

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

DOCKET NO. 03A-084SEG

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IN THE MATTER OF THE APPLICATION OF PUBLIC SERVICE COMPANY OF COLORADO, 1225 17TH STREET, DENVER, COLORADO, FOR AN ORDER  
(1) AUTHORIZING THE ISSUANCE OF SECURITIES WITH MATURITIES GREATER THAN ONE YEAR IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$575 MILLION, (2) AUTHORIZING THE ISSUANCE OF SECURITIES IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$530 MILLION FOR COLLATERAL ON SHORT-TERM BORROWINGS, (3) ISSUANCE OF SECURED SHORT-TERM DEBT SECURITIES IN ADDITION TO UNSECURED SHORT-TERM DEBT THAT HAS PREVIOUSLY BEEN AUTHORIZED (4) AUTHORITY TO ENTER INTO TREASURY RATE LOCKS, AND (5) AUTHORITY TO RECOVER CERTAIN REFUNDING COSTS AND TREASURY RATE LOCK COSTS.

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**ORDER OF THE COMMISSION  
GRANTING APPLICATION IN PART**

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Mailed Date: March 26, 2003  
Adopted Date: March 26, 2003

**I. BY THE COMMISSION**

**A. Statement**

1. On March 6, 2003, Public Service Company of Colorado, a Colorado corporation (the Company), filed a Verified Application, including the required exhibits under Rule 56 of the *Commission's Rules of Practice and Procedure*, 4 *Code of Colorado Regulations* (CCR) 723-1 (Application). The Company seeks an Order from the Commission authorizing it:

- 1) to issue and sell from time to time prior to December 31, 2006, at its option, in any combination not to exceed \$575 million, one or more of the following types of securities with maturities greater than one year (collectively, the Non-collateral Securities):
  - a) unsecured debt in one or more series issued pursuant to the Company's Senior Debt Securities Indenture; and

- b) secured debt in one or more series, which may or may not be in the form of First Collateral Trust Bonds issued pursuant to the 1993 Indenture (FCTBs) and which may or may not be secured by First Mortgage Bonds (FMBs), in any principal amount as may be required from time to time; and
- c) First Mortgage Bonds, provided that any such FMBs shall be issued only as security for FCTBs and shall not affect the aggregate amount of Non-collateral Securities for which authority is requested by this Application.

Such authority would grant the Company the flexibility to enter the financial markets at a time or times when interest rates or other provisions appear most favorable for the security.

- 2) to issue, for the purpose of securing short-term borrowings, up to \$530 million of:
  - a) FCTBs pursuant to the 1993 Indenture and which will be secured by FMBs (the Collateral Securities) and
  - b) FMBs, provided that any such FMBs shall be issued only as security for FCTBs and shall not affect the aggregate amount of Collateral Securities for which authority is requested by this Application.
- 3) to issue and sell from time to time, at its option, in any combination not to exceed \$700 million (in aggregate) in principal amount as previously authorized by Decision Nos. C97-1455, C97-414 and C99-316 (the Short-term Debt Decisions), one or more of the following types of securities with maturities of a year or less (collectively, the Short-term Debt Securities):
  - a) unsecured promissory notes and drafts to commercial banks and other lenders, and unsecured promissory notes through commercial paper dealers; and
  - b) secured debt in one or more series, which may or may not be in the form of FCTBs issued pursuant to the 1993 Indenture (the Secured Short-term Debt Securities) and which may or may not be secured by FMBs, in any principal amount as may be required from time to time; and
  - c) FMBs, provided that any such FMBs shall be issued only as security for FCTBs and shall not affect the aggregate amount of Short-term Debt Securities for which authority is requested by this Application. The amount of short-term debt at any time outstanding, whether secured or unsecured, will not exceed

\$700 million, the total amount of short-term debt authorized in the Short-term Debt Decisions.

- 4) to enter into treasury rate locks, and
- 5) to recover certain refunding costs and treasury rate lock costs.

