

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

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IN THE MATTER OF THE APPLICATION OF)	
PUBLIC SERVICE COMPANY OF COLORADO)	
FOR APPROVAL OF ITS ELECTRIC AND)	
NATURAL GAS DEMAND-SIDE MANAGEMENT)	
(DSM) PLAN FOR CALENDAR YEAR 2011)	DOCKET NO. 10A-471EG
AND TO CHANGE ITS ELECTRIC AND GAS)	
DSM COST ADJUSTMENT RATES EFFECTIVE)	
JANUARY 1,2011, AND FOR RELATED)	
WAIVERS AND AUTHORIZATIONS.)	

STIPULATION AND SETTLEMENT AGREEMENT

I. INTRODUCTION

Public Service Company of Colorado ("Public Service" or "the Company"), the Staff of the Colorado Public Utilities Commission ("Staff"), the Colorado Office of Consumer Counsel ("OCC"), the Southwest Energy Efficiency Project ("SWEEP"), the City of Boulder, and the Energy Efficiency Business Coalition ("EEBC"), collectively referred to as the "Settling Parties", hereby enter into this Stipulation and Settlement Agreement ("Stipulation") resolving, as between these Parties, all issues that have been raised or could have been raised in Docket No. 10A-471 EG relating to the Company's Electric and Natural Gas Demand Side Management Plan for Calendar Year 2011 ("2011 DSM Plan"). 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 addressed in this Stipulation, 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.

II. BACKGROUND

A. Enhanced Electric DSM Proceeding, Docket No. 07A-420E

On October 31, 2007, Public Service filed a Verified Application in Docket No. 07A-420E for authorization to expand its electric DSM programs in Colorado and to revise its electric DSMCA mechanism to include current cost recovery and incentives. In that Application, Public Service proposed to develop a portfolio of DSM programs under an Enhanced DSM Plan that was expected to achieve energy savings and peak demand reduction goals that are significantly greater than the minimum obligations imposed by House Bill 07-1037. The Company also proposed to make biennial filings to obtain Commission approval of specific DSM programs, and annual budgets for the following two years.

After hearings, the Commission issued Decision No. C08-0560 on June 5, 2008, granting Public Service's application in part, and Decision No. C08-0769, dated July 24, 2008, on applications for rehearing, reargument, and reconsideration. In those decisions, the Commission approved electric energy savings goals for the period 2009 through 2020, a DSM incentive mechanism and directed Public Service to file biennial DSM plan applications and to combine electric and gas DSM plans.

The Commission subsequently issued Decision No. C10-0584, dated June 11, 2010, in Docket No. 07A-420E, authorizing the Company to file a one year combined electric and gas DSM plan for 2011. This application is filed in compliance with that

order.

B. Gas DSM Rules

By Decision Nos. C08-0248, mailed March 7, 2008, and C08-0245, dated April 22, 2008, in Docket No. 07R-371G, the Commission established new Gas DSM Rules as required by House Bill 07-1037. The gas DSM rules are now codified as Rules 4750 through 4760 of the Commission's Rules Regulating Gas Utilities and Pipeline Operators, 4 Code of Colorado Regulations 723-4 ("Gas DSM Rules").

C. 2011 DSM Plan

On July 1, 2010, Public Service filed its Verified Application for approval of 1) its proposed 2011 DSM Plan; 2) continuation of the terms of the Stipulation and Settlement Agreement entered into and approved by the Commission in Docket No. 08A-366EG, except to the extent that those terms are specific to the Company's *2009/2010* Biennial DSM Plan; (3) the Company's forecasted expenses for its Interruptible Service Option Credit and Third Party Demand Response programs for recovery through the 2011 electric DSMCA rider; and (4) a revised gas DSMCA rider to become effective January 1, 2011. By minute entry, dated August 11, 2010, the Commission deemed the Company's application complete and referred this matter to an administrative law judge (ALJ). On September 27, 2010, the ALJ issued Decision No. R10-1051-1 establishing pre-filing deadlines and setting this case for two days of hearings commencing on November 4, 2010.

Public Service's proposed 2011 DSM Plan is attached to the Direct Testimony and Exhibits of Lee E. Gabler, Director, Demand Side Management and Renewable Operations as Exhibit No. LEG-1. Exhibit No. LEG-1 is a combined gas and electric

DSM Plan containing comprehensive descriptions of each of the gas and electric DSM products that Public Service proposes to implement for calendar year 2011, including indirect DSM products and services focused on Customer Education, Market Transformation, and Planning and Market Research. The product descriptions detail the design, implementation, oversight, and cost effectiveness, along with the budgeted costs and energy savings goals, of each of the proposed DSM products. The DSM portfolio is split into six programs under the Plan: Business-electric, Residential-electric, Low-Income-electric, Business-gas, Residential-gas, and Low-Income-gas. In addition, the portfolio contains indirect products and services for both gas and electric.

As filed, Public Service's proposed 2011 DSM Plan was designed to achieve approximately 240 GWh in electric energy savings and 368,000 Dth in natural gas savings at proposed costs of \$67.4 million and \$15.8 million, respectively. The 2011 DSM Plan largely reflects a continuation and evolution of the gas and electric DSM products that the Company initiated as part of the *2009/2010* DSM Plan that is currently in effect. Through the 60-day notice process put in place as part of the *2009/2010* DSM Plan, the Company's DSM portfolio of products evolved consistent with the processes and parameters that had been agreed to in the Stipulation and Settlement Agreement approved in Docket No. 08A-366EG ("*2009/2010* Plan Stipulation"). The *2009/2010* Plan Stipulation is attached to the Direct testimony and Exhibits of Lee E. Gabler as Exhibit No. LEG-3 and is appended to this Stipulation as Appendix B. The Company proposes to continue to abide by the provisions of the *2009/2010* Stipulation, as modified by Decision No. R08-1243, during 2011 except to the extent that the Stipulation includes provisions pertaining specifically and solely to 2009 and 2010.

By this Stipulation, the Settling Parties recommend that the Commission authorize the Company to implement the 2011 DSM plan as amended by Appendix A to this Stipulation, and grant it the discretion to modify the plan, within the limits set forth in Paragraphs 1 and X of this Stipulation and Paragraph 2.b. of the *2009/2010* Stipulation., and consistent with the Company's commitment to use its best efforts to meet or exceed the energy savings and demand reduction goals approved in Docket No. 07A-420E with respect to the electric DSM plan and approved in this case with respect to its natural gas DSM plan.

III. TERMS OF SETTLEMENT

The Settling Parties hereby stipulate and agree as follows:

1. **The 2011 DSM Plan.** The Settling Parties believe that Public Service's 2011 DSM Plan ("the DSM Plan"), as modified by the terms of this Stipulation, is consistent with §§ 40-3.2-103 and 40-3.2-104, C.R.S.; and the Commission's Gas DSM Rules, 4 C.C.R. 723-4-4750 through 4760, except to the extent such rules have been waived as recommended in Paragraph 9 to this Stipulation. The Settling Parties also believe that the 2011 DSM Plan, as amended by this Stipulation, is consistent with the Commission's directives in Decision Nos. C08-0560 and C08-0769 that the Company should strive to meet or exceed the Commission approved electric energy savings goals for each year that it implements a new DSM Plan. The 2011 DSM Plan, as amended, has been designed to achieve electric energy savings that exceed the Commission approved electric energy savings goal for 2011 of 235 GWh by approximately 21 GWh.

