

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

**RE: THE TARIFF SHEETS FILED BY PUBLIC)
SERVICE COMPANY OF COLORADO WITH) DOCKET NO. 04S-164E
ADVICE LETTER NO. 1411 - ELECTRIC)**

**SETTLEMENT AGREEMENT RESOLVING ISSUES ON
INTERRUPTIBLE ELECTRIC SERVICE**

Public Service Company of Colorado ("Public Service" or "Company"), the Staff of the Colorado Public Utilities Commission ("Staff"), the Colorado Energy Consumers Group ("CEC"), the Federal Executive Agencies ("FEA"), the Colorado Office of Consumer Counsel ("OCC"); and CF&I Steel, L.P. (collectively, the "Parties")¹ hereby enter into this Settlement Agreement regarding the Company's proposed electric interruptible service option credit ("ISOC") program.

Introduction

On March 24, 2004, Public Service filed Advice Letter No. 1411 – Electric with the Commission, tendering revised tariff sheets in which the Company proposed its rate design to collect the revenue requirement authorized by the Commission in Decision No. C03-0877, the final order in Docket No. 02S-315EG. The Company also filed Direct Testimony and Exhibits in support of the proposed rate design. The Company's revised tariff sheets are collectively referred to as

¹ Climax Molybdenum Company neither joins in nor opposes this Settlement Agreement.

its Phase 2 tariff sheets. Among the proposals made by the Company was a proposal to restructure its interruptible program for those customers who are willing to have their electric service interrupted for economic need or when system resources are constrained.

The Intervenors filed their Answer Testimony and Exhibits on October 12, 2004. On December 13, 2004, Public Service filed Rebuttal Testimony and Exhibits and other parties filed Cross-Answer Testimony and Exhibits.

Hearings were scheduled from January 10 through January 28, 2005. At the hearing on January 10, the Company requested suspension of hearings to afford time to negotiate settlement of some of the contested issues in this docket. The Commission agreed to continue the hearings until January 12, 2005 for the purpose of having the Company provide a status report regarding the progress of settlement discussions. On January 12, 2005, the Commission continued the hearings until January 18, 2005.

Subsequent to the Commission's suspension of the hearings in this proceeding, the Company has been engaged in settlement discussions with all intervenors who have taken a position in this proceeding regarding the ISOC program. These settlement discussions have been successful. The Parties have reached compromise and settlement on all contested issues relating to the ISOC program. If approved by the Commission, the ISOC program shall operate as described in the revised ISOC tariff that is attached to this Settlement Agreement as Exhibit A. Exhibit A to this Settlement Agreement is a further modified version of the proposed tariff language attached to the Rebuttal Testimony and Exhibits

of Public Service witness Timothy Sheesley as Exhibit TJS-6. The resolution of all contested issues relating to the ISOC program is set forth in this Settlement Agreement. The revised ISOC tariff that has been agreed to by the Parties is attached as Exhibit A.

Agreement

The Parties to this Settlement Agreement hereby agree to the following resolution of the issues raised in this proceeding relating to the Company's proposed ISOC program.

1. The Parties agree that the Contract Interruptible Load for each calendar year shall be equal to the median of the customer's maximum daily 15 minute integrated kW demands occurring between the hours of 12:00 noon and 8:00 p.m., Monday through Friday, excluding federal holidays, during the period June 1 through September 30 of the prior year. In extraordinary circumstances, a customer that has entered into an Interruptible Service Option Agreement may seek a ruling from the Commission that its Contract Interruptible Load should be calculated using load data from the year one year prior to the year normally used to calculate the Contract Interruptible Load under the tariff. In order to obtain such ruling, the customer must show that, due to extraordinary circumstances, the load data that would normally be used to calculate its Contract Interruptible Load under the tariff is less representative of what the customer's load is likely to be in the following year than its load data from the year one year prior to the period normally used.

2. CF&I has advised Staff, the OCC, and the Company that it intends to replace its two arc furnaces with a single larger furnace during the summer of 2005. This construction project will require CF&I to take its existing arc furnaces out of service in sequence during the 2005 summer season, reducing its peak demand by approximately 50% or more for approximately three months. CF&I expects to resume full operations at or near historic levels late in 2005 and continuing in 2006. The Company agrees to support a filing by CF&I to use load data from 2004 to calculate the Contract Interruptible Load for CF&I applicable in 2006 under the circumstances set forth in this paragraph. Staff and the OCC agree not to oppose a filing by CF&I that is consistent with the content of this Paragraph.

3. The Parties agree that the Company shall calculate the credit per kWh for Avoided Energy Cost using a 50 percent load factor adjustment as proposed in the Company's Direct Testimony and Exhibits.

4. The Company agrees that the buy-through price paid by a customer who elects to buy-through an Economic Interruption shall be equal to the actual cost of the buy-through energy acquired by the Company plus 3 mils per kWh. The methodology for calculating the actual cost shall be as set forth in Exhibit A under the heading "Buy-Through – Economic Interruptions."

5. Once the Company has called an Economic Interruption, the Company agrees to provide interruptible customers, by electronic mail delivered to the address as specified in the Interruptible Service Option Agreement, with an updated estimate of the buy-through price once each hour during the interruption.

If the updated estimate exceeds the estimated buy-through price first provided to the interruptible customer(s), then any customer that elected initially to buy through the Economic Interruption will have 15 minutes after being notified of the updated estimate to advise the Company that such customer desires to be interrupted at the start of the next hour. The minimum duration of any Economic Interruption under this Paragraph shall be four hours from the time that the Company designated when it first called for the Economic Interruption.

6. The Company agrees to permit interruptible customers to provide advance election to buy-through up to a specified price. Such election shall be made no later than the last business day prior to the first day of the month to which the election will apply and shall be delivered to the customer's service representative by electronic mail as provided in the customer's Interruptible Service Option Agreement. Any customer with a standing buy-through order shall have the option, within the 15-minute notice period, to advise the Company that it desires to be interrupted. Further, in the event that the buy-through price exceeds the customer-specified price, the customer may nevertheless elect to buy-through the interruption by providing the Company with the required notice within 15 minutes.

7. Public Service agrees that it shall not call an Economic Interruption more than once each day.

8. Public Service shall include in the revised ISOC tariff a definition of Contingency Interruption, applicable only to interruptible customers receiving service under the less than ten-minute notice provision, to clarify that the

Company may interrupt such customers at any time when the Company believes, in its sole discretion, that interruption is necessary for the Company to be able to meet its disturbance control standard (“DCS”) criteria.

9. Capacity Interruptions shall include interruptions caused by capacity constraints and system disturbances on the Company’s generation and transmission systems, but shall not include interruptions due to constraints or disturbances on the Company’s distribution system.

10. The Parties agree that the Company shall be permitted to recover all credits paid under the ISOC program through the Demand Side Management Cost Adjustment (“DSMCA”) mechanism , or its successor mechanism. At the time the Company makes its annual filing to revise the DSMCA, it shall provide Staff with workpapers showing the level of credits the Company seeks to recover through the mechanism.

11. Public Service shall prepare a report setting forth the date, time and duration of all Economic, Contingency and Capacity interruptions occurring during the prior calendar year, including the date, time, duration and reason for any capacity interruption due to constraints or system disturbances on its transmission system. Public Service shall also perform an analysis of the costs and benefits of the ISOC program for the prior calendar year and for the entire period in which the ISOC has been in effect. Public Service shall provide its interruption data and the results of its cost/benefit analyses to the Commission and to the signatories to this Settlement Agreement annually beginning on April 1, 2006 and thereafter until the earlier of the date on which the Company

discontinues the ISOC program or the Commission issues a final order in the Company's next Phase 2 rate proceeding. The Company's cost/benefit analysis will consist of estimating the load on the system as if the interruption(s) had not occurred and determining the avoided energy cost using the Company's unit optimization model and including as inputs the market energy prices during the hours that the interruption(s) occurred. The Company will also estimate the capacity value of the program. The Company shall provide Staff with the workpapers supporting its cost/benefit analyses at the time it files its report with the Commission.

General Terms and Conditions

12. This Settlement Agreement reflects the compromise and settlement of all issues raised or that could have been raised in this docket in regard to the ISOC program.

13. All signatories agree to support this Settlement Agreement and to join in a motion that requests the Commission approve the Settlement Agreement and to comply with all provisions of this Settlement Agreement that are binding upon all Parties to this agreement.

14. This Settlement Agreement is a negotiated compromise of issues related to the Company's proposed ISOC program that is supported by the Parties.. Nothing contained herein shall be deemed to constitute an admission or an acceptance by any Party of any fact, principle, or position contained herein. Notwithstanding the foregoing, by signing this Settlement Agreement and by joining in the motion to approve the agreement, the Parties acknowledge that

they pledge support for Commission approval and subsequent implementation of these provisions.

15. This Settlement Agreement shall be treated as a complete package as it relates to the Company's ISOC program. To accommodate the interests of different Parties on various issues, the Parties acknowledge that changes, concessions, or compromises by a Party or Parties in one section of this Settlement Agreement necessitated changes, concessions, or compromises by other Parties in other sections.

16. The Parties agree that all pre-filed testimony and exhibits relating to the Company's proposed ISOC program and tariff shall be admitted into evidence in this docket without cross-examination.

17. This Settlement Agreement shall not become effective until the issuance of a final Commission Order approving the agreement which Order does not contain any modification of the terms and conditions of this Settlement Agreement that is unacceptable to any of the Parties. In the event the Commission modifies this Settlement Agreement in a manner unacceptable to any Party, that Party shall have the right to withdraw from this agreement and proceed to hearing on the issues that may be appropriately raised by that Party in this docket. The withdrawing Party shall notify the Commission and the other Parties to the Settlement Agreement by e-mail within 3 business days of the Commission-ordered modification that the Party is withdrawing from the Settlement Agreement and that the Party is ready to proceed to hearing; the e-

mail shall designate the precise issue or issues upon which the Party desires to proceed to hearing (the “Hearing Notice”).

18. The withdrawal of a Party shall not automatically terminate this Settlement Agreement as to the withdrawing Party or any other Party. However, within 3 business days of the date of the Hearing Notice from the first withdrawing Party, all Parties shall confer to arrive at a comprehensive list of issues that shall proceed to hearing and a list of issues that remain settled as a result of the first Party’s withdrawal from this Settlement Agreement. Within 5 business days of the date of the Hearing Notice, the Parties shall file with the Commission a formal notice containing the list of issues that shall proceed to hearing and the list of issues that remain settled. The Parties who proceed to hearing shall have and be entitled to exercise all rights with respect to the issues that are heard that they would have had in the absence of this Settlement Agreement. Hearings shall be scheduled on all of the issues designated in the formal notice filed with the Commission as soon as practicable.

19. In the event that this Settlement Agreement is not approved, or is approved with conditions that are unacceptable to any Party who subsequently withdraws, the negotiations or discussions undertaken in conjunction with the agreement shall not be admissible into evidence in this or any other proceeding for any purpose, except as may be necessary in any proceeding to enforce this Settlement Agreement.

20. Approval by the Commission of this Settlement Agreement shall constitute a determination that the agreement represents a just, equitable, and

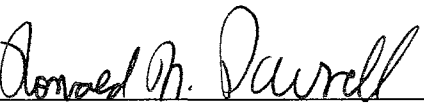
reasonable resolution of all issues that were or could have been contested among the Parties in this proceeding relating to the Company's proposed ISOC program and tariff. The Parties state that reaching agreement in this docket by means of a negotiated settlement is in the public interest and that the results of the compromises and settlements reflected by this Settlement Agreement are just, reasonable, and in the public interest.

