

**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.

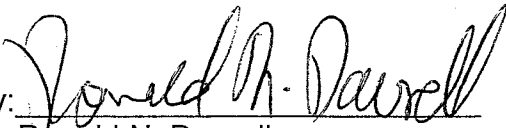
17. Approval by the Commission of this Settlement Agreement shall constitute a determination that the agreement represents a just, equitable, and reasonable resolution of all issues related to the Windsource program, the Company's proposed Wind Energy Rate and the related environmental and renewable 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

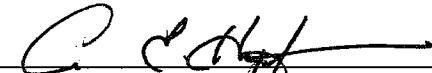
Agent for Public Service
Company of Colorado

WESTERN RESOURCE
ADVOCATES

By: _____

Susan Innis
Green Power Marketing Director
Western Resource Advocates
2260 Baseline Rd., Suite 200
Boulder, CO 80302
Telephone: 303-444-1188 x221
Fax: 303-786-8054

Agent for Western Resource
Advocates

By: 

Ann E. Hopfenbeck, #15460
Assistant General Counsel
Xcel Energy Services Inc.
1225 17th Street, Suite 900
Denver, CO 80202
Telephone: (303)294-2059
Fax: (303)294-2988

Attorney for Public Service
Company of Colorado

By: _____

Eric C. Guidry, #029310
Energy Program Staff Attorney
Western Resource Advocates
2260 Baseline Rd., Suite 200
Boulder, CO 80302
Telephone: 303-444-1188 x226
Fax: 303-786-8054

Attorney for Western Resource
Advocates

Friday 14 of Jan 2005, Xcel Energy

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PUBLIC SERVICE COMPANY OF
COLORADOWESTERN RESOURCE
ADVOCATES

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

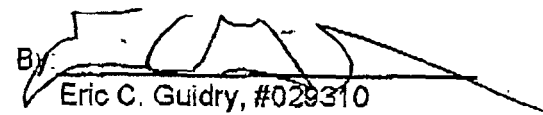
Agent for Public Service
Company of Colorado

By: _____
Susan Innis
Green Power Marketing Director
Western Resource Advocates
2260 Baseline Rd., Suite 200
Boulder, CO 80302
Telephone: 303-444-1188 x221
Fax: 303-786-8054

Agent for Western Resource
Advocates

By: _____
Ann E. Hopfenbeck, #15460
Assistant General Counsel
Xcel Energy Services Inc.
1225 17th Street, Suite 900
Denver, CO 80202
Telephone: (303)294-2059
Fax: (303)294-2988

Attorney for Public Service
Company of Colorado

By:  _____
Eric C. Guidry, #029310
Energy Program Staff Attorney
Western Resource Advocates
2260 Baseline Rd., Suite 200
Boulder, CO 80302
Telephone: 303-444-1188 x226
Fax: 303-786-8054

Attorney for Western Resource
Advocates

PUBLIC SERVICE COMPANY OF
COLORADO

By: _____

Ronald N. Damell
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: _____

Susan Innis
Green Power Marketing Director
Western Resource Advocates
2260 Baseline Rd., Suite 200
Boulder, CO 80302
Telephone: 303-444-1188 x221
Fax: 303-786-8054

Agent for Western Resource
Advocates

By: _____

Ann E. Hopfenbeck, #15460
Assistant General Counsel
Xcel Energy Services Inc.
1225 17th Street, Suite 900
Denver, CO 80202
Telephone: (303)294-2059
Fax: (303)294-2988

Attorney for Public Service
Company of Colorado

By: _____

Eric C. Guidry, #029310
Energy Program Staff Attorney
Western Resource Advocates
2260 Baseline Rd., Suite 200
Boulder, CO 80302
Telephone: 303-444-1188 x226
Fax: 303-786-8054

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

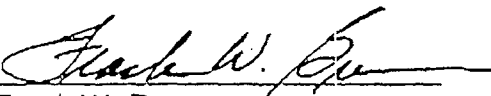
Approved as to Form:

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
NUMBER

ISSUE
DATE

DECISION
NUMBER

VICE PRESIDENT,
Policy Development

EFFECTIVE
DATE

PUBLIC SERVICE COMPANY OF COLORADO

Sheet No. 91A

P.O. Box 840
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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Policy DevelopmentEFFECTIVE
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91A Cont'd

PUBLIC SERVICE COMPANY OF COLORADO

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

ELECTRIC RATES

Sheet No. _____

Cancels
Sheet No. _____

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.

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NUMBER _____

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Policy Development

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