The Settling Parties agree that Public Service has the discretion and the responsibility to manage the proposed gas and electric DSM Plan to meet and attempt

to exceed the electric energy savings and demand reduction goals established by the Commission in Docket No. 07A-420E and the natural gas savings goals established in this proceeding. In implementing the 2011 DSM Plan, Public Service agrees to launch and or continue in effect all of the programs identified and described in the DSM Plan and not to discontinue or significantly modify such programs except after notice as described in Paragraph 2.b of the *2009/2010* Plan Stipulation attached hereto as Appendix B.

The Settling Parties recommend that the Commission authorize the Company to continue in effect or implement each of the programs described in the DSM Plan, together with the amendments and additions to such programs that are described in Appendix A. The Settling Parties further recommend that, consistent with the Commission's ruling Decision No. R08-1243 at Paragraph 37, and subject to the budgetary restrictions and other limitations described in this and in the *2009/2010* Plan Stipulation, the Commission grant the Company the discretion to modify the specific DSM programs set forth in the DSM Plan as amended by this Stipulation, including but not limited to, changing the level of rebates paid to participants, shifting budget dollars between programs within the natural gas or electric DSM portfolios, and adding new programs or discontinuing DSM programs without the requirement to obtain the Commission's pre-approval of such modifications. The Company may in its discretion file an application seeking pre-approval of the technical assumptions associated with any new program offerings, or approval to incur costs in excess of 115% of its annual budget for its electric DSM portfolio or 125% of the annual budget for its natural gas

DSM portfolio. The Settling Parties recommend that the Commission endeavor to act upon such an Application as expeditiously as possible.

2. **The 2009/2010 Plan Stipulation.** The Settling Parties agree that the Company shall continue to abide by the provisions of the 2009/2010 Plan Stipulation (Appendix B), as amended by Decision No. R08-1243 as to one reporting requirement, except to the extent those provisions pertain specifically and solely to the 2009/2010 plan years.

3. **Modifications to the 2011 DSM Plan.** In the course of negotiations, the Settling Parties have discussed with Public Service various details of the Company's proposed products. As a result of these discussions, Public Service has agreed to make certain changes to certain of the DSM products included in the 2011 DSM Plan originally filed with its Application.

The product-related changes that Public Service has agreed to make are summarized in Appendix A. Some of these changes affect the Company's originally proposed electric and gas DSM budgets and are also specified in Appendix A. The Settling Parties agree that the revised budget amounts for 2011 as set forth in Paragraph 6 of this Stipulation shall be recovered through changes to the electric and gas DSMCA riders to be effective January 1, 2011.

Certain changes to the DSM Plan that Public Service has agreed to make will also result in changes in the targeted electric and gas savings for 2011. As a consequence of these changes, the Settling Parties agree to the modified levels of savings targets as set forth in Paragraph 6 below.

4. **Participation by All Classes of Customers.** The Settling Parties believe that, with respect to the customer segments targeted by the Company's 2011 DSM Plan, as amended, (*i.e.*, residential, business, and low-income) and to the breadth of program offerings contemplated for each segment, Public Service's proposed electric and gas DSM portfolios in the 2011 DSM Plan as amended by this Stipulation, have been designed to afford all classes of customers an opportunity to participate as required by §§ 40-3.2-103 and 40-3.2-104, C.R.S.

5. **2011 Energy and Demand Savings.** The Settling Parties agree that Public Service shall use its best efforts to achieve at least 256 GWh in electric energy savings in 2011, exceeding the energy savings goal for 2011 prescribed by the Commission in Decision NO.C08-0560 issued in Docket No. 07A-420E by approximately 21 GWh. These electric savings include a reduction of approximately 6 GWh in 2011 due to a decrease in the Residential Home Lighting Program's Net-to-Gross ratio from 1.0 to .90 as explained in Appendix A. The Settling Parties also agree that the Company shall use best efforts to achieve at least 70.5 MW in demand reductions in 2011, from the combined effect of its proposed electric energy efficiency programs and from its Saver's Switch program.¹

The Settling Parties further agree that the Company shall use its best efforts to achieve natural gas savings of at least 368,227 Dth for 2011. The Settling Parties request that the Commission approve these levels of gas savings, in combination with actual gas program expenditures to calculate dekatherms saved per dollar expended,

¹ These expected demand reductions do not include the expected impacts from Public Service's Interruptible Service Option Credit (ISOC) program or the expected impacts from a third-party demand response contract, both of which have been addressed in a separate paragraph below.

as the energy savings targets that shall be used in the future by the Company for the purpose of calculating a bonus under Rules 4754 and 4760.

6. **2011 DSM Budgets.** The Settling Parties agree to recommend that the Commission approve a total electric DSM portfolio budget for 2011 of \$68.5M, and a total gas DSM portfolio budget for 2011 of \$ 15.8M, including the increases to both the electric and gas budgets referenced in Paragraph 2 above and specified in Appendix A to this Stipulation, as well as the removal of the Smart Grid City Pricing Pilot. The Settling Parties agree that the Company's proposed 2011 DSM Plan and associated budgets as modified by the Stipulation were developed giving due consideration to the impact of the DSM Plan on non-participants and on low-income customers as required by C.R.S. §40-3.2-104(4).

The Settling Parties agree that Public Service shall have flexibility to move budget dollars between specific programs and customer segments within its proposed gas DSM program portfolio and within its proposed electric DSM program portfolio in order to achieve the energy savings and demand reduction goals set forth in the 2011 DSM Plan, provided, however, that consistent with the *2009/2010* Plan Stipulation the Company shall not reduce the level of spending on low-income DSM programs unless the Company has achieved 100 percent of the forecasted level of participation in such programs.

The Settling Parties agree that, consistent with the *2009/2010* Plan Stipulation, so long as the total portfolio of natural gas DSM programs that are Implemented by the Company reflects a benefit-cost ratio of at least one (1) calculated as provided in §40-1-102(5) C.R.S., there shall be a rebuttable presumption that actual expenditures within

125% of the approved gas budget for any given plan year are reasonable and prudent. The Settling Parties agree that so long as the total portfolio of electric DSM programs that are implemented by the Company reflects a benefit-cost ratio of at least one (1) calculated as provided in §40-1-102(5) C.R.S., there shall be a rebuttable presumption that actual expenditures within 115% of the approved electric budget for any given plan year are reasonable and prudent. The Company shall not be precluded from spending amounts in excess of these limits. However, if the Company's total expenditures in any year exceed 125% of the total approved gas DSM portfolio budget or 115% of the total approved electric DSM portfolio budget, the Company shall have the burden of going forward and the burden of proof with respect to the reasonableness and prudence of any expenditures exceeding 125% of the gas DSM program portfolio budget or 115 % of the electric DSM program portfolio budget.