21. All Parties to this Settlement Agreement have had the opportunity to participate in the drafting of this agreement. There shall be no legal presumption that any specific Party was the drafter of this agreement.

22. This agreement may be executed in counterparts, all of which when taken together shall constitute the entire agreement with respect to the issues addressed by this agreement.

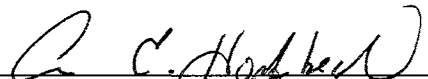
Dated this 18th day of January, 2005.

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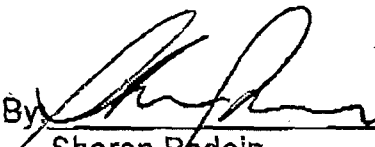
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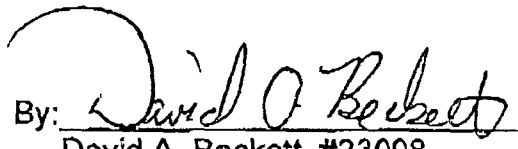
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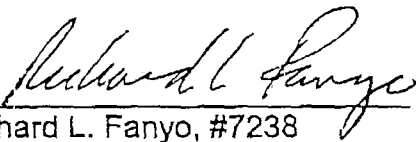
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PUBLIC SERVICE COMPANY OF COLORADO

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Sheet No. 90

Cancels
Sheet No.

ELECTRIC RATES	RATE
INTERRUPTIBLE SERVICE OPTION CREDIT	
<p data-bbox="634 369 867 396">SCHEDULE ISOC</p> <p data-bbox="196 432 431 459"><u>APPLICABILITY</u></p> <p data-bbox="196 464 1300 621">Applicable as an interruptible service option to customers who receive electric service under the Company's General Service rate Schedules SG, PG or TG. Not applicable to customers who receive electric service under the Company's Standby Service rate Schedules SST, PST, or TST.</p> <p data-bbox="196 657 412 684"><u>AVAILABILITY</u></p> <p data-bbox="196 688 1300 877">Optional service under this rate schedule is available to customers that have entered into a written, signed and dated Interruptible Service Option Agreement that specifies the Contract Firm Demand, as well as the customer specific data necessary for the Company to calculate the customer's Monthly Credit as set forth below.</p> <p data-bbox="196 882 1300 1068">To qualify under this schedule, a customer must have a Contract Interruptible Load of 500 kilowatts or greater, as defined below. Also, customer must achieve an Interruptible Demand of at least 500 kilowatts during each of the four summer peak season months of June, July, August and September of the prior year.</p> <p data-bbox="196 1073 1300 1165">Customers receiving service under the less than ten-minute notice provision of this schedule must provide the Company with physical control of their interruptible load.</p> <p data-bbox="196 1169 1300 1293">Customers receiving service under this schedule shall be billed on a calendar month basis, such that the first day of each month shall be the beginning and the last day of each month shall be the end of the monthly billing period.</p> <p data-bbox="196 1329 675 1356"><u>CONTRACT INTERRUPTIBLE LOAD</u></p> <p data-bbox="196 1360 1300 1654">The Contract Interruptible Load for each calendar year shall be equal to the median of the customer's maximum daily 15 minute integrated kW demands occurring between the hours of 12:00 noon and 8:00 p.m., Monday through Friday, excluding federal holidays, during the period June 1 through September 30 of the prior year. The Company shall calculate the Contract Interruptible Load before January 1st of each year. If the Company determines that the Contract Interruptible Load is less than 500 kilowatts, then the Interruptible Service Option Agreement shall terminate at the end of the then current contract term.</p> <p data-bbox="505 1717 989 1745">(Continued on Sheet No. 90A)</p>	

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PUBLIC SERVICE COMPANY OF COLORADO

P.O. Box 840
Denver, CO 80201-0840

Sheet No. 90A

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Sheet No.

ELECTRIC RATES INTERRUPTIBLE SERVICE OPTION CREDIT	RATE
SCHEDULE ISOC	
<p><u>CONTRACT INTERRUPTIBLE LOAD cont.</u></p> <p>In extraordinary circumstances, a customer that has entered into an Interruptible Service Option Agreement may seek a ruling from the Commission that its Contract Interruptible Load should be calculated using load data from the year one year prior to the year normally used to calculate the Contract Interruptible Load under the tariff. In order to obtain such ruling, the customer must show that, due to extraordinary circumstances, the load data that would normally be used to calculate its Contract Interruptible Load under the tariff is less representative of what the customer's load is likely to be in the following year than its load data from the year one year prior to the period normally used.</p> <p><u>CONTRACT FIRM DEMAND</u></p> <p>The Contract Firm Demand is that portion of the customer's total load that is not subject to interruptions by Company, as specified in the Interruptible Service Option Agreement.</p> <p><u>INTERRUPTIBLE DEMAND</u></p> <p>The Interruptible Demand, determined by meter measurement, shall be the maximum fifteen (15) minute integrated kilowatt demand used during the month, less the Contract Firm Demand, if any, but not less than zero. Interruptible Demand is measured between the hours of 12:00 noon to 8:00 p.m. Monday through Friday, excluding federal holidays.</p> <p>(Continued on Sheet No. 90B)</p>	

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PUBLIC SERVICE COMPANY OF COLORADO

Sheet No. 90B

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Denver, CO 80201-0840Cancels
Sheet No. _____

ELECTRIC RATES		RATE
INTERRUPTIBLE SERVICE OPTION CREDIT		
SCHEDULE ISOC		
DEFINITIONS		
<p><u>Number of Interruptible Hours (Ha).</u> The number of hours in the year that each customer elects as interruptible as set forth in the Interruptible Service Option Agreement. The options for Ha are 40 hours, 80 hours, 160 hours, and 200 hours.</p>		
<p><u>Capacity Availability (Ca).</u> A percentage based on the Number of Interruptible Hours (Ha) set forth in the Interruptible Service Option Agreement. The Ca applicable to each Ha option is as follows:</p>		
<p><u>Interruption Hours</u></p>		
<u>Ha</u>	<u>Ca <10 Min.</u>	<u>Ca 1-hour</u> <u>Ca 8 hours</u>
40 hours	57%	40% 24%
80 hours	75%	55% 35%
160 hours	82%	64% 45%
200 hours	84%	67% 51%
<p><u>Notice Factor (Nf).</u> A percentage based on the amount of advance notice that each customer elects to receive prior to interruption, as set forth in the Interruptible Service Option Agreement. The Nf is as follows:</p>		
<u>Advance Notice</u>	<u>Nf</u>	
Less than 10 minutes	182%	
Less than one hour	100%	
Less than eight hours	68%	
<p><u>System Loss Factors (Slf).</u> The System Loss Factors are as follows:</p>		
<u>Delivery Level</u>	<u>Slf</u>	
Secondary Distribution Voltage	1.0456	
Primary Distribution Voltage	1.0229	
Transmission voltage	1.0000	
<p><u>Avoided Energy Cost (Av).</u> The Avoided Energy Cost is \$0.00114 per kilowatt-hour (\$/kWh). The Avoided Energy Cost shall be updated annually on January 1 at the time the Company updates its Electric Commodity Adjustment ("ECA") to reflect gas prices in the ECA.</p>		
(Continued on Sheet No. 90C)		

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PUBLIC SERVICE COMPANY OF COLORADO

Sheet No. 90C

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Sheet No.

ELECTRIC RATES	RATE
INTERRUPTIBLE SERVICE OPTION CREDIT	
<p data-bbox="688 369 919 394">SCHEDULE ISOC</p> <p data-bbox="203 432 451 457"><u>MONTHLY CREDIT</u></p> <p data-bbox="203 464 1300 590">The Monthly Credit shall be calculated by multiplying the Monthly Credit Rate (MCR) by the lesser of the customer's Contract Interruptible Load or the actual Interruptible Demand during the billing month.</p> <p data-bbox="203 621 1300 810">The MCR shall be revised effective January 1st each year, and shall remain in effect for the calendar year. The MCR shall vary by season. The summer season shall be June 1 through September 30, and the winter season shall be October 1 through May 31. The MCR shall be calculated separately for each customer using the following equation:</p> <p data-bbox="298 846 927 871">Summer Monthly Credit, per kW-month:</p> <p data-bbox="298 909 1279 934">$MCR = [(\\$4.83 * Ca * Nf) + (\\$0.00114 * Ha)] * Slf * 130\%$</p> <p data-bbox="298 972 911 997">Winter Monthly Credit, pr kW-month:</p> <p data-bbox="298 1035 1263 1060">$MCR = [(\\$4.83 * Ca * Nf) + (\\$0.00114 * Ha)] * Slf * 85\%$</p> <p data-bbox="203 1098 451 1123"><u>SERVICE PERIOD</u></p> <p data-bbox="203 1129 1300 1255">All contracts for service under this schedule shall be for an initial two-year term, with automatic one-year renewal terms. A customer must provide the Company six months written notice to cancel service under this schedule.</p> <p data-bbox="203 1262 1300 1388">Any time during the first year of service under this schedule a customer may opt to cancel its contract by returning all monthly credits paid by the Company up until the date of cancellation. No additional payment will be assessed.</p> <p data-bbox="203 1419 634 1444"><u>EARLY TERMINATION PENALTY</u></p> <p data-bbox="203 1451 1300 1671">Any customer who cancels service without complying with the Service Period requirements under this schedule shall be required to pay the Company, as a penalty, an amount equal to the product of one hundred and ten percent (110%) times the customer's Contract Interruptible Load times the customer's MCR for each of the remaining months of the unexpired contract term.</p> <p data-bbox="521 1677 1000 1703">(Continued on Sheet No. 90D)</p>	

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PUBLIC SERVICE COMPANY OF COLORADO

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Sheet No. 90D

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Sheet No.

ELECTRIC RATES	RATE
INTERRUPTIBLE SERVICE OPTION CREDIT	
SCHEDULE ISOC	
<p><u>EARLY TERMINATION PENALTY cont.</u></p>	
<p>In addition, the customer shall reimburse the Company for the direct cost incurred by the Company for equipment (including its installation cost, less salvage value) to measure the customer's Interruptible Demand and to interrupt the customer.</p>	
<p><u>OBLIGATION TO INTERRUPT</u></p>	
<p>When the Company asks the customer to interrupt its available interruptible load, the customer must be willing to reduce its load to the level of customer's Contract Firm Demand.</p>	
<p><u>ECONOMIC INTERRUPTIONS</u></p>	
<p>The Company reserves the right to call an Economic Interruption for one or more customers once per day when the Company believes, in its sole discretion, that calling an interruption will lower its overall system costs compared to what the overall system cost would be in the absence of the interruption. The duration of any Economic Interruption shall not be less than four hours. Customers under the less than 10-minute and 1-hour notice provisions will have at least 1-hour notice of an Economic Interruption. Customers under the 8-hour notice provision will have 8-hours notice of an Economic Interruption.</p>	
<p><u>BUY THROUGH - ECONOMIC INTERRUPTIONS</u></p>	
<p>Customers will have 15 minutes after being notified of an economic interruption to elect to buy-through all or a portion of their available interruptible load. Such notice shall advise customers of the Company's best estimate of the buy-through price. The buy-through price shall be the actual cost of buy-through energy incurred by the Company. The actual cost shall be calculated by taking the weighted average cost, as determined by the Company's Cost Calculator or its successor, plus 3 mils per kWh, for the block of electricity used to serve the customer(s) who elected to buy-through. For purposes of this calculation, the Company shall assume that the block of electricity used is the highest cost block of electricity consumed in each buy-through hour.</p>	
<p>(Continued on Sheet No. 90E)</p>	

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Sheet No. 90E

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Sheet No.

