

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

2006 OCT -2 AM 9:02

RE: THE INVESTIGATION AND)
SUSPENSION OF TARIFF SHEETS FILED BY)
PUBLIC SERVICE COMPANY OF)
COLOARDO FOR ADVICE LETTER NO. 1462)
- ELECTRIC)

Docket No. 06S-416E

STIPULATION AND SETTLEMENT AGREEMENT

1100 15, 2006

I. INTRODUCTION

Public Service Company of Colorado ("Public Service" or "the Company"), the Staff of the Colorado Public Utilities Commission ("Staff") and the Colorado Office of Consumer Counsel ("OCC") , (collectively referred to as the "Parties") hereby enter into this Stipulation and Settlement Agreement ("Stipulation") resolving all issues that have been raised or could have been raised in Docket No. 06A-416E (the "Deposit Policy proceedings"). This Stipulation sets forth all the terms and conditions of such settlement.

The Parties to this Stipulation state that the results of the compromises reflected herein are a just and reasonable resolution of the issues that have been raised in the Deposit Policy proceedings, and that reaching agreement as set forth herein by means of a negotiated settlement is in the public interest. Each Party hereto pledges its support of this Stipulation and states that each will defend the settlement reached. The Parties respectfully request that the Public Utilities Commission of the State of Colorado ("Commission" or "CPUC") approve this Stipulation.

Exh. No. PSCO 3
Appl. No. 06S-4156
06S-416E
Witness VACASQUEZ
Date 11-14-06

II. BACKGROUND

On June 30, 2006, Public Service filed Advice Letter No.1462 - Electric to revise the Company's P.U.C. No. 7 – Electric tariff to clarify its credit scoring policy, redefine its deposit requirements, and limit the amount a Guarantor can guarantee on a customer's bill to comply with the Commission's new rules, specifically, Rules 3403(c), (d), (f) and (o)(IV) (the "Advice Letter") with the Commission. The Staff filed its Notice of Intervention and Request for hearing on August 9, 2006. The OCC filed its Notice of Intervention of Right and Entry of Appearance of Counsel on August 11, 2006. Subsequently, in Decision No. C06-0866, the ALJ entered a procedural schedule setting the matter for hearing commencing on November 14, 2006.

III. TERMS OF SETTLEMENT

The Company, Staff and the OCC have engaged in broad discussions regarding the issues raised in Deposit Policy proceedings. These discussions have focused on resolving the Parties' concerns as raised in these proceedings in a constructive manner consistent with the public interest and with the objective of arriving at a result that will best serve the customers' interests in receiving reliable electric service. Staff and the OCC's agreement to the Application as set forth below, is predicated in part on this understanding as well as the other provisions of the Stipulation.

Public Service, Staff and the OCC hereby stipulate and agree as follows:

1. The Parties agree that approval of the revised proposed tariff, as conditioned herein and attached hereto, is in the public's interest and necessary to the public's convenience.

2. ^{Quarterly} Public Service shall provide the Commission, Staff and the OCC on an ~~annual~~ ^{Quarterly} basis, for a one-year period, documentation that would support Public Service's cut-off level for scoring customer's credit for the purpose of requiring deposits. ~~The annual report~~ ^{Quarterly reports} would include the following information:

- Total number of new applicants/customers (for whom a credit score is acquired)
- Total number of new applicants from whom a deposit is required
- Total number of new applicants with AERM credit scores ranging from 0-599
- Total number of new applicants with AERM credit scores ranging from 600-649
- Total number of new applicants with AERM credit scores ranging from 650-699
- Total number of new applicants with AERM credit scores ranging from 700-749
- Total number of new applicants with AERM credit scores ranging from 750-999
- Total number of disconnections in the each of he twelve months for each credit score range listed above; total amount of charge-offs/bad debt in the previous twelve months for each credit score range listed above; and, average deposit size. The reporting period would begin at a future date, to be agreed upon by the Parties, sufficient to allow Public Service to accomplish the computer programming and other administrative tasks necessary to enable it to compile this information. Public Service would also provide the Equifax monthly reports for the same twelve-month period and for an additional two years.

