

**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 DEFERRED ACCOUNTING TREATMENT) DOCKET NO. 11A-646G
FOR CERTAIN EXTRAORDINARY)
EXPENDITURES RELATED TO CLEAN UP)
MEASURES OF MANUFACTURED GAS PLANT)**

**SETTLEMENT WITH RESPECT TO APPLICATION
FOR DEFERRED ACCOUNTING TREATMENT
AND MOTION TO APPROVE APPLICATION**

Public Service Company of Colorado, the Staff of the Colorado Public Utilities Commission and the Colorado Office of Consumer Counsel (collectively the “Parties”) hereby stipulate and agree that Public Service Company’s Application in this Docket should be granted. Further the Parties hereby move the Commission for an order granting the Application and approving the terms of this Settlement Agreement (“Settlement”).

1. The Parties request that the Commission include in its order the following statement to allow the Company to defer expenditures under Generally Accepted Accounting Principles (“GAAP”), incurred in connection with investigating, litigating responsibility and if necessary, remediating potential environmental contamination at a former manufactured gas plant site located in Boulder, CO:

The Commission approves deferred accounting for the expenses that Public Service incurs in connection with investigating, litigating responsibility, and if necessary, remediating potential environmental

contamination at a former manufactured gas plant site located at 1770 13th Street, Boulder, CO. Public Service is authorized to create a regulatory asset in accordance with Generally Accepted Accounting Principles for such incurred costs. These deferred expenditures shall be considered an allowable cost in a future rate case and the Parties agree that they will not oppose recovery on the basis of such costs being considered prior period costs. The only costs to be included in this deferral will be those incurred beginning in 2011 after the end of public notice period on the application for deferred accounting treatment, and include only the following costs:

- (1) Incremental Company materials and supplies shown to be directly related to the investigating, litigating responsibility, and, if necessary, remediating any contamination;
- (2) Incremental Company labor costs not already captured in the Company's cost of service established in Docket No. 10AL-963G which are directly related to investigating, litigating responsibility, and, if necessary, remediating any contamination; and
- (3) Outside consulting expert and litigation expenses directly related to investigating, litigating responsibility, and, if necessary, remediating any contamination.

2. The Settling Parties agree that the approval of deferred accounting for this activity is not pre-approval of the costs expected to be incurred and does not preclude a future examination of these expenditures related to investigation, litigation, or remediation to determine whether they were reasonable and prudently incurred.

Nothing in this agreement is intended to limit the ability of either Staff or OCC from raising any issue to challenge the Company's right to recover from its retail customers any of the costs deferred in accordance with a Commission order approving this agreement. The Company agrees to report the expenses incurred with respect to the MGP in any rate case in which it is seeking to obtain recovery of such costs. The Company agrees that it has the ultimate burden of proof on this issue should any party to the rate case allege that a cost incurred may have been imprudent."

3. The Settling Parties agree that the recovery period for the future amortization of this regulatory asset will be determined in the first gas rate case in which the Company seeks recovery of this regulatory asset.

4. The Settling Parties further agree that the regulatory asset created in accordance with this order shall be reduced by any contribution, damages or insurance proceeds recovered by Public Service pursuant to any warranty, indemnification, or similar claim.

5. Public Service shall provide the Staff and OCC with copies of all reports of its investigation and plans for remediation, including any reports submitted to the CDPHE and/or the EPA in a timely manner and shall apprise the Staff and the OCC, on a semi-annual basis, regarding the status of such investigation, litigation, or remediation, and provide at that time an accounting regarding the costs incurred as of the date of the report for any such investigation, litigation, or remediation. Staff and OCC recognize that such reports and accounting may be confidential at the time they are provided and will be subject to the terms of a non-disclosure agreement as provided in Commission rules.

6. The Company shall file copies of any reports that are submitted to CDPHE and/or the EPA with the Commission within a reasonable time following their submission to these agencies.

7. The Parties state that this Settlement Agreement is limited to the requested authorization for deferred accounting and the Company's request that recovery of such costs not be denied on the basis that such costs are considered prior period costs. No other issue relating to the Company's right to recover such costs from its customers has been addressed or resolved by this Settlement Agreement. The Parties respectfully request that the Commission accept this Settlement Agreement in lieu of proceeding to hearing in this docket and include the language set forth above in the Commission order approving the Company's Application. The Parties request that the Commission issue the order approving the Company's Application at the earliest possible opportunity.

Dated this 4th day of November, 2011.

Respectfully submitted,

PUBLIC SERVICE COMPANY OF COLORADO

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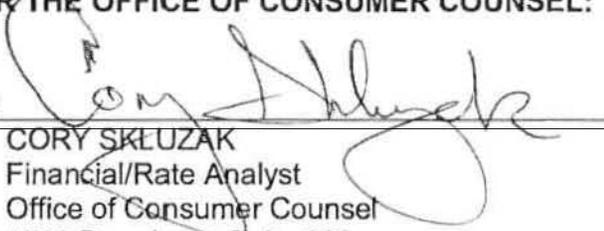
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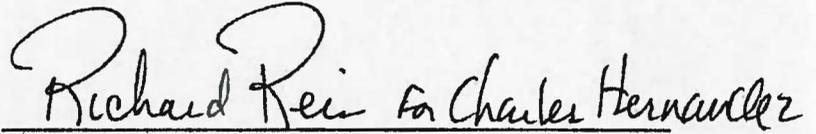
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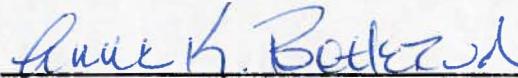
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