ELECTRIC RATES	RATE
INTERRUPTIBLE SERVICE OPTION CREDIT	
<p data-bbox="204 369 919 396">SCHEDULE ISOC</p> <p data-bbox="204 434 938 462"><u>BUY THROUGH - ECONOMIC INTERRUPTIONS cont.</u></p> <p data-bbox="204 468 1308 877">Once the Company has called an Economic Interruption, the Company agrees to provide interruptible customers, by electronic mail delivered to the address as specified in the Interruptible Service Option Agreement, with an updated estimate of the buy-through price once each hour during the interruption. If the updated estimate exceeds the estimated buy-through price first provided to the interruptible customer(s), then any customer that elected initially to buy through the Economic Interruption will have 15 minutes after being notified of the updated estimate to advise the Company that such customer desires to be interrupted at the start of the next hour. The minimum duration of any Economic Interruption under this Paragraph shall be four hours from the time that the Company designated when it first called for the Economic Interruption.</p> <p data-bbox="204 913 1308 1323">Customers may provide advance election to buy-through up to a specified price. Such election shall be made no later than the last business day prior to the first day of the month to which the election will apply and shall be delivered to the customer's service representative by electronic mail as provided in the customer's Interruptible Service Option Agreement. Any customer with a standing buy-through order shall have the option, within the 15 minute notice period, to advise the Company that it desires to be interrupted. Further, in the event that the buy-through price exceeds the customer-specified price, the customer may nevertheless elect to buy-through the interruption by providing the Company with the required notice within 15 minutes.</p> <p data-bbox="204 1358 992 1386"><u>FAILURE TO INTERRUPT - ECONOMIC INTERRUPTIONS</u></p> <p data-bbox="204 1392 1308 1707">In the event that any customer fails to interrupt during an Economic Interruption, the customer will be deemed by the Company to have failed to interrupt for all demand that the customer was obligated to interrupt but did not interrupt. The failure-to-interrupt charge shall be equal to the highest incremental price for power during the Economic Interruption, as determined by the Company after the fact, including market costs, unit start-up cost, spinning reserve costs and reserve penalty costs, if any. The charge will only apply to the portion of the load the customer fails to interrupt.</p> <p data-bbox="513 1743 992 1770">(Continued on Sheet No. 90F)</p>	

ADVICE LETTER
NUMBERISSUE
DATEDECISION
NUMBERVICE PRESIDENT,
Policy DevelopmentEFFECTIVE
DATE

PUBLIC SERVICE COMPANY OF COLORADO

P.O. Box 840
Denver, CO 80201-0840

Sheet No. 90F

Cancels

Sheet No.

ELECTRIC RATES	RATE
INTERRUPTIBLE SERVICE OPTION CREDIT	
SCHEDULE ISOC	
<u>CAPACITY INTERRUPTIONS</u>	
<p>The Company reserves the right to call a Capacity Interruption for one or more customers at any time when the Company believes, in its sole discretion, that generation or transmission capacity is not sufficiently available to serve its firm load obligations other than obligations to make intra-day energy sales. The duration of any Capacity Interruption shall not be less than four hours.</p>	
<u>CONTINGENCY INTERRUPTION</u>	
<p>The Company reserves the right to call a Contingency Interruption for one or more customers receiving service under the less than 10-minute notice provision at any time when the Company believes, in its sole discretion, that interruption is necessary for the Company to be able to meet its disturbance control standard (DCS) criteria. The duration of any Contingency Interruption shall not be less than four hours.</p>	
<u>FAILURE TO INTERRUPT - CAPACITY & CONTINGENCY INTERRUPTIONS</u>	
<p>In the event the customer fails to interrupt during a capacity or contingency interruption, the customer shall pay the Company fifty percent (50%) percent of the customer's expected annual credit for all demand that the customer was obligated to interrupt but did not interrupt. The penalty will apply only to the portion of the load that the customer fails to interrupt. After the customer fails to interrupt twice, the Company shall have the option to cancel the Interruptible Service Option Agreement. If the contract is cancelled, the customer shall not be eligible for service under this rate schedule for a minimum of one year.</p>	

ADVICE LETTER
NUMBER

ISSUE
DATE

DECISION
NUMBER

VICE PRESIDENT,
Policy Development

EFFECTIVE
DATE

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

**RE: THE TARIFF SHEETS FILED BY PUBLIC)
SERVICE COMPANY OF COLORADO WITH) DOCKET NO. 04S-164E
ADVICE LETTER NO. 1411 - ELECTRIC)**

SETTLEMENT AGREEMENT

Public Service Company of Colorado ("Public Service" or "Company, the Staff of the Public Utilities Commission ("Staff"), Western Resource Advocates ("WRA"), and the City of Boulder ("Boulder") (collectively, the "Parties") hereby enter into this Settlement Agreement regarding the Company's Windsource program and the proposed Wind Energy Service rates.

Introduction

On February 3, 1997, in Docket No. 96A-401E, Public Service, WRA, Boulder, Staff and certain other parties that are not parties to this docket entered into a Stipulation and Agreement ("1997 Windsource Agreement") establishing the Windsource program. This Settlement Agreement is not intended to modify, amend, or change the 1997 Windsource Agreement in any way. The 1997 Windsource Agreement remains in full force and effect.

In the Phase I case in Docket No. 02S-315EG, as part of the settlement agreement in that docket ("Phase I Settlement"), Public Service agreed to continue the previously established pricing structure for Windsource pending conclusion of the Phase 2 rate case. The Company also agreed to work informally with WRA and other interested parties to the Phase I Settlement to

evaluate the costs of service for the Windsource program. In Decision No. C03-0670, the Commission found that the agreement to defer decision on this issue to Phase 2, and for Public Service to provide Windsource cost information to WRA and other interested parties, was reasonable.

Public Service filed its Phase 2 case on March 26, 2004. Among the proposals made by the Company was a proposal to change the Wind Energy Service rates, the optional rate paid by subscribers to the Company's Windsource program. The Company's rate proposal regarding the Windsource program was opposed by WRA, and Boulder. WRA also raised questions concerning the status of the environmental and renewable energy credits associated with the program. The Parties enter into this Settlement Agreement as a compromise and settlement of the positions set forth in their respective testimonies and exhibits.

Settlement

1. The Parties have not been able to reach agreement on a cost-based rate for Windsource. Therefore, the Parties agree to continue the current value pricing approach for Windsource. Public Service shall be permitted to charge a Windsource Energy Rate of \$0.03787/kWh at secondary voltage, \$0.03761/kWh at primary voltage, and \$0.03733/kWh at transmission voltage. This rate is equivalent to the current Windsource Energy Rate plus \$0.01287/kWh, \$0.01261/kWh and \$0.01233/kWh for service delivered at secondary, primary and transmission voltages, respectively. These adders represent the energy charges that were included as a part of the Company's

base energy rates at the time the Windsource rate was first approved. WRA agrees not to object to the Windsource rate agreed to as a part of this Settlement Agreement in this docket. However, WRA will be free to take any position publicly or in subsequent proceedings with respect to the reasonableness of the Windsource rate.

2. For all kWh sold under the Windsource program the Company shall charge the base energy rate plus the Monthly Wind Energy Service Adjustment where the Monthly Wind Energy Service Adjustment is equal to the Wind Energy Rate less the Incentive Cost Adjustment, the Electric Commodity Adjustment, and the Air Quality Improvement Rider per 100 kWh block of wind energy. Copies of a sample Windsource customer billing using this method and the revised Wind Energy Service tariff are attached as Exhibit A and Exhibit B, respectively.

3. The Company agrees to obtain Green-e certification for its Colorado Windsource program from the Center for Resource Solutions ("CRS"). The Company agrees to submit its application for Green-e certification by May 1, 2005. In the event CRS identifies a deficiency in the Colorado Windsource program that must be corrected in order for the Company to obtain Green-e certification, the Company shall take all reasonable steps necessary to correct the deficiency and to do as soon as reasonably practical following receipt of notice from CRS of the deficiency consistent with CRS's recommendations for correcting the deficiency. The purpose of Green-e certification is to provide consumers with an assurance that the product meets generally accepted

environmental and consumer protection standards for voluntary green pricing programs.

4. It is the intent of the Parties that Windsource should be Green-e certified for so long as Public Service offers the product to its customers. Once Green-e certification is obtained, the Company agrees to maintain Green-e certification for so long as the Colorado Windsource product is offered to its customers unless otherwise ordered by the Commission in a future docket or as otherwise agreed by the Parties. The Company agrees to report on the status of its Green-e certification for Windsource as part of and in addition to its annual reporting requirements under the 1997 Windsource Agreement.

5. Questions have been raised by WRA concerning the adequacy of the environmental and renewable energy credits for past and current Windsource sales under the Windsource tariff currently in effect. It is the Company's position that its environmental and renewable energy credits are and have been adequate to support all sales under its Windsource program. If during the Green-e certification process, CRS identifies a deficiency in the Windsource program that must be corrected in order for the Company to obtain Green-e certification and such deficiency would also be reasonably applicable to Windsource sales made on or after August 1, 2001, then Public Service agrees to take such steps as are necessary to ensure that Windsource sales made on or after August 1, 2001 would also meet Green-e certification standards as such standards existed at that time and to verify the adequacy of the steps taken with CRS. The Company shall report on the status of actions taken to remedy any such deficiencies as

part of and in addition to its annual reporting requirements under the 1997 Windsource Agreement.

6. If the Company takes the steps set forth in paragraphs 3, 4, and 5 above and maintains Green-e certification for Windsource, subject to the qualifications set forth in paragraph 1, WRA agrees to endorse publicly and before the Commission the environmental legitimacy of the Windsource program.

7. The costs and revenues associated with the Windsource program shall continue to be treated as “below the line” for ratemaking purposes consistent with Paragraph 4 of the 1997 Windsource Agreement.

Except as set forth in paragraph 4 above, the Parties are free to propose and advocate any position regarding the Wind Energy Service rates or any aspect of the Windsource program in any future docket or other proceeding related to the Windsource program. Nothing in this Settlement Agreement shall be deemed to prohibit or otherwise limit a Party from taking any position toward any aspect of the Windsource program or the Wind Energy Service rates in any future docket or other proceeding related directly or indirectly to the Windsource program.

General Terms and Conditions

9. This Settlement Agreement reflects the compromise and settlement of all issues raised or that could have been raised in this docket in regard to the Windsource program, the Wind Energy Service rate, and related issues pertaining to renewable energy credits.

10. The Parties agree to submit this Settlement Agreement to the Commission for approval at the earliest opportunity. Each of the Parties shall join in a motion that requests the Commission to approve this Settlement Agreement and, if necessary, shall testify in support of this Settlement Agreement.

