

**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.”

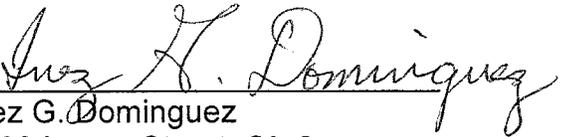
PUBLIC SERVICE COMPANY OF
COLORADO

STAFF OF THE COLORADO PUBLIC
UTILITIES COMMISSION

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: 

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

Engineer – Colorado
Public Utilities Commission

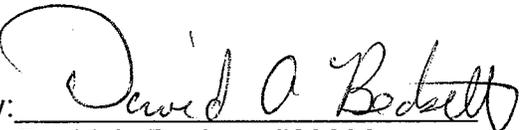
Approved as to Form:

JOHN W. SUTHERS
Interim Attorney General

By: 

Ann E. Hopfenbeck, #15460
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By: 

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Attorney for the Staff of the
Colorado Public Utilities
Commission

Attachment C
Decision No. C05-0412
DOCKET NO. 04S-164E
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COLORADO OFFICE OF
CONSUMER COUNSEL

CITY OF BOULDER, COLORADO

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

Rate/Financial Analyst – Colorado
Office of Consumer Counsel

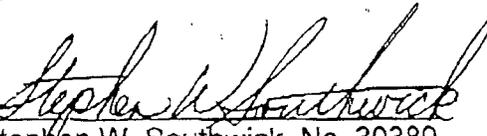
By: _____
Frank W. Bruno
City Manager
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Telephone: (303) 441-3090
Fax: (303) 441-4478

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, 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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Attorney for the City of Boulder,
Colorado

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DOCKET NO. 04S-164E
Page 10 of 31

COLORADO OFFICE OF
CONSUMER COUNSEL

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Rate/Financial Analyst – Colorado
Office of Consumer Counsel

By: Frank W. Bruno
Frank W. Bruno
City Manager
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Attest:

Approved as to Form:

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

JOHN W. SUTHERS
Interim Attorney General

Approved as to Form:

By: _____
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WESTERN RESOURCE
ADVOCATES

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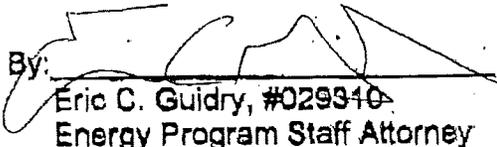
**WESTERN RESOURCE
ADVOCATES**

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DOCKET NO. 04S-164E
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WESTERN RESOURCE
ADVOCATES

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PUBLIC SERVICE COMPANY OF COLORADO

Sheet No. 36

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

Cancels
Sheet No.

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ELECTRIC RATES	RATE
RESIDENTIAL PHOTOVOLTAIC SERVICE	
<p style="text-align: center;">SCHEDULE RPV</p> <p><u>APPLICABILITY</u> 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><u>DEFINITIONS</u> "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). 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><u>MONTHLY RATE</u> 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 style="text-align: center;">(Continued on Sheet No. 36A)</p>	

ADVICE LETTER
NUMBER _____

ISSUE
DATE _____

DECISION
NUMBER _____

VICE PRESIDENT,
Policy Development

EFFECTIVE
DATE _____

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Sheet No. _____

Cancels _____
Sheet No. _____

Attachment C
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ELECTRIC RATES	RATE
RESIDENTIAL PHOTOVOLTAIC SERVICE	
SCHEDULE RPV	N
<p><u>MONTHLY MINIMUM</u> 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> 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> 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> 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> 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>	

ADVICE LETTER NUMBER _____

ISSUE DATE _____

DECISION NUMBER _____

VICE PRESIDENT, Policy Development _____

EFFECTIVE DATE _____

PUBLIC SERVICE COMPANY OF COLORADO

Sheet No. 36C

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

Cancels
Sheet No.

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ELECTRIC RATES	RATE
RESIDENTIAL PHOTOVOLTAIC SERVICE	
SCHEDULE RPV	
RESERVED FOR FUTURE FILING	

ADVICE LETTER
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DATE _____

DECISION
NUMBER _____

VICE PRESIDENT,
Policy Development

EFFECTIVE
DATE _____

PUBLIC SERVICE COMPANY OF COLORADO

Sheet No. 41

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

Cancels
Sheet No.

Attachment C
Decision No. C05-0412
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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> <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> <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>	C C D S C S
(Continued on Sheet No. 41A)	

ADVICE LETTER
NUMBER _____

ISSUE
DATE _____

DECISION
NUMBER _____

MANAGER,
Rates & Regulatory Affairs

EFFECTIVE
DATE _____

PUBLIC SERVICE COMPANY OF COLORADO

Sheet No. 41A

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

Cancels
Sheet No.