7. **Updated Avoided Costs and Technical Assumptions.** The Settling Parties agree that the Commission should approve the Company's proposed updated avoided costs and technical assumptions as modified in Appendix A to this Stipulation, for the same purposes as set forth in Paragraph No. 8 of the *2009/2010* Stipulation. These include the deemed savings and net-to-gross ratios used for purposes of developing our 2011 gas and electric DSM plans. The updated avoided costs are contained in Appendix C to the 2011 DSM Plan (Exhibit No. LEG-1). The technical assumptions used to develop the plan are set forth in the Technical Reference Manual which is appended to the 2011 DSM Plan as Appendix E. With the exception of the two changes agreed to as part of this Stipulation, the net-to-gross ratios relied on are set forth in the Planning Assumptions section of the 2011 DSM Plan. As part of this

Stipulation the Settling Parties have agreed to a change to the net-to-gross ratio associated with the Company's Home Lighting product from 1.0 to 0.90 as set forth in Appendix A to this Stipulation. For the Commercial New Construction product, the net-to-gross ratio for new building projects started in 2011 will be increased from .79 to .90.

Consistent with what was agreed in the *2009/2010* Plan Stipulation, the Settling Parties agree that for purposes of calculating the gross savings associated with each of the prescriptive gas or electric DSM product measures offered as part of the gas and electric DSM portfolios, Public Service shall use the technical assumptions relating to the energy savings calculations for such measures actually installed during calendar year 2011. Such savings shall be referred to as "deemed savings."

The Settling Parties further agree consistent with the *2009/2010* Plan Stipulation, that the Company shall use the net-to-gross ratios set forth in the Planning Assumptions Section of the 2011 DSM Plan and the technical assumptions set forth in the Company's Technical Reference Manual (Appendix E to the 2011 DSM Plan) relating to incremental customer O&M savings (for prescriptive measures only), customer O&M costs (for prescriptive measures only), incremental customer capital costs (for prescriptive measures only), and the deemed savings formulas and other technical assumptions set forth in the Manual, for purposes of determining program and portfolio cost effectiveness and for calculating annual portfolio net economic benefits based on measures actually installed during calendar year 2011.

The Settling Parties agree that, for purposes of determining program and portfolio cost effectiveness and for calculating annual portfolio net economic benefits based on measures actually installed during calendar year 2011, Public Service shall

use the updated avoided cost assumptions set forth in Appendix C attached to the 2011 DSM Plan.

The Settling Parties agree that Public Service shall use the same methodology as it has used during 2009 and 2010, for purposes of determining actual DSM portfolio and program cost-effectiveness based on measures actually installed during calendar year 2011. Accordingly, Public Service shall use this same methodology for calculating the net economic benefit associated with DSM measures actually installed during calendar year 2011.

8. **Revisions to the 2011 DSM Incentive Mechanism.** The Settling Parties agree that the Commission's final decision entered in Docket No. 07A-420E - reopened shall determine what, if any, revisions shall be made to the incentive cap applicable to the currently effective electric DSM incentive mechanism for 2011.

9. **ISOC and Third-Party Demand Response Budgets.** The Settling Parties agree that the Company shall be permitted to recover its 2011 forecasted expenditures for the ISOC program of \$22,355,577 and for the Third Party Demand Response program of \$2,872,150 through the combination of base rates and the electric DSMCA rider that shall become effective on January 1, 2011.

10. **DSMCA Tariffs.** The Settling Parties agree to recommend that the Commission continue in effect the waivers granted from its Gas DSM Rules to allow for changes to the gas DSMCA every six months as set forth in Paragraph 9 to the *2009/2010 Plan Stipulation*.

The Settling Parties further agree to recommend to the Commission that it authorize the Company to implement changes in the electric and gas DSMCA rates to

become effective on January 1, 2011 as necessary to recover the approved gas and electric DSM budgets set forth in Paragraph 7 and the Company's 2011 forecast of expenditures for its ISOC and Third Party Demand Response programs as described in Paragraph 10.

11. **DSM Roundtable Meetings.** The Company agrees to continue to conduct quarterly DSM roundtable meetings in 2011. These meetings shall be open to all persons interested in the Company's DSM activities. Public Service shall provide quarterly written updates to all persons on the DSM Roundtable Distribution List consistent with its practice under the 2009/2010 Plan Stipulation. The Company shall continue to post the agendas for such roundtables meetings and all quarterly updates on the Xcel Energy website at:

http://www.xcelenergy.com/Colorado/Company/About_Energy_and_Rates/DemandSideManagement/Pages/ColoradoDSM.aspx.

12. **Reporting Requirements.** The Company agrees to continue to file quarterly updates and annual reports with the Commission as set forth in Paragraph 11 of the 2009/2010 Plan Stipulation, as modified by Decision No. R08-1243.

13. **Evaluation, Measurement & Verification Plan.** The Company shall continue its ongoing measurement and verification activities and shall perform comprehensive program evaluations as required by Paragraph 12 of the 2009/2010 Plan Stipulation with the exception of the Residential Energy Star Retailer Incentive Program. Rather than conducting a comprehensive program evaluation of the Residential Energy Star Retailer Incentive program during 2011, the Company shall

evaluate the Residential Showerhead program as proposed by Mr. Gabler in his Direct testimony in this proceeding.

IV. GENERAL PROVISIONS

The Settling Parties agree to join in a motion that requests the Commission to approve this Stipulation and to support this Stipulation.

This Stipulation is a negotiated compromise of issues raised in this proceeding relating to the Company's proposed gas and electric DSM plan for calendar year 2011, its 2011 forecasted expenditures for ISOC and the Third Party Demand Response programs and the continuation of waivers of the Commission's Gas DSM Rules. By signing this Stipulation and by joining the motion to adopt the Stipulation filed with the Commission, the Settling Parties acknowledge that they pledge support for Commission approval and subsequent implementation of these provisions.

Nothing in this Stipulation shall bind any of the Settling Parties with respect to any position such party may take in any other proceeding before this Commission. 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 any of the Settling 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. 10A-471 EG. The withdrawing Party shall notify the Commission and the Parties to this Stipulation by e-mail within five business days of the Commission's final order modifying the Stipulation 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 five business days of the date of the Hearing Notice from the first withdrawing Party, all Settling 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 Settling 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.

The Settling Parties agree that 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 Settling Parties in the above-captioned proceeding. The Settling 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 Settling Parties have had the opportunity to participate in the drafting of this Stipulation. There shall be no legal presumption that any specific Settling 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 15th day of October, 2010.

PUBLIC SERVICE COMPANY OF COLORADO

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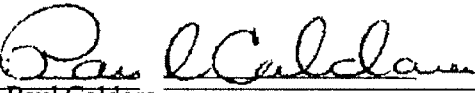
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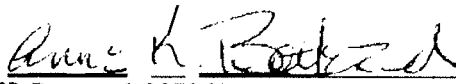
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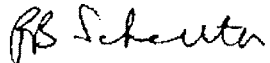
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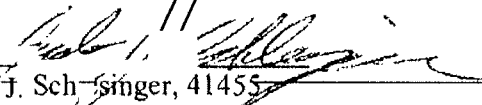
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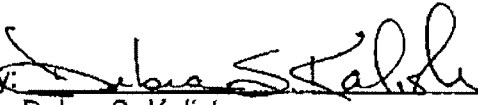
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Southwest Energy Efficiency Project (SWEEP)

A handwritten signature in cursive script, appearing to read "Sue Ellen Harrison".

Sue Ellen Harrison

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COST ADJUSTMENT RATES EFFECTIVE)
JANUARY 1, 2011, AND FOR RELATED)
WAIVERS AND AUTHORIZATIONS.)