11. This Settlement Agreement is a negotiated compromise of the Windsource and renewable energy issues raised in Docket No. 04S-164E, the Company's Phase 2 rate case, by the parties who are signatories to the Settlement Agreement. Nothing contained herein shall be deemed to constitute an admission or an acceptance by any Party of any fact, principle, or position contained herein. Notwithstanding the foregoing, by signing this Settlement Agreement and by joining in the motion to approve the agreement, the Parties acknowledge that they pledge support for Commission approval of these provisions.

12. This Settlement Agreement shall be treated as a complete package as relates to the Company's Windsource program. To accommodate the interests of different Parties on various issues, the Parties acknowledge that changes, concessions, or compromises by a Party or Parties in one section of this Settlement Agreement necessitated changes, concessions, or compromises by other Parties in other sections.

13. The Parties agree that all pre-filed testimony and exhibits relating to the Windsource program and the Company's proposed Windsource rates shall be admitted into evidence without cross-examination.

14. This Settlement Agreement shall not become effective until the issuance of a final Commission Order approving the agreement which Order does not contain any modification of the terms and conditions of this Settlement Agreement that is unacceptable to any of the Parties. In the event the Commission modifies this Settlement Agreement in a manner unacceptable to any Party, that Party shall have the right to withdraw from this agreement and proceed to hearing on the issues that may be appropriately raised by that Party in this docket. The withdrawing Party shall notify the Commission and the other Parties to the Settlement Agreement by e-mail within 3 business days of the Commission-ordered modification that the Party is withdrawing from the Settlement Agreement and that the Party is ready to proceed to hearing; the e-mail shall designate the precise issue or issues upon which the Party desires to proceed to hearing (the "Hearing Notice").

15. The withdrawal of a Party shall not automatically terminate this Settlement Agreement as to the withdrawing Party or any other Party. However, within 3 business days of the date of the Hearing Notice from the first withdrawing Party, all Parties shall confer to arrive at a comprehensive list of issues that shall proceed to hearing and a list of issues that remain settled as a result of the first Party's withdrawal from this Settlement Agreement. Within 5 business days of the date of the Hearing Notice, the Parties shall file with the Commission a formal notice containing the list of issues that shall proceed to hearing and the list of issues that remain settled. The Parties who proceed to hearing shall have and be entitled to exercise all rights with respect to the issues

that are heard that they would have had in the absence of this Settlement Agreement. Hearings shall be scheduled on all of the issues designated in the formal notice filed with the Commission as soon as practicable.

16. In the event that this Settlement Agreement is not approved, or is approved with conditions that are unacceptable to any Party who subsequently withdraws, the negotiations or discussions undertaken in conjunction with the agreement shall not be admissible into evidence in this or any other proceeding for any purpose, except as may be necessary in any proceeding to enforce this Settlement Agreement.

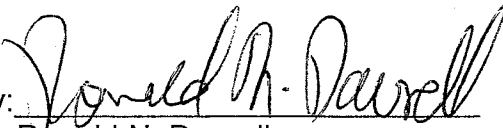
17. Approval by the Commission of this Settlement Agreement shall constitute a determination that the agreement represents a just, equitable, and reasonable resolution of all issues related to the Windsource program, the Company's proposed Wind Energy Rate and the related environmental and renewable energy credits that were or could have been contested among the Parties in this proceeding. The Parties state that reaching agreement in this docket by means of a negotiated settlement is in the public interest and that the results of the compromises and settlements reflected by this Settlement Agreement are just, reasonable, and in the public interest.

18. All Parties to this Settlement Agreement have had the opportunity to participate in the drafting of this Settlement Agreement. There shall be no legal presumption that any specific Party was the drafter of this Settlement Agreement.

19. This agreement may be executed in counterparts, all of which when taken together shall constitute the entire agreement with respect to the issues addressed by this Settlement Agreement.

Dated this ^{14th}~~11~~ day of January, 2005.

PUBLIC SERVICE COMPANY OF
COLORADO

By: 

Ronald N. Darnell
Director, Pricing and Planning
Xcel Energy Services Inc.
1225 17th Street, Suite 1000
Denver, Colorado 80202

Agent for Public Service
Company of Colorado

WESTERN RESOURCE
ADVOCATES

By: _____

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Green Power Marketing Director
Western Resource Advocates
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Fax: 303-786-8054

Agent for Western Resource
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Energy Program Staff Attorney
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Fax: 303-786-8054

Attorney for Western Resource
Advocates

Friday 14 of Jan 2005, Xcel Energy

->95038135346

Page 16 of 17

PUBLIC SERVICE COMPANY OF
COLORADOWESTERN RESOURCE
ADVOCATES

By: _____
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Director, Pricing and Planning
Xcel Energy Services Inc.
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Denver, Colorado 80202

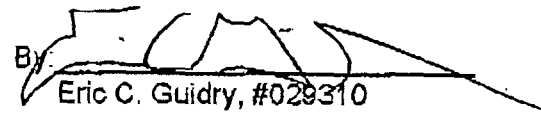
Agent for Public Service
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Attorney for Western Resource
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Attorney for Western Resource
Advocates

STAFF OF THE COLORADO PUBLIC
UTILITIES COMMISSION

By: Inez G. Dominguez
Inez G. Dominguez
1580 Logan Street, OL-2
Denver, CO 80203

Engineer – Colorado
Public Utilities Commission

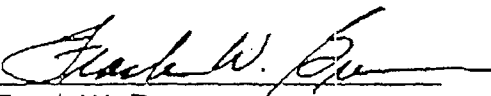
Approved as to Form:

JOHN W. SUTHERS
Interim Attorney General

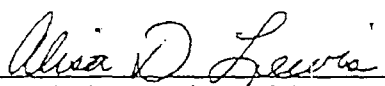
By: David A. Beckett
David A. Beckett, #23098
Assistant Attorney General
Business and Licensing Section
1525 Sherman Street, 5th Floor
Denver, CO 80203
Telephone: (303) 866-5135
Fax: (303) 866-5395

Attorney for the Staff of the
Colorado Public Utilities
Commission

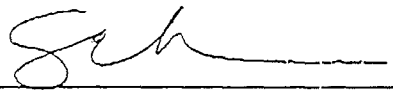
CITY OF BOULDER, COLORADO

By: 
Frank W. Bruno
City Manager
1777 Broadway
Boulder, CO 80302
Telephone: (303) 441-3090
Fax: (303) 441-4478

Attest:


City Clerk on behalf of the
Director of Finance and Record

Approved as to Form:

By: 
Sue Ellen Harrison, #5770
Assistant City Attorney
1777 Broadway
Boulder, CO 80302
Telephone: (303) 441-3093
Fax: (303) 441-3859

Attorney for the City of Boulder,
Colorado

Exhibit A
WindSource Settlement

Example Residential Bill

Assumptions

Consumption		650 kWh
WindSource		100 kWh
Rates		
Base Energy Rate	Summer	0.05293
Base Energy Rate	Winter	0.04293
	AQIR	0.00115
	ECA	0.02703
	ICA	0.0021
	WindSource Rate	0.03787
	WindSource Adjustment	0.00759

Customer's Bill (with "rolling up")

	Summer	Winter
Base	\$ 34.40	\$ 27.90
AQIR	\$ 0.75	\$ 0.75
ECA	\$ 17.57	\$ 17.57
ICA	\$ 1.37	\$ 1.37
WindSource	\$ 0.76	\$ 0.76
	<u>\$ 54.85</u>	<u>\$ 48.35</u>
(Excludes Service and facility charges)		

Customer's Bill (without "rolling up")

	Summer	Winter
Base	\$ 34.40	\$ 27.90
AQIR	\$ 0.75	\$ 0.75
AQIR Credit	\$ (0.12)	\$ (0.12)
ECA	\$ 17.57	\$ 17.57
ECA Credit	\$ (2.70)	\$ (2.70)
ICA	\$ 1.37	\$ 1.37
ICA Credit	\$ (0.21)	\$ (0.21)
WindSource	\$ 3.79	\$ 3.79
	<u>\$ 54.85</u>	<u>\$ 48.35</u>
(Excludes Service and facility charges)		

PUBLIC SERVICE COMPANY OF COLORADO

P.O. Box 840
Denver, CO 80201-0840

Sheet No. 91

Cancels

Sheet No.

ELECTRIC RATES

WIND ENERGY SERVICE

APPLICABILITY

Applicable as an option by contract to customers who take firm service. Not applicable to street lighting, area lighting, standby, or resale service.

DEFINITIONS

Contract Period. Wind Energy Service for residential customers and commercial customers on Rate Schedule C shall be for a minimum period of twelve consecutive months and then continuing month to month thereafter until terminated. Service for all other commercial and industrial customers shall be for a minimum period of three consecutive years and then continuing month to month thereafter until terminated. After the minimum period, service may be terminated on thirty days' notice.

Wind Energy Resource. Electric capacity and energy generated from wind resources.

Wind Energy Service. Customer's monthly energy for which the customer has contracted under this tariff. Customer may contract, in 100 kWh increments, up to customer's total firm load as used under the standard filed tariff rate.

Service Restrictions. Service limited to the total capability of wind energy resources acquired by the Company and designated for wind energy service.

MONTHLY WIND ENERGY SERVICE

~~The following charges apply to all kilowatt hours of contracted Wind Energy Service:~~

~~Energy Charge for delivery at secondary voltage = \$.04463~~
~~Energy Charge for delivery at primary voltage = \$.04366~~
~~Energy Charge for delivery at transmission voltage = \$.04268~~

~~These charges are in addition to the monthly energy charge on the customer's standard filed tariff rate.~~

(Continued on Sheet No. 91A)

ADVICE LETTER
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VICE PRESIDENT,
Policy Development

EFFECTIVE
DATE

PUBLIC SERVICE COMPANY OF COLORADO

Sheet No. 91A

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Denver, CO 80201-0840Cancels
Sheet No.

ELECTRIC RATES

WIND ENERGY SERVICE

ADJUSTMENTS

The Wind Energy Service is subject to all base rate Electric Rate Adjustments. Wind Energy Service customers will be charged the non-base rate Adjustments, but the non-base rate Adjustments will be credited against the Wind Energy Rate as shown below to arrive at the Monthly Wind Energy Service Adjustment.

INFORMATION TO BE FILED WITH THE PUBLIC UTILITIES COMMISSION

The Company will file with the Commission on or before May 1 an annual report that specifies the amount of kilowatt hours produced by or purchased from wind generation equipment, expected annual capacity factors, the line losses associated with the transmission and distribution of energy to customers, and the amount of kilowatt hours sold to customers through the wind energy service program.

MONTHLY WIND ENERGY SERVICE ADJUSTMENT

The Monthly Wind Energy Service Adjustment is calculated by subtracting the AQIR, ECA and ICA from the Wind Energy Rate. The following charges are used to determine the Wind Energy Service Adjustment amount.