**1. Non-Collateral Securities Authorization**

2. The Company had authority to issue and sell, from time to time prior to December 31, 2004, at its option, up to \$500 million of various types of securities. Such authority was granted in Decision No. C99-421. In 1999, the Company issued \$200 million of its Series A Senior Notes under this authorization. In September 2002, the Company issued a total of \$600 million of 7.875 percent First Collateral Trust Bonds, Series No. 8. Of that \$600 million, \$300 million was issued under the authority granted in Decision No. C99-421. Therefore, there is no remaining authority under Decision No. C99-421.

3. Also, the Company has authority to issue and sell, from time to time prior to December 31, 2007, at its option, up to \$600 million of various types of securities. Such authority was granted in Decision Nos. C02-804 and C02-804-E. For the issuance of the 7.875 percent First Collateral Trust Bonds, Series No. 8 discussed in Paragraph 2, the Company used \$300 million of this authority.

4. In addition, the Company issued and delivered \$48,750,000 aggregate principal amount of its First Collateral Trust Bonds, Series No. 7 due 2019 to Ambac Assurance Company (Ambac) pursuant to an Insurance Agreement dated as of January 21, 1999. The Company entered into the Insurance Agreement with Ambac as part of the consideration for the delivery by Ambac of municipal bond insurance policies for the Company's Adams County and Pueblo County Pollution Control Refunding Revenue Bonds (Public Service Company of Colorado Projects) Series 1999. Such authority to issue the First Collateral Trust Bonds to Ambac was

granted in Decision Nos. C02-804 and C02-804-E. Therefore, there is \$251.25 million remaining authority under Decision Nos. C02-804 and C02-804-E (\$600 million authorized minus \$300 million First Collateral Trust Bonds, Series No. 8 issued minus \$48.75 million First Collateral Trust Bonds, Series No. 7 issued equals \$251.25 million).

5. The Company intends to use the proceeds from the issuance of the Non-collateral Securities for general corporate purposes, including capital expenditures, repayment of short-term debt, and refunding of long-term debt at maturity or otherwise. All proceeds will be used to support the Company's Colorado operations.

## **2. Collateral Securities Authorization**

6. As of February 28, 2003 the Company had approximately \$163 million of short-term debt outstanding under its Second Amended and Restated 364-Day Credit Agreement that expires June 27, 2003 (the Credit Agreement). The Company intends to renew the Credit Agreement by its expiration date for an amount up to \$530 million. The most likely scenario is that the Company will renew the Credit Agreement for a lesser amount and pursue an additional credit agreement or other forms of short-term borrowings for which it could use the requested authority to issue Collateral Securities if required.

7. There will be no proceeds to the Company upon delivery of Collateral Securities by the Company, as the Collateral Securities are being issued as collateral for the Company's short-term borrowing facilities including its Credit Agreement.

## **3. Secured Short-term Debt Securities Authorizations**

8. The Company requests authority to issue Secured Short-term Debt Securities in addition to unsecured short-term debt with maturities not to exceed 12 months (Short-term Debt).

The amount of short-term debt at any time outstanding will not exceed the \$700 million authorized in the Short-term Debt Decisions.

9. The proceeds from the issuance of the Secured Short-term Debt Securities will be used for the Company's capital expenditures and other general corporate purposes of the Company as authorized in the Short-term Debt Decisions.

**4. Treasury Rate Locks Authorization and Recovery of Treasury Rate Lock Costs**

10. Additionally, the Company requests authority to enter into treasury rate locks and to recover the cost of the treasury rate locks. Treasury rate locks are used to reduce market risk exposure as a result of changes in interest rates. The Company will only enter into treasury rate locks related to long-term debt and secured and unsecured short-term debt that has been approved by the Company's Board of Directors.

**5. Recovery of Certain Refunding Costs Authority**

11. Finally, the Company requests pre-approval of the recovery of redemption premiums, unamortized underwriting costs and expenses associated with any long-term debt that it refunds prior to maturity (Refunding Costs) with the proceeds from the Non-collateral Securities or from other general corporate funds.

12. The Commission noticed this Application on March 10, 2003, allowing parties until March 20, 2003 to intervene or participate as a party in this proceeding and setting this matter for hearing on March 31, 2003. In addition, the Company published a notice of the Application in the legal notices of *The Denver Post* on Saturday, March 8, 2003. An Affidavit of Publication issued by *The Denver Post* was filed with the Commission on March 14, 2003. Due

and proper notice of this matter has been given, and no one seeks intervention or opposes the granting of the Application.