Dated this 14th day of October, 2010.

DIETZE AND DAVIS, P.C.

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BUSINESS COALITION

Served only.
Not filed with PUC.

Appendix A

Product Changes Agreed to By Public Service

RESIDENTIAL - ELECTRIC DSM PRODUCTS

a. Evaporative Cooling. In order to help stimulate participation in the Evaporative Cooling program, the Company agrees to add retailer/contractor incentive tiers and rebates as follows: Tier 1 - \$50; Tier 2 - \$75; Tier 3 - \$100. The Settling Parties agree that the 2011 DSM electric budget shall be increased by \$160,000 to accommodate the addition of the agreed upon incentives.

b. Residential Home Lighting. The Company agrees to expand participation in this program by 45,355 residential customers to 1.37 million bulbs from the proposed target of 1.19 million bulbs. The Settling Parties agree that the 2011 DSM electric budget shall be increased by \$185,000 to accommodate the increase in bulbs. The Company further agrees that the net-to-gross ratio to be used in calculating net energy savings associated with the Residential Home Lighting Program shall be reduced from 1.0 to .90. The Company expects that the combined effect of both these changes will be a net increase in electric energy savings of approximately 2.0 GWh.

c. Home Performance w/ES. The Company agrees to evaluate duct testing/sealing during the first six months of 2011 and if duct testing/sealing is cost effective or has positive benefits as an additional measure in a bundled product, the Company will add this measure to its 2011 DSM Plan. This could result in additional expenditures of \$4,000 for duct testing/sealing (pre-test, sealing, and post test to confirm energy savings) and \$12,800 for increased rebates for other existing measures. Xcel also agrees to add an incentive for auditors and/or contractors that influence a

customer to enroll (and the customer documents their involvement) in the program; the incentive will be paid out once the customer completes the program and receives customer rebates. The incentive amount is yet to be determined. Overall, the Company agrees that it will make these changes without requesting any associated increase in its electric DSM budget for 2011, but will handle any increase in the forecasted costs of this program within the 115% portfolio budget flexibility. Product Development will analyze the duct testing/sealing component and if results are positive, will add the measure through posting a 60 Day Notice. The Company also agrees to consider promoting 3rd party financing options and marketing elements from Best Practices in 2011.

d. Water Heater Rebates. The Company agrees to expand this program to 200 Heat Pump water heaters. The Settling Parties agree that the 2011 DSM electric budget shall be increased by \$105,000 to accommodate the expansion of this program. The Company projects that the expansion of this program will result in increased energy savings equal to 467,969 kWh.

e. Energy Star Retail Incentive.

The Company agrees to re-evaluate the technical assumptions applicable to ENERGY STAR 5.1 TVs and to remove ENERGY STAR 4.1 TV's from the Energy Star Retail Incentive Program. The Company will implement these modifications by filing a 60 Day Notice within 30 days after receiving PUC approval of the entire 2011 Plan. As part of its re-evaluation, the Company may use only the incremental cost of the ENERGY STAR 5.1 TV Light Board to determine incremental cost instead of the full purchase price. The Company further agrees that it will evaluate and develop technical

assumptions for computer monitors and 2nd tier dishwashers. If based upon its evaluation, the Company is able to develop a cost-effective product, including computer monitors and 2nd tier dishwashers, it will agree to file a 60-Day notice to incorporate such changes in the program within 30 days after receiving PUC approval of the 2011 DSM Plan. The Company expects that the electric DSM budget and energy savings targets associated with this product will be affected by such changes. A new program budget and energy savings target will be included in the 60-Day notice assuming the Company is able to develop a cost-effective program without including ENERGY STAR 4.1 TV's. The Company agrees to consult with the Settling Parties as it conducts its re-evaluation of this program.

f. Insulation Rebate. The Company agrees to evaluate insulation rebate options, including the potential for offering crawl space insulation, building envelope, ducts and new construction rebates. To the extent that such rebates can be provided cost-effectively or have positive benefits as part of a bundled product, the Company agrees to file a 60-day notice within the first quarter of 2011 to implement the insulation rebate options described in this paragraph.

BUSINESS - ELECTRIC DSM PRODUCTS

g. Compressed Air (custom). The Company agrees to implement a 50% increase in the rebate offered for this product. The Settling Parties agree that the 2011 DSM electric budget shall be increased by \$98,401 to accommodate the increased rebate offered in connection with the Compressed Air (custom) product.

h. Cooling Efficiency (Plan A) - New Units or Replacement upon Burnout. The Company agree to increase rebate levels from \$50/ton to \$65/ton and

from \$4/.1 EER to \$5/.1 EER and to increase the level of forecasted participation by 56 units. The baseline for determining eligibility for and level of the rebate shall continue to be IECC2006. In order to qualify for a rebate, the unit must exceed the minimum which is set above the IECC 2006 level. The Settling Parties agree that the 2011 DSM electric budget shall be increased by \$743,000 to accommodate the increase in rebate levels and expansion of this product. The Company projects an associated increase in its electric energy savings target of 678,000 kWh.

i. Cooling Efficiency (plan B early replacement of working units). During the remainder of 2010 and the first four months of 2011, the Company agrees to evaluate options for including an Early Replacement retrofit product in its portfolio. As part of that evaluation the Company shall consider the applicability of its residential replacement product for business customers. The Company agrees to implement replacement retrofit product options that are cost-effective or that have positive benefits as part of a bundled product, during the second half of 2011 by filing a 60 Day notice no later than May 1, 2011.

j. Energy Mgmt Systems. The Company agrees to implement a 50% increase in the rebates proposed for this product resulting in and expected increase of 8 participants. The Settling Parties agree that the 2011 DSM electric budget shall be increased by \$330,000 to accommodate the rebate increases and additional participation in this product. The Company expects to realize an increase in targeted electric energy savings of approximately 1.1. GWh as a result of the changes agreed to in this paragraph.

k. Lighting Efficiency. The Company agrees to increase the number of participants in order to achieve electric energy savings of 48 GWh, an increase of 11.9 GWh from what the Company proposed initially. The Settling Parties agree that the 2011 DSM electric budget shall be increased by \$1,440,000 to accommodate the expansion of this product.

The Company further agrees to evaluate rebates prior to end of 2nd quarter 2011 based on Wattage per square foot for inclusion in late 2011 or in the 2012 DSM Plan.

l. Commercial New Construction (EDA). The Company agrees to a 15% minimum savings requirement above baseline. The 15% will allow the program to accommodate the customer segments, such as Low Income and Hospitals, which have a limited ability to maximize energy efficiency due to competing code requirements such as health and safety (which can take a priority over the energy requirements). In consideration of the agreed upon increase in minimum savings requirements, the Settling Parties agree to an increase in the Net-To-Gross ratio from 79% to 90% for new construction projects started in 2011.

If the local government energy code is at least 100% more stringent than the EDA baseline, participants can qualify for the EDA program if their energy efficiency savings exceeds the local code by 5% for the basic track, 10% for the Enhanced track. Photovoltaic systems may be used to meet the local code, but amounts spent towards a photovoltaic system will not be eligible for rebate under this program.

m. SmartGridCity Pricing Pilot. In accordance with Commission Decision No. C10-0491 issued in Docket No. 09A-479E, the Company agrees to exclude the

SmartGridCity Pricing Pilot from the 2011 DSM Plan. This results in a decrease in the electric DSM Budget of \$1,943,286.