Residential

Wind Energy Rate:	\$3.787 per 100 kWh block
Less ICA:	\$0.210 per 100 kWh block
Less ECA:	\$2.703 per 100 kWh block
Less AQIR:	\$0.115 per 100 kWh block

Monthly Wind Energy Service Adjustment	\$0.7590 per 100 kWh block
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Small Commercial

Wind Energy Rate:	\$3.7870 per 100 kWh block
Less ICA:	\$0.210 per 100 kWh block
Less ECA:	\$2.703 per 100 kWh block
Less AQIR:	\$0.115 per 100 kWh block

Monthly Wind Energy Service Adjustment	\$0.7590 per 100 kWh block
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C&I Secondary

Wind Energy Rate:	\$3.7870 per 100 kWh block
Less ICA:	\$0.210 per 100 kWh block
Less ECA:	\$2.703 per 100 kWh block
Less AQIR:	\$0.115 per 100 kWh block

Monthly Wind Energy Service Adjustment	\$0.7590 per 100 kWh block
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91A Cont'd

PUBLIC SERVICE COMPANY OF COLORADO

P.O. Box 840
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ELECTRIC RATES

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Cancels
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WIND ENERGY SERVICE

MONTHLY WIND ENERGY SERVICE ADJUSTMENT - Cont'd

C&I Primary

Wind Energy Rate:	\$3.7610 per 100 kWh block
Less ICA:	\$0.210 per 100 kWh block
Less ECA:	\$2.644 per 100 kWh block
Less AQIR:	\$0.121 per 100 kWh block

Monthly Wind Energy Service Adjustment \$0.7860 per 100 kWh block

C&I Transmission

Wind Energy Rate:	\$3.733 per 100 kWh block
Less ICA:	\$0.210 per 100 kWh block
Less ECA:	\$2.585 per 100 kWh block
Less AQIR:	\$0.121 per 100 kWh block

Monthly Wind Energy Service Adjustment \$0.8170 per 100 kWh block

This Adjustment is in addition to the monthly energy charge on the customer's standard filed tariff rate.

ADVICE LETTER
NUMBER _____

DECISION
NUMBER _____

VICE PRESIDENT,
Policy Development

ISSUE
DATE _____

EFFECTIVE
DATE _____

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

**RE: THE TARIFF SHEETS FILED BY PUBLIC)
SERVICE COMPANY OF COLORADO WITH) DOCKET NO. 04S-164E
ADVICE LETTER NO. 1411 - ELECTRIC)**

**SETTLEMENT AGREEMENT CONCERNING NET METERING
AND NET BILLING ISSUES**

This Settlement Agreement is entered into this 13th day of January 2005, by and among Public Service Company of Colorado ("Public Service" or "Company"), Western Resource Advocates ("WRA"), Office of Consumer Counsel ("OCC"), Kenneth Regelson ("Regelson"), the City of Boulder ("Boulder") and the Staff of the Public Utilities Commission ("Staff")(collectively "the Parties").

RECITALS

- A. Public Service has proposed tariffs in this proceeding modifying the treatment of metering and billing for customers with on-site photovoltaic generation and a net metering system.
- B. WRA, OCC, Regelson, Boulder and Staff object to the net metering and net billing proposals of Public Service in this proceeding.
- C. On November 2, 2004, the Colorado electorate passed a renewable energy initiative known as Amendment 37. This amendment became law on December 1, 2004 and is codified at C.R.S. § 40-2-124. C.R.S. § 40-2-124 (1)(c) requires qualifying retail utilities, such as Public Service, to generate or

acquire a minimum amount of electricity from renewable energy resources, including a minimum amount of energy from solar electric generation technologies. The Colorado Public Utilities Commission (“Commission”) will be addressing issues relating to the acquisition of solar electric generation, including net metering, consistent with the requirements of C.R.S. § 40-2-124(1).

- D. This Settlement Agreement is intended to address the objections raised by WRA, OCC, Regelson, Boulder and Staff regarding net metering and net billing in this proceeding.

AGREEMENT

1. **Parties**
 - A. Public Service is a Colorado public utility and a wholly owned subsidiary of Xcel Energy Inc., a public utility holding company. Public Service does business in Colorado as “Xcel Energy.”
 - B. WRA is a non-profit environmental law and policy organization based in Boulder, Colorado.
 - C. OCC is a state agency charged with representing the public interest and specifically the interests of residential, agricultural and small business customers of electric, natural gas and telecommunications utilities.
 - D. Regelson is an individual who has intervened in this proceeding on his own behalf.
 - E. Boulder is a Colorado home-rule municipality and political subdivision created pursuant to Article XX of the Constitution of the State of Colorado and the

Charter of the City of Boulder. Boulder presently has a franchise with PSCo which expires in 2010.

- F. Staff is the testimonial (litigation) staff of the Colorado Public Utilities Commission.

2. Phase 2 Stipulated Issues

- A. Public Service agrees to withdraw its net metering and net billing proposals. The Company shall withdraw, contingent on Commission approval of this Settlement Agreement, those portions of its Direct, Rebuttal and Supplemental Direct Testimony and Exhibits related to net metering and net billing. The Company shall file tariffs applicable to all customers with grid-connected, photovoltaic on-site generation with a capacity of 10 kW or below that are substantially similar to the Company's existing RPV and CPV tariffs, but that include certain modifications necessary to conform to the requirements of C.R.S. § 40-2-124. In particular, the revised RPV and CPV tariffs shall provide for reimbursement for any excess electricity generated by such customers during a calendar year at the Company's average hourly incremental cost of electricity supply over the prior twelve-month period. The proposed tariffs are attached hereto as Exhibit A.
- B. Public Service shall continue in effect the net metering provisions in its existing small power production and cogeneration facility policy tariff ("Small QF tariff"), but shall limit the applicability of its Small QF tariff to customers whose on-site generation consists of technology other than photovoltaic technology. The proposed tariff language is also set forth as part of Exhibit A.

- C. Staff, WRA, OCC, City of Boulder and Regelson, agree to support the Company's proposed tariffs set forth in Exhibit A and agree to withdraw, contingent on Commission approval of this Settlement Agreement, all Answer and Supplemental Answer Testimony and Exhibits pertaining to the Company's net metering and net billing proposals and agree to support the Company's proposed tariffs set forth in Exhibit A.

GENERAL PROVISIONS

The Parties agree to submit this Settlement Agreement to the Commission for approval at the earliest opportunity. Each of the Parties shall join in a motion that requests the Commission to approve this Settlement Agreement and, if necessary, shall testify in support of this Settlement Agreement.

This Settlement Agreement is a negotiated compromise of the net metering and net billing issues raised in Docket No. 04S-164E, the Company's Phase 2 rate case. Nothing contained herein shall be deemed to constitute an admission or an acceptance by any party of any fact, principle, or position contained herein. Notwithstanding the foregoing, the Parties, by signing this Settlement Agreement and by joining the motion to adopt the Settlement Agreement filed with the Commission, acknowledge that they pledge support for Commission approval and subsequent implementation of these provisions until such time as new rules are established by the Commission as required by C.R.S. § 40-2-124(2). Each of the Parties reserves the right to take a position with respect to net metering and net billing issues in the rulemaking process required by C.R.S. § 40-2-124 or any other proceeding in which such issues arise as its interest may appear.

This Settlement Agreement shall not become effective until the issuance of a final Commission Order approving the Settlement Agreement, which Order does not contain any modification of its terms and conditions that is unacceptable to any of the Parties. In the event the Commission modifies this Settlement Agreement in a manner unacceptable to any Party, that Party shall have the right to withdraw from this Settlement Agreement and proceed to hearing on the issues that may be appropriately raised by that Party in Docket No. 04S-164E. The withdrawing Party shall notify the Commission and the Parties to this Settlement Agreement by e-mail within three business days of the Commission modification that the Party is withdrawing from the Settlement Agreement and that the Party is ready to proceed to hearing; the e-mail notice shall designate the precise issue or issues on which the Party desires to proceed to hearing (the "Hearing Notice").

The withdrawal of a Party shall not automatically terminate this Settlement Agreement as to the withdrawing Party or any other Party. However, within three business days of the date of the Hearing Notice from the first withdrawing Party, all Parties shall confer to arrive at a comprehensive list of issues that shall proceed to hearing and a list of issues that remain settled as a result of the first Party's withdrawal from this Settlement Agreement. Within five business days of the date of the Hearing Notice, the Parties shall file with the Commission a formal notice containing the list of issues that shall proceed to hearing and the list of issues that remain settled. The Parties who proceed to hearing shall have and be entitled to exercise all rights with respect to the issues that are heard that they would have had in the absence of this Settlement Agreement, including the right to sponsor and

move for admission all or a portion of the prefiled testimony that was withdrawn contingent on Commission approval of this Settlement Agreement. Hearing shall be scheduled on all of the issues designated in the formal notice filed with the Commission as soon as practicable.

In the event that this Settlement Agreement is not approved, or is approved with conditions that are unacceptable to any Party who subsequently withdraws, the negotiations or discussions undertaken in conjunction with the Settlement Agreement shall not be admissible into evidence in this or any other proceeding, except as may be necessary in any proceeding to enforce this Settlement Agreement.

Approval by the Commission of this Settlement Agreement shall constitute a determination that the Settlement Agreement represents a just, equitable and reasonable resolution of all issues that were or could have been contested among the Parties in this proceeding relating to the net metering and net billing proposals that were raised by Public Service until such time as new rules are established by the Commission as required by C.R.S. § 40-2-124(2)¹. The Parties state that reaching agreement in this docket by means of a negotiated settlement is in the public interest and that the results of the compromises and settlements reflected by this Settlement Agreement are just, reasonable and in the public interest.

All Parties to this Settlement Agreement have had the opportunity to participate in the drafting of this Settlement Agreement. There shall be no legal presumption that any specific Party was the drafter of this Settlement Agreement.

If the Commission approves this Settlement Agreement, and at some later date interprets this Settlement Agreement in a manner harmful to the interests of one of the Parties, but not advocated by any of the other Parties, all Parties agree to support the original intent of this Settlement Agreement with appropriate pleadings before the Commission.

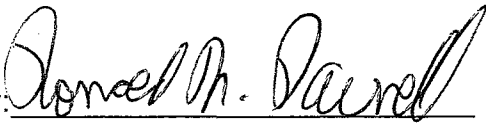
This Settlement Agreement may be executed in counterparts, all of which when taken together shall constitute the entire Settlement Agreement with respect to the issues addressed by this Settlement Agreement.

Dated this 13th day of January, 2005.

Respectfully submitted,

¹ C.R.S § 40-2-124(2) states, "The Commission shall establish all rules called for in subsections (a) through (g) of this section by March 31, 2006."

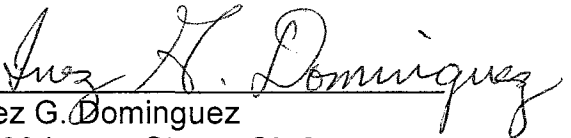
PUBLIC SERVICE COMPANY OF
COLORADO

By: 

Ronald N. Darnell
Director, Pricing and Planning
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1225 17th Street, Suite 1000
Denver, Colorado 80202

Agent for Public Service
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STAFF OF THE COLORADO PUBLIC
UTILITIES COMMISSION

By: 

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1580 Logan Street, OL-2
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Engineer – Colorado
Public Utilities Commission

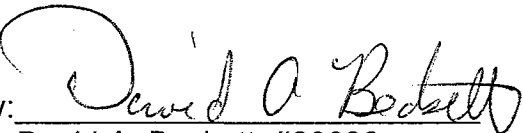
Approved as to Form:

JOHN W. SUTHERS
Interim Attorney General

By: 

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Commission

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CONSUMER COUNSEL

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Telephone: 303-894-2124

Rate/Financial Analyst – Colorado
Office of Consumer Counsel

By: _____

Frank W. Bruno
City Manager
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Telephone: (303) 441-3090
Fax: (303) 441-4478

Approved as to Form:

JOHN W. SUTHERS
Interim Attorney General

Attest:

City Clerk on behalf of the
Director of Finance and Record

By: Stephen W. Southwick

Stephen W. Southwick, No. 30389
First Assistant Attorney General
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Attorney for the Colorado Office of
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Approved as to Form:

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Rate/Financial Analyst – Colorado
Office of Consumer Counsel

Approved as to Form:

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Interim Attorney General

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Attest:

Alisa D. Lewis
City Clerk on behalf of the
Director of Finance and Record

Approved as to Form:

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303-449-4890

By: _____

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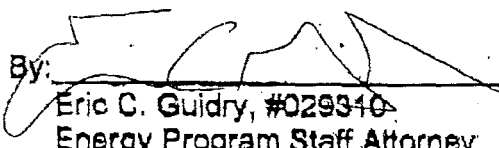
Attorney for Western Resource
Advocates

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Attorney for Western Resource
Advocates

PUBLIC SERVICE COMPANY OF COLORADO

Sheet No. 36

P.O. Box 840
Denver, CO 80201-0840Cancels
Sheet No.

