind turbines, thermal biomass, electric biomass and solar thermal energy. The Commission shall consider whether a credit program similar to the renewable energy standard set forth in Section 40-2-124 would work for consumers who produce distributed generation. The Commission shall present the policy and findings regarding a credit program to the House of Representatives Transportation and Energy Committee, or their successor committees.

(2) As used in this section, "Distributed Generation" means a system by which a consumer generates heat or electricity using renewable energy resources for his or her own needs and may also send surplus electrical power back into the power grid.

Public Service supports the Commission's intention to hold workshops after receiving two rounds of comments from interested parties. Public Service intends to respond to comments made by others and to participate in the workshops held by the Commission.

Public Service does not have detailed specific proposals to present in our Initial Comments. We do note that Public Service currently has tariffs that apply to customers who install photovoltaic panels, our Schedule PV Photovoltaic Service, and we allow these customers to opt for net metering of their generation. Public Service would support extending this concept to other forms of distributed generation, as defined by HB 07-1228. Specifically, the Company could file a wind energy tariff that would be similar to Schedule PV in that it would provide for net metering of the customer's Distributed Generation with the customer's usage and, depending upon the Company's needs to meet its Renewable Energy Standard of twenty percent by the year 2020, may want to provide an incentive mechanism in the tariff. The availability of net metering in and of itself would provide a substantial incentive to customers to install distributed generation.

In general, at this time Public Service has more policy questions to pose than we have developed policy answers. Public Service has a concern about how a "credit program similar to the renewable energy standard" will work with technologies that do not produce electricity. First, it is unclear what is meant by that phrase. Second, renewable energy credits ("RECs"), by definition, are the renewable attributes of electric generation. Consequently, renewable systems that generate "heat" but that do not generate "electricity" do not fit the definition of RECs. Because under the Commission's current rules qualifying retail utilities are required to obtain RECs to meet the Renewable Energy Standard, and have a limited budget to obtain these RECS, Public Service would have a concern about any obligation to use the Renewable Energy

Standard budget to provide incentives to distributed facilities that create heat, but that do not generate RECs that could be used to meet the standard.

In addition, Public Service believes that any incentive program created by the Commission should specifically state the size limits of the distributed generation that qualify for the incentives and the technologies that qualify for the incentives. And, importantly, if the utility is the source of the dollars for the incentive, the utility must have a timely method of cost recovery, preferably through a rate adjustment clause.

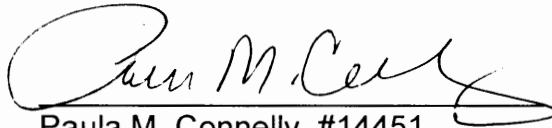
Depending upon the technologies covered by the incentive programs developed by the Commission, they may already qualify under Public Service's renewable energy programs or demand-side management programs. With respect to Distributed Generation that produces heat rather than electricity, Public Service may support incentives as a part of its Demand Side Management programs to the extent that such Distributed Generation displaces electric or gas consumption in a cost effective manner as required by House Bill 07-1037. The interfaces among HB07-1281, HB07-1037 and HB07-1228 need to be clearly established.

Public Service looks forward to reviewing and responding to comments by other parties. Please send copies of all comments to the undersigned counsel and to :

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Respectfully submitted this 6th day of July 2007.

PUBLIC SERVICE COMPANY OF COLORADO

A handwritten signature in black ink, appearing to read "Paula M. Connelly", with a stylized flourish at the end.

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CERTIFICATE OF SERVICE

07M-230E

I hereby certify that on this, the 6th day of July 2007, an original and ten (10) copies of the foregoing **INITIAL COMMENTS OF PUBLIC SERVICE COMPANY OF COLORADO** were served via hand delivery on:

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A handwritten signature in black ink, reading "Ruth Sharpe", written over a horizontal line.