13. The Company has requested this Commission to determine this matter without hearing and on modified procedure. Because no one has intervened in connection with the Application, it is appropriate that this Commission consider this matter in accordance with § 40-6-109(5), C.R.S., and Rule 24 of this Commission's Rules of Practice and Procedure, 4 CCR 723-1.

**B. Findings of Fact**

14. The Company is a Colorado corporation qualified to do business within the State of Colorado. Its Amended and Restated Articles of Incorporation have been filed with this Commission, and it is in good standing with the Colorado Secretary of State. The Company provides electric, gas, and steam utility service to various areas in the State of Colorado. The Application has been filed in accordance with § 40-1-104, C.R.S., which requires a public utility to obtain the approval of this Commission before it issues securities such as the Non-collateral Securities, the Collateral Securities, and the Secured Short-term Debt Securities.

**1. Non-collateral Securities Authorization**

15. Authority is requested to issue and sell on such dates as the Company deems appropriate, from time to time prior to December 31, 2006, at the Company's option, \$575 million of Non-collateral Securities.

16. The Company is requesting an additional \$575 million in authority because of the level of the Company's short-term debt (as of February 28, 2003 approximately \$163 million), outstanding bonds that are maturing during the next two years, potential refinancing

opportunities available in 2003, and also to provide capacity to issue debt on a timely basis in the future.

17. The Company has \$250 million of its 6 percent First Collateral Trust Bonds, Series 6 maturing in April 2003, \$30 million of two series of 6.45 percent Secured Medium Term Notes, Series B maturing in November 2003, \$45 million of two series of its 6.90 percent Secured Medium Term Notes, Series B maturing in February 2004, and \$100 million of its 8 1/8 percent First Mortgage Bonds maturing in March 2004. In addition, the Company may have the opportunity to refinance \$146.34 million of its 8.75 percent of First Mortgage Bonds due March 2022 if such refinancing meets the requirements for cost recovery as detailed in prior Commission decisions. These bonds became callable March 1, 2002. The Company was required to make a sinking fund payment of \$1.5 million on March 1, 2003. After the sinking fund payment, \$144.84 million was outstanding.

18. Therefore, the Company intends to use \$425 million of the authority for Non-collateral Securities for maturing debt during 2003 and 2004 and \$144.84 million to refinance the 8.75 percent First Mortgage Bonds for a total of \$569.8 million. With the \$251.25 million remaining authority under Decision Nos. C02-804 and C02-804-E and the additional \$575 million authority requested in this application, the Company will have \$256.41 million remaining in authority for new debt. Given the unprecedented low interest rates available today, the Company believes that it is appropriate to pursue financing at such favorable rates. In addition, the Company intends to replace its short-term debt currently outstanding with other debt that could include short, medium, or long-term debt depending on market conditions. This will allow the Company to reduce the size of its 364-day credit agreement if it so desires.

19. The type, amount, and length of maturity of the Non-collateral Securities are to be decided at the respective times of issuance. The interest rates, whether fixed or variable, the redemption and sinking fund provisions, if any, will be determined through competitive bidding or by negotiation with underwriters or managers at the time of the pricing of said Non-collateral Securities. Credit enhancement mechanisms relating to the Non-collateral Securities, such as bond insurance or letters of credit, may be used if deemed to be advantageous by the Company.

20. The Company intends to use the proceeds from the issuance of the Non-collateral Securities for general corporate purposes, including capital expenditures, repayment of short-term debt, and refunding of long-term debt at maturity or otherwise. All proceeds will be used to support the Company's Colorado operations.

21. The Company may register the Non-collateral Securities with the Securities and Exchange Commission pursuant: (i) to Rule 415 (Shelf Registration) of the Securities Act of 1933, as amended, (the Securities Act) for a public issuance; or (ii) such other rule as may be appropriate; or the Company may issue such Non-collateral Securities through a private placement pursuant to an exemption from the registration requirements of the Securities Act and may, but need not, subsequently register such privately placed securities under the Securities Act or exchange such Non-collateral Securities for registered Non-collateral Securities. In the event of such a registration or exchange, the principal amount of such Non-collateral Securities would be counted only once in calculating the \$575 million limitation requested herein.