ELECTRIC RATES	RATE
RESIDENTIAL PHOTOVOLTAIC SERVICE	
<p data-bbox="615 348 829 380">SCHEDULE RPV</p> <p data-bbox="193 411 423 443"><u>APPLICABILITY</u></p> <p data-bbox="193 443 1300 894">Applicable to residential customers that install eligible Photovoltaic Systems under this tariff whose electric service is supplied by the Company under a residential electric service rate, and who execute the Company's written Photovoltaic Service agreement. Photovoltaic Service is applicable to customers who own, operate and maintain a photovoltaic generation system in parallel with the Company's electric system in accordance with said agreement. The photovoltaic system shall be limited to a maximum capacity of 10 kilowatts. Service under this rate schedule is an exception to the applicability of the residential electric service schedules such that these schedules are applicable for standby and/or auxiliary service. Not applicable to resale service.</p> <p data-bbox="193 926 391 957"><u>DEFINITIONS</u></p> <p data-bbox="285 957 1300 1272">"Net Metering" shall be, for billing purposes, the net consumption as measured at the Company's service meter, such that the Photovoltaic System production will not be measured by the service meter. However, in the event net metering is negative such that the Photovoltaic System production is greater than the Customer's consumption in any month, the Company will not credit Customer for such production. Such negative consumption shall be considered as energy produced in the following month(s).</p> <p data-bbox="285 1272 1300 1461">However, in the event that such negative balance remains at the end of a calendar year, Company will pay Customer for such negative balance at the price equivalent to the Company's average hourly incremental cost of electricity supply over the prior twelve month period.</p> <p data-bbox="193 1499 407 1530"><u>MONTHLY RATE</u></p> <p data-bbox="193 1530 1300 1730">All electric power and energy delivered by the Company to the Customer hereunder shall be received and paid for by the Customer at the applicable residential rate selected by the Customer as such rate is on file and in effect from time to time with the Commission. The Company shall net meter all electric power and energy produced by the Photovoltaic System.</p> <p data-bbox="509 1787 992 1818">(Continued on Sheet No. 36A)</p>	

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PUBLIC SERVICE COMPANY OF COLORADO

36A

P.O. Box 840
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Cancels _____

Sheet No. _____

ELECTRIC RATES RESIDENTIAL PHOTOVOLTAIC SERVICE	RATE
SCHEDULE RPV	N
<p><u>MONTHLY MINIMUM</u></p> <p>The minimum charges shall be the monthly minimum charges under the applicable residential rate. Customer will be billed the minimum charges each month, even in months when no net electric consumption by the customer results.</p>	S
<p><u>ADJUSTMENTS</u></p> <p>This rate schedule is subject to the Energy Cost Adjustment and all other Adjustments as on file and in effect in this tariff.</p>	S
<p><u>PAYMENT</u></p> <p>Bills for electric service are due and payable within ten days from date of bill. Residential customers have the option of selecting a modified due date ("Custom Due Date") for paying their bill. The due date can be extended up to a maximum of fourteen (14) business days from the scheduled due date. Customers selecting a Custom Due Date will remain on the selected due date for a period not less than twelve (12) consecutive months.</p>	S
<p><u>SERVICE PERIOD</u></p> <p>All service under this schedule shall be for an initial period of twelve (12) consecutive months and monthly thereafter until terminated.</p>	
<p><u>RULES AND REGULATIONS</u></p> <p>Service supplied under this rate schedule is subject to the terms and conditions set forth in the agreement between the customer and Company and the Company's Rules and Regulations on file with The Public Utilities Commission of the State of Colorado and the following conditions:</p> <ol style="list-style-type: none"> 1. Company will install own and maintain suitable metering and other equipment necessary for measuring the net of the electric energy supplied by Company and the energy produced by the Photovoltaic System. 2. All material and equipment necessary for service under this schedule will be installed, owned, operated and maintained by the Company in accordance with the agreement. Company shall have a reasonable time after the termination of service to remove the Company's equipment for service hereunder. <p>(Continued on Sheet No. 36B)</p>	

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PUBLIC SERVICE COMPANY OF COLORADO

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Sheet No. 36C

Cancels
Sheet No. _____

ELECTRIC RATES	RATE
RESIDENTIAL PHOTOVOLTAIC SERVICE	
<p>SCHEDULE RPV</p> <p>RESERVED FOR FUTURE FILING</p>	

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NUMBER _____

VICE PRESIDENT,
Policy Development

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PUBLIC SERVICE COMPANY OF COLORADO

P.O. Box 840
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Sheet No. 41

Cancels
Sheet No.

ELECTRIC RATES	RATE
COMMERCIAL PHOTOVOLTAIC SERVICE	N
SCHEDULE CPV	
<p><u>APPLICABILITY</u></p> <p>Applicable to commercial customers that install eligible Photovoltaic Systems under this tariff whose electric service is supplied by the Company under a commercial electric service rate, and who execute the Company's written Photovoltaic Service agreement. Photovoltaic Service is applicable to customers who own, operate and maintain a photovoltaic generation system in parallel with the Company's electric system in accordance with said agreement. The photovoltaic system shall be limited to a maximum capacity of 10 kilowatts. Service under this rate schedule is an exception to the applicability of the commercial electric service schedules such that these schedules are applicable for standby and/or auxiliary service. Not applicable to resale service.</p>	C
<p><u>DEFINITIONS</u></p> <p>"Net metering" shall be, for billing purposes, the net consumption as measured at the Company's service meter, such that the Photovoltaic System production will not be measured by the service meter. However, in the event net metering is negative such that the Photovoltaic System production is greater than the Customer's consumption in any month, the Company will not credit Customer for such production. Such negative consumption shall be considered as energy produced in the following month(s).</p> <p>However, in the event that such negative balance remains at the end of a calendar year, Company will pay Customer for such negative balance at the price equivalent to the Company's average hourly incremental cost of electricity supply over the prior twelve month period.</p>	D S
<p><u>MONTHLY RATE</u></p> <p>All electric power and energy delivered by the Company to the Customer hereunder shall be received and paid for by the Customer at the applicable commercial rate selected by the Customer as such rate is on file and in effect from time to time with the Commission. The Company shall net meter all electric power and energy produced by the Photovoltaic System.</p> <p>(Continued on Sheet No. 41A)</p>	C S

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PUBLIC SERVICE COMPANY OF COLORADO

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Denver, CO 80201-0840

Sheet No. 41A

Cancels
Sheet No.

ELECTRIC RATES	RATE
COMMERCIAL PHOTOVOLTAIC SERVICE	N N
SCHEDULE CPV	
<u>MONTHLY MINIMUM</u>	S
The minimum charges shall be the monthly minimum charges under the applicable commercial rate. Customer will be billed the minimum charges each month, even in months when no net electric consumption by the customer results.	S S S
<u>ADJUSTMENTS</u>	
This rate schedule is subject to the Energy Cost Adjustment and all other Adjustments as on file and in effect in this tariff.	
<u>PAYMENT AND LATE PAYMENT CHARGES</u>	C S
Bills for electric service are due and payable within ten days from date of bill. Any amounts not paid on or before the due date of the bill shall be subject to a late payment charge of 1.5% per month.	
<u>SERVICE PERIOD</u>	S
All service under this schedule shall be for an initial period of twelve consecutive months and monthly thereafter until terminated.	
<u>RULES AND REGULATIONS</u>	S
Service supplied under this rate schedule is subject to the terms and conditions set forth in the agreement between the customer and Company and the Company's Rules and Regulations on file with The Public Utilities Commission of the State of Colorado and the following conditions:	
1. Company will install, own and maintain suitable metering and other equipment necessary for measuring the net of the electric energy supplied by Company and the energy produced by the Photovoltaic System.	
2. All material and equipment necessary for service under this schedule will be installed, owned, operated and maintained by the Company in accordance with the agreement. Company shall have a reasonable time after the termination of service to remove the Company's equipment for service hereunder.	S
(Continued on Sheet No. 41B)	

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Rates & Regulatory Affairs

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PUBLIC SERVICE COMPANY OF COLORADO

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ELECTRIC RATES	RATE
COMMERCIAL PHOTOVOLTAIC SERVICE	
SCHEDULE CPV	
<p><u>RULES AND REGULATIONS</u> - Cont'd</p> <p>3. Customer shall notify Company of any service failure or damage to the Company's or the customer's equipment necessary for service hereunder. Repair and/or replacement of Company equipment shall be provided by Company as soon as practicable, subject to the Company's operating schedules, after notification by customer of service failure.</p> <p>4. Customers shall be responsible to ensure the PV System design and installation is in compliance with the Company's Safety Interference Interconnection Guidelines for Cogenerators, Small Power Producers and Customer-owned Generators.</p>	N

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Sheet No. _____

ELECTRIC RATES	RATE
COMMERCIAL PHOTOVOLTAIC SERVICE	
SCHEDULE CPV	

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PUBLIC SERVICE COMPANY OF COLORADO

P.O. Box 840
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First Revised _____ Sheet No. P2

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Sheet No. P2

SMALL POWER PRODUCTION AND COGENERATION FACILITY POLICY

ELECTRIC PURCHASE

GENERAL STATEMENT

The following tariff applies to Qualifying Facilities only, as defined below. This tariff sets forth the terms and conditions for purchases from QFs with a design capacity of less than 100 kW. QFs with a design capacity greater than 100 kW must be successful bidders through the Company's Integrated Resource Planning process, as set forth in the Commission's Electric Integrated Resource Planning Rules, 4 CCR 723-21.

DEFINITIONS

Qualifying Facility (QF)

A small power production or cogeneration facility as set forth currently by the Commission Rules, Rule 2.000 - 2.5082.

Commission Rules

The rules promulgated by the Public Utilities Commission, in effect, as may be revised from time to time, concerning Small Power Production and Cogeneration Facilities, 4 CCR 723-19.

Seasonal Test Capacity

The sustained four (4) hour maximum capacity achieved by the QF for both the summer and winter seasons. The test procedure shall be in accordance with the Company's Seasonal Test Capacity Procedure for Small Power Producers and Cogenerators, as subject to periodic revision.

Capacity Factor

The ratio of the average output of the facility during the billing month to the seasonal test capacity of the facility.