GAS DSM

RESIDENTIAL GAS DSM

n. Home Performance w/ES. The Company agrees to evaluate duct testing/sealing during the first six months of 2011 and if duct testing/sealing is cost effective or has positive benefits as an additional measure in a bundled product, the Company will add this measure to its 2011 DSM Plan. This could result in additional expenditures of \$7,500 for duct testing/sealing (pre-test, sealing, and post test to confirm energy savings) and \$26,800 for increased rebates for other existing measures. The Company will also agree to add an incentive for auditors and/or contractors that influence a customer to enroll (and the customer documents their involvement) in the program; the incentive will be paid out once the customer completes the program and receives customer rebates. The incentive amount is yet to be determined. Overall, no budget is being added but will be handled within the 115% portfolio budget flexibility. Product Development will analyze the duct testing/sealing component and if results are positive will be posted through a 60 Day Notice. There are no expected incremental energy savings impact from increasing rebates to other existing measures. The Company will also agree to consider promoting 3rd party financing options and marketing elements from Best Practices in 2011.

o. Insulation Rebate. During the first quarter of 2011, the Company will agree to evaluate insulation rebate options and if any such options are cost effective or

have positive benefits as an additional measure in a bundled product, the Company will launch additional measures by means of filing a 60 day notice.

BUSINESS - GAS DSM

p. **Energy Mgmt Systems.** The Company agrees to consider temporary promotional increases in 2011 within the 125% portfolio budget flexibility to the gas portion of projects, in addition to the rebates for the electric portion of projects.

Appendix B

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

* * * * *

IN THE MAnER OF THE APPLICATION OF)	
PUBLIC SERVICE COMPANY OF COLORADO)	
FOR APPROVAL OF ITS ELECTRIC AND)	
NATURAL GAS DEMAND-SIDE MANAGEMENT)	
(DSM) PLAN FOR CALENDAR YEARS 2009 AND)	DOCKET NO. 08A-366EG
2010 AND TO CHANGE ITS ELECTRIC AND GAS)	
DSM COST ADJUSTMENT RATES EFFECTIVE)	
JANUARY 1,2009, AND FOR RELATED)	
WAIVERS AND AUTHORIZATIONS.)	

STIPULATION AND SETILEMENT AGREEMENT

I. INTRODUCTION

Public Service Company of Colorado ("Public Service" or lithe Company"), the Staff of the Colorado Public Utilities Commission ("Staff"), the Colorado Office of Consumer Counsel ("OCC"), the Southwest Energy Efficiency Project ("SWEEP") and Western Resource Advocates ('WRA"), Colorado Energy Consumers ("CEC"), the City of Boulder and Boulder County (collectively "City"), Energy Outreach Colorado ("EOC"), the Governor's Energy Office ("GEO"), Wal-mart Stores, 'nco and Sam's West, Inc. (Wal-Mart"), The Kroger Co. on behalf of its King Soopers and City Market Divisions ("Kroger"), Nancy LaPlaca, the Energy Efficiency Business Coalition ("EEBC"), collectively referred to as the "Settling Parties". hereby enter into this Stipulation and Settlement Agreement rStipu'ation") resolving, as between these Parties, all issues that have been raised or could have been raised in Docket No. 08A-366EG relating to the Company's 2009-2010 DSM Biennial Plan. 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 addressed in this Stipulation, 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.

II. BACKGROUND

On August 11, 2008, Public Service filed its Application For Approval Of Its Electric And Natural Gas Demand-Side Management Plan For Calendar Years 2009 And 2010 And To Change Its Electric And Gas DSM Cost Adjustment Rates Effective January 1, 2009, and For Related Waivers and Authorizations. By Decision No. C08-0986, the Commission referred this matter to an administrative law judge (ALJ) for preparation of an initial Commission decision. On September 29, 2008, the ALJ issued Decision No. R08-1033-1 establishing pre-filing deadlines and setting this case for three days of hearings commencing on November 19, 2008.

Public Service's 2009-2010 DSM Biennial Plan is a combined electric and natural gas DSM plan under which the Company proposes to offer a total of 31 direct impact and 4 indirect impact DSM programs targeted to residential, business and low-income customer classes over the course of two years. The Company's plan also includes a Planning and Research component consisting of four additional programs: DSM Market Research; DSM Planning and Administration; OSM Product Development; and Evaluation, Measurement and Verification. As originally filed the Company's proposed

plan was designed to achieve annual electric and natural gas energy savings of approximately 181 GWh and 318,000 Dth, respectively, in 2009 and 244 GWh and 403,000 Dth, respectively, in 2010, at a proposed total cost of \$61 million and \$76 million for 2009 and 2010, respectively.

By this Stipulation, the Settling Parties recommend that the Commission authorize the Company to implement the DSM plan as amended by the Stipulation, and grant it the discretion to modify the plan, within the limits set forth in the Stipulation, and consistent with the Company's commitment to use its best efforts to meet or exceed the energy savings and demand reduction goals approved in Docket No. 07A-420E with respect to the electric DSM plan and approved in this case with respect to its natural gas DSM plan.

III. TERMS OF SETTLEMENT

The Settling Parties hereby stipulate and agree as follows:

1. The 2009-2010 DSM Biennial Plan. The Settling Parties agree that Public Service's 2009-2010 DSM Biennial Plan ("the DSM Plan"), as modified by the terms of this Stipulation, is consistent with §§ 40-3.2-103 and 40-3.2-104, C.R.S.; Decision Nos. COB-0560 and COB-0769 issued by the Commission in Docket No. 07A-420E; and the Commission's Gas DSM Rules, 4 C.C.R. 723-4-4750 through 4760, except to the extent such rules have been waived as recommended in Paragraph 9 to this Stipulation.

The Settling Parties agree that Public Service has the discretion and the responsibility to manage the proposed gas and electric DSM Plan to meet and attempt to exceed the electric energy savings and demand reduction goals established by the

Commission in Docket No. 07A-420E and the natural gas savings goals established in this proceeding. In implementing the 2009-2010 DSM Biennial Plan, Public Service agrees to launch all of the programs identified and described in the DSM Plan and not to discontinue or significantly modify such programs except after notice as described in Paragraph 2.b *supra*.

The Settling Parties recommend that the Commission authorize the Company to implement each of the programs described in the DSM Plan, together with the amendments and additions to such programs that are described in Appendix A. The Settling Parties further recommend that, subject to the budgetary restrictions and other limitations described in this Stipulation, the Commission grant the Company the discretion to modify the specific DSM programs set forth in the DSM Plan as amended by this Stipulation, including but not limited to, changing the level of rebates paid to participants, shifting budget dollars between programs within the natural gas or electric DSM portfolios, and adding new programs or discontinuing DSM programs without the requirement to obtain the Commission's pre-approval of such modifications. The Company may in its discretion file an application seeking pre-approval of the technical assumptions associated with any new program offerings, or approval to incur costs in excess of 115% of its annual budget for its electric DSM portfolio or 1250% of the annual budget for its natural gas DSM portfolio. The Settling Parties recommend that the Commission endeavor to act upon such an Application as expeditiously as possible.