Attachment C
Decision No. C05-0412
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ELECTRIC RATES	RATE
COMMERCIAL PHOTOVOLTAIC SERVICE	
SCHEDULE CPV	
<u>MONTHLY MINIMUM</u>	
<p>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.</p>	
<u>ADJUSTMENTS</u>	
<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>	
<u>PAYMENT AND LATE PAYMENT CHARGES</u>	
<p>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.</p>	
<u>SERVICE PERIOD</u>	
<p>All service under this schedule shall be for an initial period of twelve consecutive months and monthly thereafter until terminated.</p>	
<u>RULES AND REGULATIONS</u>	
<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"> 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. 	
<ol style="list-style-type: none"> 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. 41B)</p>	

ADVICE LETTER
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ISSUE
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NUMBER _____

MANAGER,
Rates & Regulatory Affairs

EFFECTIVE
DATE _____

PUBLIC SERVICE COMPANY OF COLORADO

Original

Sheet No. 41B

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

Cancels
Sheet No.

Attachment C
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ELECTRIC RATES	RATE
COMMERCIAL PHOTOVOLTAIC SERVICE	
SCHEDULE CPV	
<p><u>RULES AND REGULATIONS - Cont'd</u></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>	

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ADVICE LETTER
NUMBER _____

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DATE _____

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NUMBER _____

MANAGER,
Rates & Regulatory Affairs

EFFECTIVE
DATE _____

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

Sheet No. _____

Cancels
Sheet No. _____

Attachment C
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ELECTRIC RATES	RATE
COMMERCIAL PHOTOVOLTAIC SERVICE	
SCHEDULE CPV	

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PUBLIC SERVICE COMPANY OF COLORADO

First Revised Sheet No. P2

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

Original Cancels
Sheet No. P2

Attachment C
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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

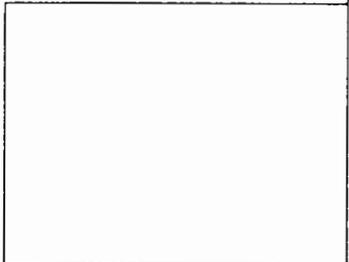
The rules promulgated by the Public Utilities Commission, in effect, as may be revised from time to time, concerning Small Power Production and Cogeneration Facilities, 4 CCR 723-19.

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

ISSUE
DATE September 23, 1996

DECISION
NUMBER C96-901

VICE PRESIDENT,
Policy Development

EFFECTIVE
DATE October 24, 1996

PUBLIC SERVICE COMPANY OF COLORADO

First Revised _____ Sheet No. P3

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

Original _____ Cancels
Sheet No. P3

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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.

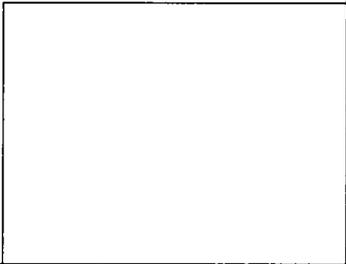
POWER PURCHASE AGREEMENTS

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.



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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.

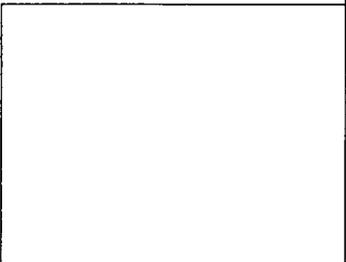
ELECTRIC SERVICE TO QFs

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.



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ELECTRIC PURCHASE

INTERCONNECTION REQUIREMENTS - Cont'd

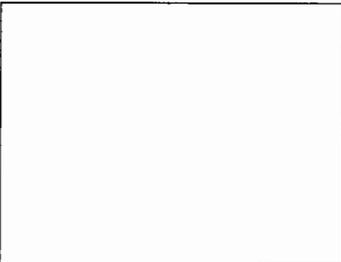
The costs associated with reviewing, including meetings, discussions and negotiations, and evaluating the aggregate effects of installing the proposed interconnection of the QF with the Company's distribution or transmission grid and the detailed engineering of the QF in excess of four (4) hours, shall 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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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 Payments

QFs 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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SMALL POWER PRODUCTION AND COGENERATION FACILITY POLICY

ELECTRIC PURCHASE

Schedule of Purchase Payments

QFs With Design Capacity greater than 10 kW But not more than 100 kW - Cont'd

Capacity 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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SMALL POWER PRODUCTION AND COGENERATION FACILITY POLICY