ADVICE LETTER
NUMBER 1265

DECISION
NUMBER C96-901

VICE PRESIDENT,
Policy Development

ISSUE
DATE September 23, 1996

EFFECTIVE
DATE October 24, 1996

PUBLIC SERVICE COMPANY OF COLORADO

P.O. Box 840
Denver, CO 80201-0840

First Revised _____ Sheet No. P3

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Sheet No. P3

SMALL POWER PRODUCTION AND COGENERATION FACILITY POLICY

ELECTRIC PURCHASE

PREVIOUS TARIFFS

All Power Purchase Agreements executed between the Company and QFs prior to December 31, 1988 shall be subject to the terms and conditions of the appropriate tariff as agreed between the parties. Yearly energy payment rates will continue to be calculated in accordance with the methodology approved by the Commission in I & S Docket No. 1603 and I & S Docket No. 1603-Reopened. The Company will notify each QF which has executed a power purchase agreement subject to prior tariffs of the energy payment rate for each calendar year.

POWER PURCHASE AGREEMENTS

Standard Power Purchase Agreements will be executed between the Company and all QFs subject to this tariff.

The Company will require that such Standard Agreements include standards for minimum operating performance and include procedures for adjusting capacity and/or energy payments for sub-standard operating performance.

BASIS OF PAYMENTS

For QFs with a design capacity of 10 kW and under the Company will, for billing purposes, calculate net (consumption less production) monthly sales to the QF. In no case will there be a credit payment for energy in the event any monthly production exceeds consumption. Such "negative" consumption will be considered as energy produced in the following month(s). The QF will be billed the applicable service charge each month, even in months when no electric consumption by the QF results. Billing for the QF's consumption will be based on the rate for service otherwise applicable to a non-generating customer similar loads and characteristics.

ADVICE LETTER
NUMBER 1265

DECISION
NUMBER C96-901

VICE PRESIDENT,
Policy Development

ISSUE
DATE September 23, 1996

EFFECTIVE
DATE October 24, 1996

PUBLIC SERVICE COMPANY OF COLORADO

P.O. Box 840
Denver, CO 80201-0840

First Revised Sheet No. P4

Original Cancels Sheet No. P4

SMALL POWER PRODUCTION AND COGENERATION FACILITY POLICY

ELECTRIC PURCHASE

BASIS OF PAYMENTS - Cont'd

The monthly payment for QFs with a design capacity of greater than 10 kW but not more than 100 kW will consist of a capacity payment component expressed in dollars per kilowatt month (\$/kW-Mo) and an energy payment component expressed in cents per kilowatt hour (c/kWh).

Billing capacity will be determined as the QF metered output in kilowatt hours during each billing month, divided by the hours in the subject billing month. The Capacity Payment Rate will remain fixed for the term of the power purchase agreement.

ELECTRIC SERVICE TO QFs

For all QFs located in the Company's service territory which require electric power, the Company shall supply all such requirements for QFs under the applicable filed rates; such rates are on file and in effect and subject to change from time to time. Such electric sales shall in no case exceed the coincident electric power requirements for the QFs' own use.

INTERCONNECTION REQUIREMENTS

The QF must meet any applicable Commission rules and revisions thereof and must comply with any and all applicable Company tariff provisions on file and in effect, any of which may be revised from time to time. In addition the QF shall comply with the Safety, Interference, Interconnection, and Reliability Standards required by the Company, subject to periodic revision.

The QF shall be responsible for all initial interconnection cost, any subsequent additional facility cost including transmission or substation additions, metering, telemetering, dispatch equipment, testing and on-going ownership costs associated with continued operation of the QF on the Company's system. The QF will be required to pay for all Company transmission system upgrades necessary to transport QF power to the Denver load center. The QF shall also be responsible for all such costs associated with operation, maintenance, testing and billing.

ADVICE LETTER
NUMBER 1265

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VICE PRESIDENT,
Policy Development

ISSUE
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DATE October 24, 1996

PUBLIC SERVICE COMPANY OF COLORADO

P.O. Box 840
Denver, CO 80201-0840

<u>First Revised</u>	Sheet No. <u>P5</u>
<u>Original</u>	Cancels Sheet No. <u>P5</u>

SMALL POWER PRODUCTION AND COGENERATION FACILITY POLICY

ELECTRIC PURCHASE

INTERCONNECTION REQUIREMENTS - Cont'd

The costs associated with reviewing, including meetings, discussions and negotiations, and evaluating the aggregate effects of installing the proposed interconnection of the QF with the Company's distribution or transmission grid and the detailed engineering of the QF in excess of four (4) hours, shall be paid for by the QF at standard rates applicable at the time such review, evaluation, installation and testing takes place.

The QF shall reimburse the Company for any increase in income taxes resulting from the QF reimbursing the Company for the Company's actual cost associated with all interconnection installation costs set forth above.

RULES AND REGULATIONS

Purchases from QFs are subject to the applicable terms and conditions set forth in the Company's Rules and Regulations on file with the Commission as well as any changes or additions to those rules, that may, from time to time, be filed. Purchases from QFs made hereunder are subject to the applicable rules of the Commission, incorporated by reference herein. In addition, the following special conditions shall apply to QF operations:

1. No QF may commence parallel generation until it has established, to the satisfaction of the Company, that it complies with and has met the application standards set forth in all Commission and Company Rules.
2. If the QF is a customer of the Company, the QF shall be obligated to pay any and all interconnection and metering costs which are in addition to the costs which would normally be incurred for a customer of similar size and type. If the QF is not a customer of the Company, but is interconnecting directly with the Company facilities, the QF shall be obligated to pay any and all interconnection and metering costs.
3. The QF owner or operator shall install and maintain adequate protection equipment in accordance with the Company's Safety, Interference, Interconnection and Reliability Standards, and also be subject to the rules for safety and reliability set forth by the Commission, all of which are subject to revision from time to time.

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NUMBER 1265

DECISION
NUMBER C96-901

VICE PRESIDENT,
Policy Development

ISSUE
DATE September 23, 1996

EFFECTIVE
DATE October 24, 1996

PUBLIC SERVICE COMPANY OF COLORADO

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SMALL POWER PRODUCTION AND COGENERATION FACILITY POLICY

ELECTRIC PURCHASE

RULES AND REGULATIONS - Cont'd

4. In addition to an automatic fail-safe device, the Company will require an accessible disconnection device having the capability of isolating the energy generated by each QF. This device may be operated by either party at any time in order to maintain safe operating conditions.
5. Any operation and maintenance expense incurred by Company on behalf or as a result of a QF shall be paid for by the QF.
6. QFs with synchronous generators will be subject to special safety requirements including start up and shut down notification as set forth in the Company's Safety, Interference, Interconnection and Reliability Standards.

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SMALL POWER PRODUCTION AND COGENERATION FACILITY POLICY

ELECTRIC PURCHASE

Schedule of Purchase PaymentsQFs With Design Capacity of greater than 10 kW but not more than 100 kW

QFs with a design capacity greater than 10 kW but not more than 100 kW may, at the QF's option, sell power to the Company under standard rates, terms and conditions as set forth below.

MONTHLY PAYMENT

The monthly payment will consist of a capacity payment component expressed in dollars per kilowatt (\$/kW-Mo), adjusted as necessary for contract term, and an energy payment component expressed in cents per kilowatt hour (cents/kWh).

Energy Payment

Payment made shall be per kWh for all kilowatt hours delivered.

Capacity Payment

Payment made shall be per kilowatt of billing capacity. The capacity payment rate will be the maximum capacity payment rate for the year the QF achieves commercial operation and will remain fixed for the initial term of the contract. Billing capacity for this category is determined as the metered output in kilowatt hours during each billing month, divided by the hours in the subject billing month. The capacity payment shall be the product of the billing capacity, in kW during the billing month, and the capacity payment rate per kW adjusted for the contract term. The capacity payment determined above will be paid each month that the QF operates.

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VICE PRESIDENT,
Policy Development

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DATE October 24, 1996

PUBLIC SERVICE COMPANY OF COLORADO

First Revised _____ Sheet No. P8

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SMALL POWER PRODUCTION AND COGENERATION FACILITY POLICY

ELECTRIC PURCHASE

Schedule of Purchase PaymentsQFs With Design Capacity greater than 10 kW But not more than 100 kW - Cont'dCapacity Payment Adjustment

The applicable full capacity payment rates as set forth above will be paid to QFs with contract terms of fifteen (15) years or more. Contracts with terms less than fifteen (15) years will have the otherwise applicable capacity payment rate reduced by 5% for each year the contract term is less than fifteen (15) years; below five (5) years the otherwise applicable capacity payment rate will be further reduced by 10% for each year the contract term is less than five (5) years. No capacity payment will be made for contracts with a term less than one year.

The QF shall be responsible for all installation, operation and maintenance expenses associated with the normal kilowatt hour billing meter.

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PUBLIC SERVICE COMPANY OF COLORADO

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SMALL POWER PRODUCTION AND COGENERATION FACILITY POLICY

ELECTRIC PURCHASE

Schedule of Purchase PaymentsQFs With Design Capacity Less Than 10 kWAPPLICABILITY

Applicable under the terms of a standard contract to any QF with a design capacity of 10 kilowatts and less. Service hereunder is not applicable to photovoltaic generation with a maximum capacity of 10 kilowatts or less.

MONTHLY RATES

For QFs in this category the Company will, for billing purposes, calculate net (consumption less production) monthly sales to the QF. In no case will there be a credit payment for energy in the event any monthly production exceeds consumption. Such "negative" consumption will be considered as energy produced in the following month(s). The QF will be billed the applicable service charge each month, even in months when no electric consumption by the QF results. Billing for the QFs' consumption will be based on the rate for service otherwise applicable to a non-generating customer with similar loads and characteristics.

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Policy DevelopmentEFFECTIVE
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PUBLIC SERVICE COMPANY OF COLORADO

P.O. Box 840
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Sub. Eleventh Revised Sheet No. P10

Tenth Revised Cancels Sheet No. P10

PURCHASE PAYMENT AMOUNT TABLE

Qualifying Facilities (QFs) with Design Capacity of greater than 10 kW but not more than 100 kW Payment Rates

Applicable to Qualifying Facilities with design capacity of greater than 10 kW but not more than 100 kW.

Capacity Payment Rate

Capacity Payment Rate Per Kilowatt Month (\$/kW-Mo).... \$3.70

Applicable to all Qualifying Facilities

2003 Energy Payment Rate¹

For all kilowatt hours delivered in 2005,
cents per kWh..... 1.198

¹ Energy Payment Rates applicable to all QF energy delivered in 2005. A new Energy Payment Rate will be filed effective January 1 of each calendar year.

ADVICE LETTER
NUMBER 1425

DECISION
NUMBER _____

VICE PRESIDENT,
Policy Development

ISSUE
DATE December 1, 2004

EFFECTIVE
DATE January 1, 2005

PUBLIC SERVICE COMPANY OF COLORADO

First Revised Sheet No. P11-P16P.O. Box 840
Denver, CO 80201-0840Original Cancels
Sheet No. P11-P16

RESERVED FOR FUTURE FILING

ADVICE LETTER
NUMBER 1267ISSUE
DATE September 24, 1996DECISION
NUMBER _____VICE PRESIDENT,
Policy DevelopmentEFFECTIVE
DATE October 24, 1996

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

**RE: THE TARIFF SHEETS FILED BY PUBLIC)
SERVICE COMPANY OF COLORADO WITH) DOCKET NO. 04S-164E
ADVICE LETTER NO. 1411 - ELECTRIC)**

**SETTLEMENT AGREEMENT RESOLVING
ELECTRIC ENERGY COST ISSUES**

Public Service Company of Colorado ("Public Service" or "Company"), Staff of the Colorado Public Utilities Commission ("Staff"), and the Colorado Office of Consumer Counsel ("OCC") (collectively, the "Parties") hereby enter into this Settlement Agreement regarding certain issues in this proceeding. Specifically, this Settlement Agreement addresses Staff's proposal for a pilot time-of-use ("TOU") Electric Commodity Adjustment ("ECA") program and issues related to the Company's proposal to move certain energy costs that are currently being recovered in base rates into the ECA.