2. Modifications to the DSM Plan.

a. Changes to the DSM Plan filed with the Application. In the course of negotiations, the Settling Parties have discussed with Public Service various

details of the Company's proposed programs and the associated technical assumptions. As a result of these discussions, Public Service has agreed to make certain changes to the DSM Plan originally filed with its Application. An updated version of the DSM Plan that reflects changes agreed to as part of this Settlement, together with errata correcting certain errors, shall be filed with the Commission within sixty days following issuance of a final Commission order approving this Stipulation.

The program-related changes that Public Service has agreed to make are summarized in Appendix A. Some of these changes require increases to the Company's originally proposed budgets which are also specified in Appendix A. The Settling Parties agree that the additional budget amounts for 2009 will be recovered over six months through adjustments to the electric and natural gas DSMCA filed on April 1, 2009 to be effective July 1, 2009. The full-adjusted budget amounts for 2010 will be recovered from ratepayers over twelve months beginning January 1, 2010.

Certain changes to the DSM Plan that Public Service has agreed to make will further result in changes in the expected electric and gas savings for 2009 and 2010. As a consequence of these changes, the Settling Parties agree to the modified levels of expected savings as set forth in Paragraph 6 below.

b. Process for Potential Changes to the DSM Plan in the Future. At the time of the quarterly roundtable meeting described in paragraph 10, interested persons may submit new program ideas or proposed revisions to existing programs to the Company in Writing in a format to be provided by the Company. The Company agrees to act in good faith in considering new program ideas and proposed revisions to existing programs. The Company currently uses an initial screening process to score

and prioritize all new DSM program ideas for further research and development. Within three months of receipt, the Company agrees to evaluate all written DSM program ideas received from interested persons in accordance with its existing initial screening process and to consider all proposed revisions to existing programs and to report the results of such screening and consideration as part of its next written quarterly update. The Company retains discretion whether to implement proposed revisions to existing programs and new program ideas presented to it by interested persons.

In the event the Company decides to discontinue any DSM program identified in the DSM Plan, it shall provide ninety-days notice and the basis of such decision to all persons who have asked to be included on the DSM Roundtable distribution list ("ID8M Roundtable Distribution List"). The Company shall provide sixty-days advance notice to the DSM Roundtable Distribution List of any decision to add a new DSM program, to reduce rebate levels, to adopt new or discontinue existing measures, or to change technical assumptions or eligibility requirements for any DSM program. Persons receiving such notices shall have thirty-days following receipt within which to provide a response to the Company's notification. The Company agrees to act in good faith to consider any responses received in making its final decision regarding the proposed modification and/or discontinuation.

3. **Self-Directed Custom Efficiency Program.** As directed by the Commission at Paragraph 156 of Decision No. *COB-0560*, Public Service met with representatives of its large industrial customers who participated in Docket No. 07A-420E as part of its planning for its Self-Direct Program. The Company also met with the large commercial customers and other interested persons who had participated as

Intervenors in Docket No. 07A-420E. The Settling Parties agree that the Company's proposed Self Direct Program shares many of the features of its proposed Custom Efficiency Program and should therefore be viewed as a subset of the Company's Custom Efficiency Program rather than as a traditional Self-Direct program. The only significant difference between the Company's proposed Self-Direct program and the proposed Custom Efficiency Program is that customers participating in the Self-Direct program will perform their own engineering evaluation of the anticipated energy savings and will conduct their own measurement and verification of achieved energy savings after the fact, resulting in a lower cost to the Company. The Company will verify the results of customers' energy savings calculations and evaluation, measurement and verification results. Participants in the Company's proposed Self-Direct program will pay the DSMCA just as all other participants in the Company's DSM programs.

In recognition of the fact that the proposed Self-Direct Program is designed to operate as a subset of the Custom Efficiency Program, the Settling Parties agree that the Self-Direct Program should be renamed, "Self-Directed Custom Efficiency Program." The Settling Parties agree to recommend to the Commission that it authorize the Company to provide rebates under the Self-Directed Custom Efficiency Program in any case where the customer meets the eligibility requirements, provided that the program has a Total Resource Cost (TRC) test value, as defined in § 40-1-102, C.R.S., that is at least equal to one (1) rather than limiting this program to installations that have a TRC value at least equal to the TRC value for the overall DSM portfolio as specified in Paragraph 15B of Decision No. COB-0560.

The Company shall offer the Self-Directed Custom Efficiency Program to commercial and industrial customers who have an aggregated peak demand at all meters of at least 2 MW in any single month and an aggregated annual energy usage of at least 10 GWh. The customer of record must be the same for all meters aggregated to qualify for this program. The Company agrees that rebates will not be given under the Self-Directed Custom Efficiency Program for applications with expected paybacks of less than one year or paybacks greater than fifteen years. Rebate levels will be adjusted downward so that no project (with rebates included) has a payback less than one year. The Company agrees to track the expenditures, energy savings, and paybacks associated with each approved project under the Self-Directed Custom Efficiency Program.

4. Confidentiality of Participant O&M Data. The Settling Parties understand that, in the absence of a written agreement signed by the Participant authorizing disclosure of the Participant's operations and maintenance savings or expense data ("Participant O&M data"), all such Participant O&M data shall be treated as proprietary and trade secret information that is privileged and highly sensitive. Accordingly, the Company agrees that, while Participant O&M data shall be used to evaluate the cost-effectiveness of all DSM projects and programs that use the custom-efficiency analysis process, Public Service will not include Participant O&M data in its incentive calculations unless it has been authorized to disclose such Participant O&M data by written agreement as set forth above.

In the absence of a written agreement authorizing disclosure of Participant O&M data, the Company agrees to treat Participant O&M data as proprietary and trade secret

information that is privileged and highly sensitive and shall not disclose such Information except as provided in this paragraph. For the sole purpose of achieving settlement in this proceeding, the Settling Parties agree that the Company may only disclose the results, by cost category, of calculations made using the privileged values, but not the values themselves, by making such results available for inspection by members of the Staff of both the Commission and the Office of Consumer Counsel at the Company's Colorado offices, pursuant to the following procedures. The Company will provide the Participant customer ten (10) business-days notice of the place and time of the inspection and provide the opportunity for a representative of the customer to be present during the inspection. The Company shall maintain a log of the persons, dates, times and documents reviewed. Participant O&M data shall not be disclosed to any other party or by any other means, except after receipt of written authorization from the Participant. Within forty-five days following the end of each quarter, the Company agrees to provide a report to the Staff of the Commission and the Office of Consumer Counsel on the number and value of rebates spent on measures whose cost effectiveness depends on the Participant O&M data (*i.e.*, the TRC for the measures would be less than one (1) without the Participant O&M data).

5. Participation by All Classes of Customers. The parties agree that, with respect to the targeted customer segments (*i.e.*, residential, business, and low-income) and to the breadth of program offerings contemplated for each segment, Public Service's proposed electric and gas DSM portfolios, as set forth in the DSM Plan as amended by this Stipulation, have been designed to afford all classes of customers an opportunity to participate as required by §§ 40-3.2-103 and 40-3.2-104, C.R.S.