22. The Company, after the closing of each Non-collateral Securities issuance, shall make a report to the Commission of such issuances and accompany such report with conformed



copies of the Company's registration statements and related prospectuses, and in the case of a private placement, the form of the offering circular and the form of the Non-collateral Security.

23. The Company may issue the Non-collateral Securities in one or more series of unsecured debt issued pursuant to the Company's Senior Debt Securities Indenture.

24. The Company may issue the Non-collateral Securities in one or more series of secured debt, which may or may not be in the form of FCTBs issued pursuant to the 1993 Indenture and which may or may not be secured by FMBs.

25. The Company may issue First Mortgage Bonds, provided that such FMBs shall be issued only as security for FCTBs and shall not affect the aggregate amount of Non-collateral Securities for which authority is requested.

## **2. Collateral Securities Authorization**

26. The Company intends to renew the Credit Agreement by its expiration date for an amount up to \$530 million. The most likely scenario is that the Company will renew the Credit Agreement for a lesser amount and pursue an additional credit agreement or other forms of short-term borrowings for which it could use the requested authority to issue Collateral Securities if required.

27. Given the current market environments, it is highly likely that in order to renew the Company's Credit Agreement which expires in June 2003, the Company will be required to provide first collateral trust bonds to the banks in order to secure the Company's obligations under its credit agreement. In addition, any other short-term borrowing facilities that the Company may enter into may require first collateral trust bonds to secure obligations under those facilities.

28. There will be no proceeds to the Company upon delivery of Collateral Securities by the Company, as the Collateral Securities are being issued as collateral for the Company's short-term borrowing facilities including its Credit Agreement.

29. The Company will not pay interest on the Collateral Securities issued under this Application unless there is an event of default under the Credit Agreement or other short-term borrowing facilities for which the Collateral Securities have been posted as collateral. Consequently, the issuance of the Collateral Securities as collateral bonds should not increase the interest expense to the Company.

30. After issuing the Collateral Securities, the Company shall make a report to the Commission including copies of relevant documents.

### **3. Secured Short-term Debt Securities Authorization**

31. The Secured Short-term Debt Securities will be issued on such dates as the Company deems appropriate in an aggregate principal amount not to exceed \$700 million including any unsecured short-term debt. For clarification, any outstanding obligations established under the previously discussed credit agreement shall be included as part of the aggregate \$700 million short-term debt authorization. The type, amount, and length of maturity of the Secured Short-term Debt Securities are to be decided at the respective times of issuance. However, the maturity dates for any such securities will not exceed 365 days. The interest rates, whether fixed or variable, the redemption and sinking fund provisions, if any, will be determined through competitive bidding or by negotiation with underwriters or managers at the time of the pricing of said Secured Short-term Debt Securities. Credit enhancement mechanisms, such as bond insurance or letters of credit, relating to the Secured Short-term Debt Securities may be used if deemed to be advantageous by the Company.

32. The Company may register the Secured Short-term Debt Securities with the Securities and Exchange Commission pursuant: (i) to Rule 415 (Shelf Registration) of the Securities Act of 1933, as amended, (the Securities Act) for a public issuance; or (ii) such other rule as may be appropriate; or the Company may issue such Secured Short-term Debt Securities through a private placement pursuant to an exemption from the registration requirements of the Securities Act and may, but need not, subsequently register such privately placed securities under the Securities Act or exchange such Secured Short-term Debt Securities for registered Secured Short-term Debt Securities. In the event of such a registration or exchange, the principal amount of such Secured Short-term Debt Securities would be counted only once in calculating the \$700 million limitation requested herein.

33. The Company may issue the Secured Short-term Debt Securities in one or more series of secured debt, which may or may not be in the form of FCTBs issued pursuant to the 1993 Indenture and which may or may not be secured by FMBs.

34. The Company may issue FMBs, provided that such FMBs shall be issued only as security for FCTBs and shall not affect the aggregate amount of Secured Short-term Debt Securities for which authority is requested.