ELECTRIC PURCHASE

Schedule of Purchase Payments

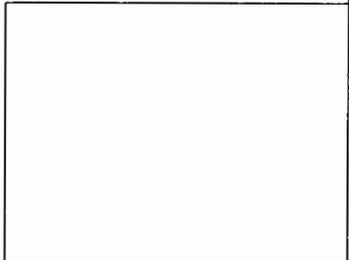
QFs With Design Capacity Less Than 10 kW

APPLICABILITY

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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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 I

Applicable to all Qualifying Facilities

2003 Energy Payment Rate¹

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

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. T

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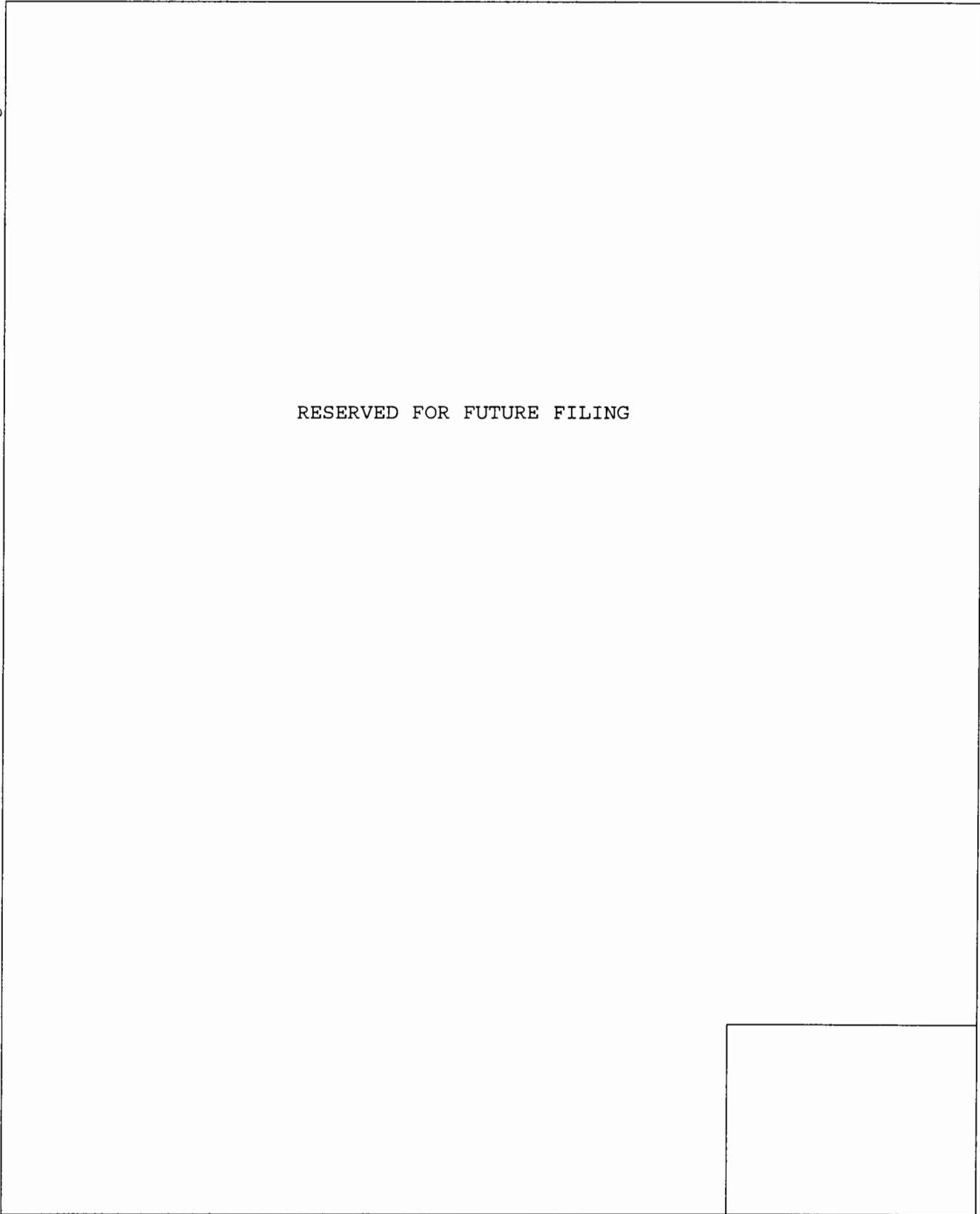
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