4/14 *Carroll*
After the annual report is prepared, the Parties will meet to discuss the results, the appropriateness of the credit score and whether further ^{AV} annual reports are needed. Even though it is unlikely that Equifax will change its credit scoring model, Public Service will inform the Parties of any changes to the model by Equifax.

IV. GENERAL PROVISIONS

Public Service, Staff and the OCC agree to submit this Stipulation to the Commission for approval at the earliest opportunity. The Parties shall join in a motion that requests the Commission to approve this Stipulation and, if necessary, to testify at a hearing in support of this Stipulation.

This Stipulation is a negotiated compromise of issues raised in the Deposit Policy proceedings. 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 Stipulation and by joining the motion to approve the Stipulation filed with the Commission, acknowledge that they pledge support for Commission approval and subsequent implementation of these provisions.

This Stipulation shall not become effective until the issuance of a final Commission Order approving the Stipulation, which Order does not contain any modification of its terms and conditions that is unacceptable to either of the Parties. In the event the Commission modifies this Stipulation in a manner unacceptable to any Party, that Party shall have the right to withdraw from this Stipulation and proceed to hearing on the issues that may be appropriately raised

by that Party in Docket No. 06A-416E. The withdrawing Party shall notify the Commission and the other Parties to this Stipulation by e-mail within three business days of the Commission modification that the Party is withdrawing from the Stipulation 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 Stipulation 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, the 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 Stipulation. 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 Stipulation. 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 Stipulation 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 Stipulation shall

not be admissible into evidence in this or any other proceeding, except as may be necessary in any proceeding to enforce this Stipulation.

Approval by the Commission of this Stipulation shall constitute a determination that the Stipulation represents a just, equitable and reasonable resolution of all issues that were or could have been contested among the Parties in the above-captioned proceedings. The Parties state that reaching Stipulation 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 Stipulation are just, reasonable and in the public interest.

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

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

Dated this 29th day of September 2006.

~~Second Revised~~ Sheet No. R11
~~First Revised~~ Cancels
Sheet No. R11

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

RULES AND REGULATIONS
ELECTRIC SERVICE
GENERAL

RESIDENTIAL AND SMALL COMMERCIAL DEPOSITS AND REFUNDS

For purposes of this section, this policy applies to Residential, Small Commercial and Agricultural customers.

Existing customers shall not be required to place a deposit with the Company. For this purpose an existing customer shall include customers who change location if service is initiated at a new location within two weeks of termination of service at the old location and customer advises the Company prior to termination at the old location of intent to take service at the new location. Discontinuance of service for nonpayment of past due bills shall not change an existing customer's status. Applicants for residential service who are divorced or widowed and whose former spouse met the above requirements shall not have to place a deposit with the Company. Applicants for residential service who are divorced or widowed and whose former spouse had a satisfactory credit record with the Company in accordance with (3) below shall be deemed to have a satisfactory credit record with the Company themselves and shall not be required to make a deposit.

Applicants for service, including former customers who have had a discontinuity in service greater than two weeks shall be subject to the following deposit considerations;

- (1) Applicants whose credit record is satisfactory in accordance with (3) below shall not be required to make any deposit whatsoever.
- (2) Applicants whose credit record is not satisfactory in accordance with (3) below shall be required to make a customer deposit of an estimated sixty (60) days' bill for service. Applicants may elect to pay the deposit amount in up to three consecutive monthly installments with one-half of the total deposit amount due as the first installment.
- (3) Applicant's credit record shall be determined as satisfactory as follows:

An applicant shall be considered as having a satisfactory credit record after the Company has received a credit score from Equifax reflecting a credit score of 750 - 999 for the applicant. Equifax uses an Advanced Energy Risk Model that is utility-specific and that reflects short term obligations. ~~This validation model is set by the Mid Western utility industry, which (ELC1) — predicts delinquency risks within the a next twelve (12) months window.~~ The score sets are:

0	-	749	Deposit required
750	-	999	No Deposit required

The Company shall require a cash deposit if the Credit score does not meet 750 or higher as determined by the Advanced Energy Risk Model.