35. The Company, after the closing of each Secured Short-term Debt Securities issuance, shall make a report to the Commission of such issuances and accompany such report with conformed copies of the Company's registration statements and related prospectuses, and in the case of a private placement, the form of the offering circular and the form of the Secured Short-term Debt Security.

#### **4. Treasury Rate Locks Authorization and Recovery of Treasury Rate Lock Costs**

36. Additionally, the Company requests authority to enter into treasury rate locks and to recover the cost of the treasury rate locks. Treasury rate locks are used to reduce market risk exposure as a result of changes in interest rates. The Company will only enter into treasury rate locks related to long-term debt and secured and unsecured short-term debt that has been approved by the Company's Board of Directors. As with any long-term financing the Company undertakes, the Board of Directors will approve the execution of any treasury rate lock prior to its execution. This procedure is consistent with the Board of Director's current practice of requiring the Board of Directors to approve the pricing of a long term financing transaction.

37. The Company shall include in its report to the Commission, discussed for Non-collateral Securities and Secured Short-term Debt Securities, a description of any treasury rate lock entered into based on the authority granted in this Application and such description will include the costs incurred in executing the treasury rate lock.

#### **5. Recovery of Certain Refunding Costs Authority**

38. Finally, the Company requests pre-approval of the recovery of Refunding Costs with the proceeds from the Non-collateral Securities or from other general corporate funds. Pre-approval of the recovery of Refunding Costs in the Company's embedded cost of debt is requested only if the refunding maintains or lowers the Company's embedded cost of debt.

39. In resolutions passed by unanimous consent by the Company's Board of Directors on February 28, 2003, the Board of Directors authorized, among other matters, the issuance of the Non-collateral Securities, the Collateral Securities, and the Secured Short-term Debt

Securities and its proper officers to execute and file the Application or to cause the Application to be filed.

40. The Application contains all of the information required under 4 CCR 723-1-56. The financial information submitted demonstrates that the Company is a sizable enterprise, is solvent, and operates profitably. The Company does not anticipate that the issuance of the Non-collateral Securities, the Collateral Securities, and the Secured Short-term Debt Securities will change the Company's basic financial status.

41. The Company published notice of the Application and no one seeks intervention or opposes granting the Application. There is no need for a hearing on this matter, and the hearing should be waived under the provisions of § 40-1-104(3), C.R.S. This Commission will decide the matter of the Application on modified procedures pursuant to § 40-6-109(5), C.R.S., and 4 CCR 723-1-24.

42. The Company and the issuance of the Non-collateral Securities, the Collateral Securities, and the Secured Short-term Debt Securities are subject to the jurisdiction of this Commission in accordance with § 40-1-104, C.R.S.

43. The issuance of the Non-collateral Securities, the Collateral Securities, and the Secured Short-term Debt Securities, as stated in the Application will be consistent with the provisions of the public utilities law, is for a lawful purpose, and is not inconsistent with the public interest.

44. The Application should be granted and issuance of the Non-collateral Securities, the Collateral Securities, and the Secured Short-term Debt Securities referenced therein should be authorized and approved.

**II. ORDER****A. The Commission Orders That:**

1. The Application (Docket No. 03A-084SEG) of Public Service Company of Colorado is deemed complete and granted.

2. Public Service Company of Colorado is hereby authorized to issue and sell, from time to time prior to December 31, 2006, at its option, in any combination not to exceed \$575 million, one or more of the following types of securities with maturities of greater than one year (collectively, the Non-collateral Securities): (1) unsecured debt in one or more series issued pursuant to the Company's Senior Debt Securities Indenture; 2) secured debt in one or more series, which may or may not be in the form of First Collateral Trust Bonds issued pursuant to the 1993 Indenture (FCTBs) and which may or may not be secured by First Mortgage Bonds (FMBs), in any principal amount as may be required from time to time; and 3) First Mortgage Bonds, provided that any such FMBs shall be issued only as security for FCTBs and shall not affect the aggregate amount of Non-collateral Securities for which authority is requested by this Application. Such authority is in addition to the \$251.25 million currently authorized and unissued under Decision Nos. C02-804 and C02-804-E. Credit enhancement mechanisms, such as bond insurance or lines of credit, relating to the Non-collateral Securities may be used. The interest rates, whether fixed or variable, the redemption and sinking fund provisions, if any, and the type, amount, and maturity of the Non-collateral Securities may be determined by Public Service Company of Colorado at the time of issuance.