6. Energy and Demand Savings. The Settling Parties agree that Public Service shall use its best efforts to achieve at least 175.8 GWh in electric energy savings in 2009 and at least 237.5 GWh in electric energy savings in 2010, both of which exceed the energy savings goals prescribed by the Commission in Decision NO.C08-0560 issued in Docket No. 07A-420E. These electric savings include a reduction of approximately 6 GWh each year due to a decrease in the Residential Home Lighting Program's Net-to-Gross ratio from .93 to .83 as explained in Appendix A. The Settling Parties also agree that the Company shall use best efforts to achieve at least 58 MW and 75 MW in demand reductions in 2009 and 2010, respectively, from its proposed electric energy efficiency programs and from its expanded Saver's Switch program.¹ These demand reductions equal the demand reduction goals prescribed by the Commission in Decision No.C08-0560 issued in Docket No. 07A-420E.

The Settling Parties further agree that the Company shall use its best efforts to achieve natural gas savings of at least 318,141 Dth and 402,808 Dth for 2009 and 2010, respectively. The Settling Parties request that the Commission approve these levels of gas savings, in combination with actual gas program expenditures to calculate dekatherms saved per dollar expended, as the energy targets that may be used in the future by the Company for the purpose of calculating a bonus under Rules 4754 and 4760.

7. 2009 and 2010 DSM Budgets. The Settling Parties agree to recommend that the Commission approve a total electric DSM portfolio budget for 2009 of \$50,818,284, and for 2010 of \$63,650,147, and a total gas DSM portfolio budget for

¹ These expected demand reductions do not include the expected impacts from Public Service's Interruptible Service Option Credit (ISOC) program or the expected impacts from a third-party demand

2009 of \$12,628,529 and for 2010 of \$16,516,364, including the increases to both the electric and gas budgets referenced in Paragraph 2 above and specified in Appendix A. The Settling Parties agree that the Company's proposed 2009-2010 DSM Biennial Plan and associated budgets as modified by the Stipulation were developed giving due consideration to the impact of the DSM Plan on non-participants and on low-income customers.

The Settling Parties agree that Public Service shall have flexibility to move budget dollars between specific programs and customer segments within its proposed gas DSM program portfolio and within its proposed electric DSM program portfolio in order to achieve the energy savings and demand reduction goals set forth in the DSM Plan, provided, however, that the Company shall not reduce the level of spending on low-income DSM programs unless the Company has achieved 100 percent of the forecasted level of participation in such programs.

The Settling Parties agree that so long as the total portfolio of natural gas DSM programs that are implemented by the Company reflects a benefit-cost ratio of at least one (1) calculated as provided in §40-1-102(5) C.R.S., there shall be a rebuttable presumption that actual expenditures within 125% of the approved gas budget for any given plan year are reasonable and prudent. The Settling Parties agree that so long as the total portfolio of electric DSM programs that are implemented by the Company reflects a benefit-cost ratio of at least one (1) calculated as provided in §40-1-102(5) C.R.S., there shall be a rebuttable presumption that actual expenditures within 115% of the approved electric budget for any given plan year are reasonable and prudent. The Company shall not be precluded from spending amounts in excess of these limits.

response contract, both of which have been addressed in separate dockets.

However, if the Company's total expenditures in any year exceed 125% of the total approved gas DSM portfolio budget or 115% of the total approved electric DSM portfolio budget, the Company shall have the burden of going forward and the burden of proof with respect to the reasonableness and prudence of any expenditures exceeding 125% of any specific gas DSM program budget or 115 % of any specific electric DSM program budget.

The Settling Parties agree that the company shall file an Advice Letter within sixty (60) days following issuance of a final Commission order approving this Stipulation that proposes to amend the electric and gas DSMCA tariffs to incorporate in the tariffs a process whereby the Company's DSMCA filings would be allowed to take effect by operation of law while a separate adjudicatory proceeding is initiated annually following the April 1 DSMCA filing by the Commission to review the prior year's DSM expenditures for reasonableness and prudence. The Settling Parties agree that the Commission should initiate such a prudence review proceeding automatically if the Company's total expenditures in any year exceed 125% of the total approved gas DSM portfolio budget or 115% of the total approved electric DSM portfolio budget. If the budgets are not exceeded, the Settling Parties agree that the Commission should initiate a prudence review proceeding if, after allowing interested persons an opportunity to comment, the Commission believes that an investigation into the reasonableness and prudence of Public Service's DSM expenditures is warranted. In any such prudence review proceeding, the presumptions and burdens of going forward and proof discussed in the paragraph above shall apply. If the Commission determines in a prudence review proceeding that a portion of the Company's DSM expenditures should not be recovered

from customers. the next April 1 electric or gas DSMCA filing. as applicable. shall be adjusted as appropriate to reflect that decision.

8. Technical Assumptions and Cost Benefit Calculations. The Settling Parties agree that the technical assumptions set forth in Appendix B attached hereto are reasonable for the purposes of:

- Developing a forecast of annual DSMCA expenditures associated with the Company's electric and gas DSM portfolios in 2009 and 2010;
- Establishing overall annual energy savings targets for 2009 and 2010 for the Company's gas DSM portfolio;" and
- Determining savings achieved in 2009 and 2010 based on the actual project completions in each calendar year. where such savings are compared to the overall annual portfolio energy savings goals as established by the Commission in Docket No. 07A-420E for the Company's electric DSM portfolio and as established in this proceeding for the gas DSM portfolio. when calculating the electric DSM financial incentive pursuant to Decision Nos. C08-0560 and C08-0769 issued by the Commission in Docket No. 07A-420E and in support of an application for a bonus under Rule 4760.

The Settling Parties agree that for purposes of calculating the gross savings associated with each of the prescriptive gas or electric DSM program measures offered as part of the gas and electric DSM portfolios, Public Service shall use the technical assumptions relating to the energy savings calculations for such measures actually

² The Commission established electric energy savings goals for the Company in Decision C08-0560 in Docket No. 07A-420E.

installed during calendar years 2009 and 2010. Such savings shall be referred to as "deemed savings."

The Settling Parties agree that the Company shall use the technical assumptions set forth in Appendix B relating to incremental customer O&M savings (for prescriptive measures only), customer O&M costs (for prescriptive measures only), incremental customer capital costs (for prescriptive measures only), net-to-gross ratios, and the deemed savings formulas and other technical assumptions set forth in Appendix B for purposes of determining program and portfolio cost effectiveness and for calculating annual portfolio net economic benefits based on measures actually installed during calendar years 2009 and 2010.

The Settling Parties agree that, for purposes of determining program and portfolio cost effectiveness and for calculating annual portfolio net economic benefits based on measures actually installed during calendar years 2009 and 2010, Public Service shall use the avoided cost assumptions set forth in Appendix E attached to the DSM Plan.

The Settling Parties agree that Public Service shall use the methodology described in the Direct Testimony of Company witness Jeremy Petersen for purposes of determining DSM portfolio and program cost-effectiveness based on measures actually installed during calendar years 2009 and 2010. Accordingly, Public Service shall use this same methodology for calculating the net economic benefit associated with DSM measures actually installed during calendar years 2009 and 2010.

9. DSMCA Tariffs. The Settling Parties agree to recommend that the Commission should grant waivers from its Gas DSM Rules to allow for changes to the gas DSMCA every six months in accordance with the following filing schedule:

- April 1 filings for gas DSMCA rates to be effective July 1, to recover DSM costs for programs that were implemented prior to January 1, 2009; Gas Bonus; and reconciliation of deferred balances from previous calendar year
- October 1 filings for gas DSMCA rates to be effective January 1 to recover current period DSM costs for the calendar year beginning the same January 1.