ADVICE LETTER NUMBER _____
1462
DECISION NUMBER _____

VICE PRESIDENT,
Policy Development

ISSUE DATE _____
EFFECTIVE DATE June 30, 2006
July 31, 2006

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PUBLIC SERVICE COMPANY OF COLORADO

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

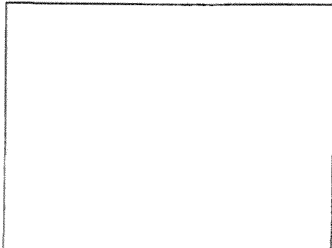
Thirteenth Revised Sheet No. R12
Twelfth Revised Canceled Sheet No. R12

RULES AND REGULATIONS
ELECTRIC SERVICE
GENERAL

RESIDENTIAL AND SMALL COMMERCIAL DEPOSITS AND REFUNDS - Cont'd

The Company shall not assess a deposit from applicant if an applicant has a satisfactory payment record where said previous service was provided for a continuous period of at least twelve (12) months and applicant's service was not discontinued for delinquent payment during the last twelve (12) months of said service and applicant received no more than two Notices of Discontinuance during the last twelve (12) months of said service. Service must have ended no earlier than 60 days prior to date of application of service.

- (4) In lieu of deposits required under (2) above, an existing customer of the Company who has established a satisfactory credit rating with the Company in accordance with (3) above may become a guarantor for an applicant by signing a written guarantee of payment agreement. Signing of this agreement guarantees payment of service to be rendered to the applicant up to the amount of deposit that would have been required by customer, and shall make the guarantor's service subject to discontinuance in event the guaranteed bills are not satisfactorily paid.
- (5) Deposits shall be refunded after a twelve month period if no delinquency resulting in a written notification of disconnection to customer has occurred. Thereafter, review will be made monthly or upon customer request to determine if customer is eligible for refund. Refunds will otherwise be made only at such time as service is discontinued at customer's request and all outstanding bills have been paid. Interest at the rate of 3.16 percent per annum shall be paid during the period January 1, 2006 through December 31, 2006 on customer deposits. Interest will be paid upon refund of the deposit or annually upon request of a customer. The interest rate is subject to change January 1st of each year in accordance with the rules of the Public Utilities Commission of the State of Colorado. Whenever the interest rate is changed, deposits held by the Company shall earn interest at the new rate for the portion of time the deposit is held beyond the effective date of the interest rate change.
- (6) If any required deposit remains unpaid thirty (30) days following the due date of the bill on which it first appeared, the customer's service shall be subject to discontinuance on fifteen (15) days' notice.

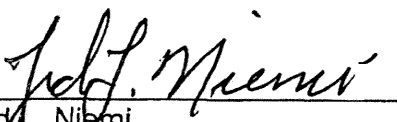


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DECISION NUMBER _____

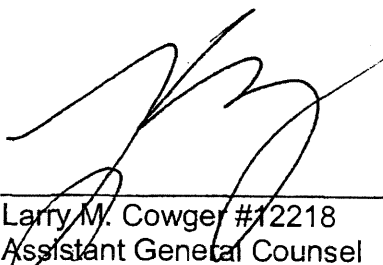
VICE PRESIDENT,
Policy Development

ISSUE DATE June 30, 2006
EFFECTIVE DATE July 31, 2006

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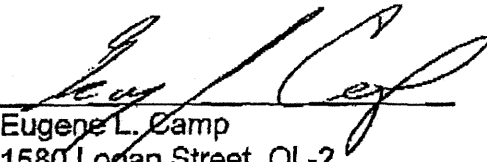
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CERTIFICATE OF SERVICE

I hereby certify that on this, the 29th day of September 2006, the original and seven (7) copies of the foregoing **Stipulation and Settlement Agreement** were served via hand delivery on:

Doug Dean, Director
Colorado Public Utilities Commission
1580 Logan OL2
Denver, CO 80203

and copies were emailed, hand delivered, or placed in the United States Mail, postage prepaid, addressed to:

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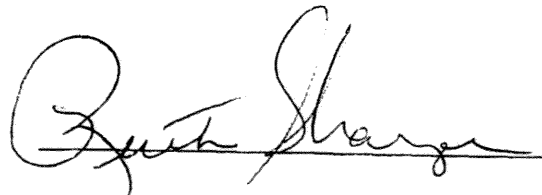
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A handwritten signature in black ink, appearing to read "Frank Shafer". The signature is written in a cursive style with a horizontal line underneath the name.

*denotes persons who have signed
non-disclosure agreements