3. Public Service Company of Colorado is hereby authorized to issue, for the purpose of securing short-term borrowings, up to \$530 million of (1): FCTBs issued pursuant to the 1993 Indenture and which will be secured by FMBs (the Collateral Securities); and (2) FMBs,

provided that any such FMBs shall be issued only as security for FCTBs and shall not affect the aggregate amount of Collateral Securities for which authority is requested by this Application.

4. Public Service Company of Colorado is hereby authorized to issue and sell from time to time, at its option, in any combination not to exceed \$700 million in principal amount as previously authorized by Decision Nos. C97-1455, C97-414, and C99-316 (the Short-term Debt Decisions), one or more of the following types of securities with maturities of a year or less (collectively, the Short-term Debt Securities): (1) unsecured promissory notes and drafts to commercial banks and other lenders, and unsecured promissory notes through commercial paper dealers; (2) secured debt in one or more series, which may or may not be in the form of FCTBs issued pursuant to the 1993 Indenture (the Secured Short-term Debt Securities) and which may or may not be secured by FMBs, in any principal amount as may be required from time to time; (3) FMBs, provided that any such FMBs shall be issued only as security for FCTBs and shall not affect the aggregate amount of Short-term Debt Securities for which authority is requested by this Application. The amount of short-term debt at any time outstanding, whether secured or unsecured, will not exceed \$700 million, the total amount of short-term debt authorized in the Short-term Debt Decisions. For clarification, any amount outstanding under the credit agreement shall be included as part of the aggregate \$700 million short-term debt authorized in this Order. Credit enhancement mechanisms, such as bond insurance or lines of credit, relating to the Short-term Debt securities may be used. The interest rates, whether fixed or variable, the redemption and sinking fund provisions, if any, and the type, amount, and maturity of the Short-term Debt Securities may be determined by Public Service Company of Colorado at the time of issuance.

5. Public Service Company of Colorado is authorized to enter into treasury rate locks related to long-term debt and secured and unsecured short-term debt approved by the

Company's Board of Directors. The Commission, by this Order, is neither pre-approving nor disallowing recovery of costs associated with implementing a treasury rate lock. The portion of this Application requesting pre-approval of the cost recovery is therefore denied.

6. Additionally, Public Service Company of Colorado may recover in its embedded cost of debt the redemption premiums and unamortized underwriting costs and expenses associated with any long-term debt that it refunds prior to maturity with the proceeds from the Securities or from other general corporate funds. In requesting recovery of expenses, the Company should provide evidence to support the notion that the refunding is beneficial to Public Service Company of Colorado and its ratepayers. In general, refunding activities should maintain or lower Public Service Company of Colorado's embedded cost of debt and such refunding costs should be prudently incurred.

7. Public Service Company of Colorado is authorized to enter into any agreements necessary to effect the financing transactions contemplated by the Application.

8. Nothing contained herein shall be construed to imply any recommendation or guaranty of any obligation with regard to Public Service Company of Colorado's Securities approved under the Application on the part of the State of Colorado.

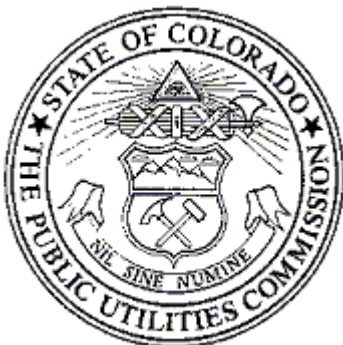
9. The hearing on this matter, now set for March 31, 2003 is vacated.

10. This Order is effective upon its Mailed Date.

**B. ADOPTED IN COMMISSIONERS' WEEKLY MEETING  
March 26, 2003.**



(S E A L)



ATTEST: A TRUE COPY

Bruce N. Smith  
Director

THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF COLORADO

GREGORY E. SOPKIN

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JIM DYER

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Commissioners

COMMISSIONER POLLY PAGE ABSENT.