The Settling Parties agree that Public Service shall file in compliance with the Commission decision in this proceeding a gas DSMCA tariff, Sheets 42 to 42C, that conform to the pro forma tariff attached to this agreement as Appendix C, effective January 1, 2009.

The Settling Parties further agree to recommend to the Commission that it authorize the Company to implement changes in the gas DSMCA rates as set forth, for illustrative purposes, on Sheet 420 of the gas DSMCA tariff attached to this agreement as Appendix C. The Settling Parties recognize that the actual gas DSMCA percentage rider will be calculated to recover the 2009 gas DSM portfolio budget based on the rates that are approved to take effect as a result of the Commission's final order in Docket No. 08S-146G. The Settling Parties agree to recommend to the Commission that it authorize the Company to implement changes in the electric DSMCA rates as set forth on Sheet 107C of the electric DSMCA attached to this agreement as Appendix D. The Settling Parties recognize that rates included in the electric tariff sheets were designed

to recover \$48,713,284, which was the electric DSM budget as proposed in the Application, less the portion of those costs currently being recovered in base rates (\$2,216,921). Public Service shall be permitted to include in its April 1, 2009 DSMCA tariff filings the additional budget amounts for 2009 agreed to as set forth in Appendix A.

10. DSM Roundtable Meetings. The Company agrees to conduct quarterly DSM roundtable meetings in 2009 and will review this schedule with the parties for 2010. These meetings shall be open to all persons interested in the Company's DSM activities. Public Service shall provide quarterly written updates to all persons on the DSM Roundtable Distribution List as set forth in Paragraph 11. The Company agrees to post the agendas for such roundtables meetings and all quarterly updates on the Xcel Energy website.

11. Reporting Requirements.

a. Quarterly Updates. The Company agrees to file with the Commission in this docket and to provide to all persons on the DSM Roundtable Distribution List, within forty-five days following the end of each quarter, written quarterly updates, describing the implementation status for all programs included in the DSM Plan, including the energy and demand savings achieved, and expenditures made by program, and any changes in the way a program is being implemented.

b. Annual Reports. On or before April 1 following the end of each year of the Biennial Plan, the Company shall file an annual report of the results achieved during the previous plan year in total and by program, including achieved energy and demand savings, avoided annual and cumulative CO₂ and SO₂ emissions

in metric tons, actual expenditures, expenditures expressed in terms of \$/kwh over the lifetime of the measures installed, and net economic benefits achieved.

12. Evaluation, Measurement & Verification Plan.

a. On-Going Measurement & Verification. The Settling Parties agree that the Company's proposal for on-going measurement and verification ("M&V") as described generally in the Direct Testimony of Ms. Suzanne Doyle and in the Plan Documentation is reasonable and should be approved by the Commission. However, the parties also recognize that the Company is continuing to develop the specific activities that will be undertaken to measure and verify energy savings for particular programs. The Company agrees to provide a detailed description of the M&V plan for each DSM program to all Settling Parties within 30 days after such plan is finalized. The Company will report any modifications made to its M&V plans in its written quarterly updates referenced in Paragraphs 11(a) above.

b. Comprehensive Program Evaluations. In addition to the ongoing measurement and verification described in the plan, the Settling Parties agree that Public Service shall conduct comprehensive program evaluations of three or four specific programs each year. The comprehensive program evaluations of particular programs will be staggered over a number of years. The principal purposes of comprehensive program evaluations are to assess customer satisfaction with the DSM program being evaluated, and to assess changes that should be made to technical assumptions, net-to-gross (NTG) ratios and program processes based on the evaluator's own research as well as a thorough review of industry-wide and the Company's current processes, technical assumptions and NTG ratios. If, as a result of

a comprehensive program evaluation that is completed prior to December 31, 2009, the evaluator recommends changes to any technical assumptions, NTG ratios, or program processes, the Company shall implement such changes for purposes of its DSM activities undertaken during 2010. The Settling Parties understand that such changes shall not affect the calculation of achieved savings and net economic benefits for 2009.

The Settling parties recognize that the Company is currently conducting a comprehensive evaluation of the Business Lighting Program. The Company agrees that it shall plan to conduct Comprehensive Program Evaluations of the following programs during 2009, 2010, and 2011:

2009: Residential Home Lighting

Residential Saver's Switch

Business New Construction

Business Cooling

2010: Residential Evaporative Cooling

Business Motors

Business Recommissioning

Business and Residential Customer Behavior Change Program

2011: Low-Income Single Family Weatherization

Business Boiler Efficiency

Business Self-Directed Custom Efficiency

Residential Energy Star Retailer Incentive Program

The Company agrees to provide the non-confidential portion of all Comprehensive Program Evaluations to all persons on the DSM Roundtable

Distribution List. The Company will also consult with interested parties at the scheduled roundtable meetings regarding suggested changes to the programs that are proposed to be included as part of the comprehensive evaluation performed during 2010 and 2011.

IV. GENERAL PROVISIONS

The Settling Parties agree to join in a motion that requests the Commission to approve this Stipulation and to support this Stipulation.

This Stipulation is a negotiated compromise of issues raised in this proceeding relating to the Company's proposed gas and electric DSM plan for calendar years 2009 and 2010, the proposed changes to the electric and gas DSMCA to become effective January 1, 2009, and the requested waivers of the Commission's Gas DSM Rules. By signing this Stipulation and by joining the motion to adopt the Stipulation filed with the Commission, the Settling Parties acknowledge that they pledge support for Commission approval and subsequent implementation of these provisions.

Nothing in this Stipulation shall bind any of the Settling Parties with respect to any position such party may take in any subsequent biennial DSM Plan proceeding before this Commission. 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 any of the Settling 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. OBA-366EG. The withdrawing Party shall notify the

Commission and the Parties to this Stipulation by e-mail within five business days of the Commission's final order modifying the Stipulation 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 five business days of the date of the Hearing Notice from the first withdrawing Party, all Settling 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 Settling 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.

The Settling Parties agree that 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 Settling Parties in the above-

captioned proceeding. The Settling 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 Settling Parties have had the opportunity to participate in the drafting of this Stipulation. There shall be no legal presumption that any specific Settling 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 28th day of October, 2008.

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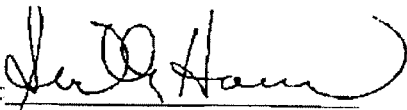
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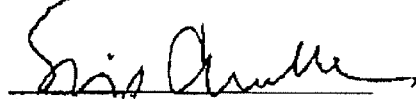
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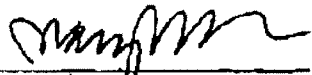
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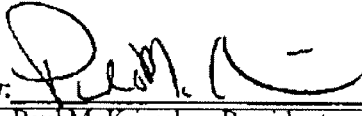
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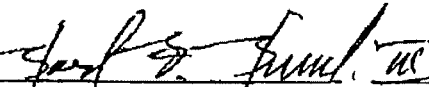
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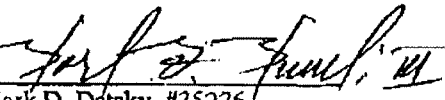


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