

**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 TO ABANDON PLANNED)
CONVERSION OF ARAPAHOE 3 TO A) **DOCKET NO. 12A – 846E**
SYNCHRONOUS CONDENSER)**

STIPULATION

Public Service Company of Colorado (“Public Service”) and the Colorado Energy Consumers (“CEC”) hereby enter into this Stipulation. CEC agrees that, subject to the terms of this Stipulation, Public Service’s application to abandon the planned conversion of Arapahoe 3 to a synchronous condenser and instead retire Arapahoe 3 should be granted.

On July 26, 2012, Public Service filed an application with supporting testimony requesting that the Commission approve the abandonment of the planned conversion of Unit 3 at the Arapahoe Station to the synchronous condenser. As discussed in Public Service’s application and supporting testimony, recent transmission studies conducted of the Denver metro area now establish that a synchronous condenser is not needed at the Company’s Arapahoe Station for voltage stability. As such, Public Service has requested that the Commission approve the retirement of Arapahoe 3.

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By Decision No. R12-1062-I, ALJ Kirchubel granted the interventions of the OCC, WRA, Staff and CEC. As noted in this decision, only CEC had indicated any opposition to the Company's application and only CEC had originally requested a hearing.¹

Public Service and CEC have engaged in discussions with respect to CEC's concerns with the Company's application. CEC is willing to withdraw its request for hearing and join this Stipulation.

To address the concerns raised by CEC in its Motion to Intervene, Public Service states and agrees as follows:

1. In this docket, Public Service is requesting Commission approval to abandon conversion of Arapahoe 3 to a synchronous condenser and to retire Arapahoe 3. Public Service is not seeking in this proceeding the recovery or pre-approval of any decommissioning costs. Public Service agrees that it will follow the process outlined in the Commission-approved Settlement Agreement dated November 18, 2009, filed in Docket No. 09AL-299E, a Public Service Phase I electric rate case. In that settlement agreement, Public Service agreed to make a separate application to the Commission for approval of a site specific decommissioning plan for each generating plant to be retired (including Arapahoe 3 and 4). Public Service agreed that each application would contain the following information: a site specific decommissioning plan; a proposed request for proposal ("RFP") for competitive acquisition of dismantling and removal services; a proposed amortization period for the decommissioning costs to be recovered and the expected revenue requirements associated with such recovery; and a proposed mechanism for recovery of the difference between the to-be-determined updated

¹ Staff, in its Notice of Intervention, stated that Staff is generally supportive of the Company's application, but since CEC had requested a hearing that Staff would participate in the hearing.

removal costs estimate and the removal costs associated with the retired assets then currently being recovered through base rates. The settlement agreement also requested that the Commission specifically authorize the Company to create and/or adjust a regulatory asset or liability in accord with the provisions in the settlement agreement. This process for addressing removal costs on a site-by-site basis was approved by the Commission without modification. See Decision No. C09-1446 (December 24, 2009).

Public Service hereby stipulates that the Company's application in this Docket No. 12A-846E is not seeking a Commission determination on decommissioning, dismantling or removal costs and, pursuant to and consistent with the Settlement Agreement in Docket No. 09AL-299E, Public Service will file in the future a separate application addressing these issues. By signing this Stipulation, CEC is not waiving its rights to fully participate in that future decommissioning docket.

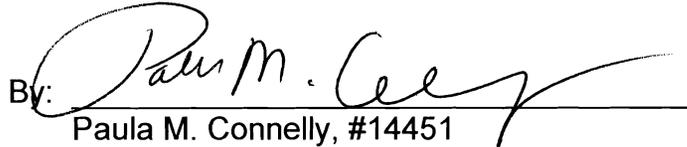
2. In its Motion to Intervene, CEC raised concerns about transmission system reliability and voltage stability. Certain CEC members have recently experienced transmission reliability, voltage stability, and/or power quality problems. Public Service has represented to CEC that the problems experienced by its members are not related to the issue of whether or not Arapahoe 3 is converted to a synchronous condenser. Public Service commits to continue to work with CEC to attempt to identify, analyze and resolve, where possible, the transmission reliability, voltage stability, and/or power quality problems experienced by some CEC members. Where the resolution of some of these site-specific problems is determined by Public Service to reside on the customer's side of the electricity delivery point, Public Service agrees to provide its analytical results to the customer so that the customer can take steps to resolve the

customer's issue. Nothing in this Stipulation shall preclude CEC from seeking appropriate relief from this Commission should the transmission reliability, voltage stability, and/or power quality problems not be resolved to CEC's satisfaction. Nothing in this Stipulation shall preclude Public Service or CEC from presenting their respective views to the Commission on the causes of any transmission, voltage, and/or power quality issues experienced by customers or their views on the appropriate solutions to these issues.

CEC agrees that, subject to the terms of this Stipulation, the Commission should grant Public Service's application as an uncontested application and that no evidentiary hearing on this matter is necessary.

Dated this 26th day of September, 2012.

Respectfully submitted,

By: 

Paula M. Connelly, #14451
Managing Attorney
Xcel Energy Services Inc.
1800 Larimer Street, Suite 1100
Denver, Colorado 80202-5533
Telephone: (303) 294-2222
Fax: (303) 294-2988
Email: paula.connelly@xcelenergy.com

**ATTORNEY FOR PUBLIC SERVICE
COMPANY OF COLORADO**

HOLLAND & HART LLP

/s/ Michelle Brandt King

Thorvald Nelson, # 24715
Holland & Hart LLP
6380 South Fiddlers Green Circle, Suite 500
Greenwood Village, Colorado 80111
Telephone: (303) 290-1601
Facsimile: (303) 290-1600
tnelson@hollandhart.com

Michelle Brandt King, # 35048
Holland & Hart LLP
555 Seventeenth Street, Suite 3200
Denver, Colorado 80202
Telephone: (303) 295-8356
Facsimile: (303) 416-4415
mbking@hollandhart.com

**ATTORNEYS FOR
COLORADO ENERGY CONSUMERS**