Introduction

On March 24, 2004, Public Service filed Advice Letter No. 1411 – Electric with the Commission, tendering revised tariff sheets in which the Company proposed its rate design to collect the revenue requirement authorized by the Commission in Decision No. C03-0877, the final order in Docket No. 02S-315EG. The Company also filed Direct Testimony and Exhibits in support of the proposed rate design. The Company's revised tariff sheets are collectively referred to as its Phase 2 tariff sheets. Among the proposals made by the Company was a

proposal to move the base energy costs (\$0.01287/kWh, \$0.01261/kWh, \$0.01233/kWh for service delivered at secondary, primary and transmission voltages, respectively) (hereinafter "Base Energy Cost") currently being recovered in base rates into the ECA mechanism and a proposal to implement a TOU ECA for its Transmission General and Primary General customers and those Secondary General customers with an electric load in excess of 300 kW.

The Intervenors filed their Answer Testimony and Exhibits on October 12, 2004. Among the proposals made by Staff was for a pilot TOU ECA program. In addition, in recognition that the removal of Base Energy Cost from base rates would require recalculation of the Purchased Capacity Cost Adjustment ("PCCA") and Demand Side Management Cost Adjustment ("DSMCA") mechanisms, Staff proposed restructuring the PCCA and DSMCA mechanisms to more accurately track the way the Company incurs the costs recovered through these mechanisms.

On December 13, 2004, Public Service filed Rebuttal Testimony and Exhibits and other parties filed Cross-Answer Testimony and Exhibits. In its rebuttal case, Public Service withdrew its TOU ECA proposal due to its inability to provide all the intervenors with access to the highly confidential forecast data that formed the basis for its TOU ECA proposal.

Hearings were scheduled from January 10 through January 28, 2005. At the hearing on January 10, the Commission suspended hearings until January 12, 2005 to afford the parties time to engage in settlement discussions. On

January 12, 2005, the Commission further suspended hearings until January 18, 2005.

On January 14, 2005, the Company filed motions to approve settlement agreements addressing issues related to net metering/net billing and the Company's Windsource program. On January 18, 2005, the Company filed a motion to approve a settlement agreement addressing the Company's Interruptible Service Option Credit proposal. Although hearings went forward on January 18, 2005, the parties continued to look for opportunities to resolve issues without the need for litigation. As a result of these efforts, Public Service, the Staff and OCC have reached compromise and settlement on all contested issues relating to the Company's proposal to move the Base Energy Cost from base rates into the ECA and the associated recalculation of the PCCA and DSMCA mechanisms. In addition, the Parties have reached settlement agreement regarding Staff's proposed pilot TOU ECA.

Agreement

The Parties to this Settlement Agreement hereby agree to the following resolution of the issues raised in this proceeding relating to the Company's proposal to move Base Energy Cost out of base rates and into the ECA, the associated recalculation and redesign of the PCCA and DSMCA, and Staff's proposed pilot TOU ECA.

1. Staff and the OCC agree that the Company should be permitted to remove the Base Energy Cost out of base rates and to recover its fuel and purchased energy costs through the ECA mechanism consistent with the terms

of the settlement approved by the Commission in Decision No. C03-0877 in Docket No. 02S-315EG. This change should be set forth in tariff sheets filed contemporaneously with the filing of Public Service's Phase 2 tariff sheets pursuant to the Commission's order in this docket.

2. On or before June 1, 2005, Public Service shall file an Advice Letter pursuant to C.R.S. §40-3-104 with accompanying tariff sheets seeking to redesign its PCCA and DSMCA mechanisms. The Company's Advice Letter shall be subject to protest and possible suspension as provided under C.R.S. §40-3-104 and Commission rules. The intent of the proposed redesign will be to more accurately reflect the nature of the costs that are being recovered through these mechanisms. In particular, Public Service shall endeavor to recover its PCCA and DSMCA costs through demand (kW) and energy (KWh) charges as applicable given the nature of the costs to be recovered.

3. During the time between the implementation of the change to the ECA mechanism described in paragraph 1 above and implementation of the redesigned PCCA and DSMCA mechanisms described in paragraph 2 above, the Company should be permitted to recalculate its PCCA and DSMCA as proposed by the Company in its Direct Testimony and Exhibits.

4. Staff agrees to withdraw its proposal for a pilot TOU ECA. The Company agrees to work with Staff and OCC over the next twelve months in its consideration of whether to propose a TOU ECA in its 2006 Phase 1 rate case. Staff, the OCC and the Company agree to meet at least quarterly, beginning in the 2nd quarter of 2005 to discuss the issues concerning a potential TOU ECA

program (“the Program”). The issues to be discussed include, but are not limited to, the following:

- a. Definition of customers eligible for the Program;
- b. Definition of on-peak and off-peak time periods for the Program;
- c. The appropriate costs to be used to develop the rate differential (average versus marginal cost) for the Program;
- d. If forecasted energy costs are used, the methodology to be used to produce the forecast;
- e. The availability of historical hourly average and hourly marginal energy cost data and the potential to make such information available in the future; and
- f. Costs and performance of metering technology to be used in the Program.

5. The Company is free to propose any TOU ECA program or other mechanism to recover its fuel and purchased energy costs in its 2006 Phase 1 rate case. Staff and the OCC are free to take any position in response to the Company’s proposal.

General Terms and Conditions

6. This Settlement Agreement reflects the compromise and settlement of all issues raised or that could have been raised in this docket in regard to the Company’s proposal to move Base Energy Cost out of base rates and into the

ECA, the associated recalculation and redesign of the PCCA and DSMCA, and Staff's proposed pilot TOU ECA.

7. All signatories agree to support this Settlement Agreement and to join in a motion that requests the Commission approve the Settlement Agreement and to comply with all provisions of this Settlement Agreement that are binding upon all Parties to this agreement.

8. This Settlement Agreement is a negotiated compromise of the issues described in Paragraphs 1 through 5 above that is supported by the Parties. Nothing contained herein shall be deemed to constitute an admission or an acceptance by any Party of any fact, principle, or position contained herein. Notwithstanding the foregoing, by signing this Settlement Agreement and by joining in the motion to approve the agreement, the Parties acknowledge that they pledge support for Commission approval and subsequent implementation of these provisions.

9. This Settlement Agreement shall be treated as a complete package as it relates to the issues described in Paragraphs 1 through 5. To accommodate the interests of different Parties on various issues, the Parties acknowledge that changes, concessions, or compromises by a Party or Parties in one section of this Settlement Agreement necessitated changes, concessions, or compromises by other Parties in other sections.

10. This Settlement Agreement shall not become effective until the issuance of a final Commission Order approving the Settlement Agreement which Order does not contain any modification of the terms and conditions of this

Settlement Agreement that is unacceptable to any of the Parties. In the event the Commission modifies this Settlement Agreement in a manner unacceptable to any Party, that Party shall have the right to withdraw from this agreement and proceed to hearing on the issues that may be appropriately raised by that Party in this docket. The withdrawing Party shall notify the Commission and the other Parties to the Settlement Agreement by e-mail within 3 business days of the Commission-ordered modification that the Party is withdrawing from the Settlement Agreement and that the Party is ready to proceed to hearing; the e-mail shall designate the precise issue or issues upon which the Party desires to proceed to hearing (the "Hearing Notice").

11. The withdrawal of a Party shall not automatically terminate this Settlement Agreement as to the withdrawing Party or any other Party. However, within 3 business days of the date of the Hearing Notice from the first withdrawing Party, all Parties shall confer to arrive at a comprehensive list of issues that shall proceed to hearing and a list of issues that remain settled as a result of the first Party's withdrawal from this Settlement Agreement. Within 5 business days of the date of the Hearing Notice, the Parties shall file with the Commission a formal notice containing the list of issues that shall proceed to hearing and the list of issues that remain settled. The Parties who proceed to hearing shall have and be entitled to exercise all rights with respect to the issues that are heard that they would have had in the absence of this Settlement Agreement. Hearings shall be scheduled on all of the issues designated in the formal notice filed with the Commission as soon as practicable.

12. In the event that this Settlement Agreement is not approved, or is approved with conditions that are unacceptable to any Party who subsequently withdraws, the negotiations or discussions undertaken in conjunction with the agreement shall not be admissible into evidence in this or any other proceeding for any purpose, except as may be necessary in any proceeding to enforce this Settlement Agreement.

13. Approval by the Commission of this Settlement Agreement shall constitute a determination that the agreement represents a just, equitable, and reasonable resolution of all issues that were or could have been contested among the Parties in this proceeding relating to the issues described in Paragraphs 1 through 5 above. The Parties state that reaching agreement in this docket by means of a negotiated settlement is in the public interest and that the results of the compromises and settlements reflected by this Settlement Agreement are just, reasonable, and in the public interest.

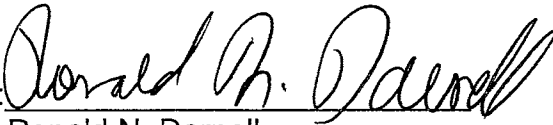
14. All Parties to this Settlement Agreement have had the opportunity to participate in the drafting of this agreement. There shall be no legal presumption that any specific Party was the drafter of this agreement.

15. This agreement may be executed in counterparts, all of which when taken together shall constitute the entire agreement with respect to the issues addressed by this agreement.

Dated this 31st day of January, 2005.

PUBLIC SERVICE COMPANY OF
COLORADO

STAFF OF THE COLORADO
PUBLIC UTILITIES COMMISSION

By: 

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Director, Pricing and Planning
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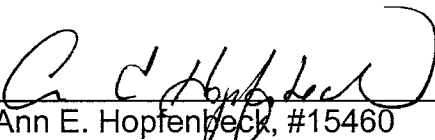
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Gary E. Schmitz
1580 Logan Street, OL-2
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Principal Economist – Colorado
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Approved as to Form:

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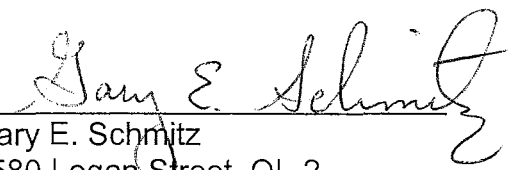
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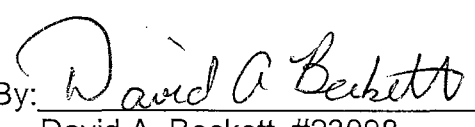

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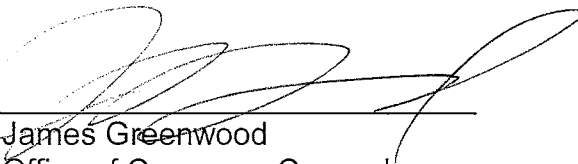
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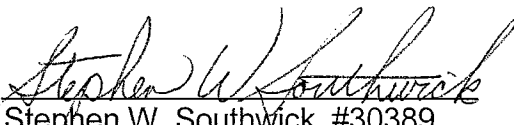
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