

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO**

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RE: THE INVESTIGATION AND SUSPENSION)
OF TARIFF SHEETS FILED BY PUBLIC SERVICE)
COMPANY OF COLORADO WITH ADVICE) **DOCKET NO. 03S-271E**
LETTERS 1394-ELECTRIC)

SETTLEMENT AGREEMENT

Public Service Company of Colorado ("Public Service" or the "Company"), University of Colorado at Boulder ("CU") and the Staff of the Public Utilities Commission ("Staff"), (collectively, the "Parties"), hereby enter into this Settlement Agreement with respect to all issues disputed in this Docket.

INTRODUCTION

On May 30, 2003, Public Service filed Advice Letter No. 1394 – Electric proposing to eliminate the Special Contract Service (Schedule SCS-8) applicable to CU and to begin serving CU under its Primary Standby and Supplemental Service tariff, Schedule PSS.

On June 26, 2003, the Colorado Public Utilities Commission ("Commission") suspended the effective date of these proposed tariffs by its Decision No. C03-0704 and set this matter for hearing. By minute order entered on July 2, 2003, the Commission referred this matter for hearing to an Administrative Law Judge. CU and the Staff have both intervened in this proceeding.

On August 21, 2003, Administrative Law Judge Jennings-Fader conducted a prehearing conference and established a procedural schedule setting this matter for hearing on November 18 and 19, 2003. To date no party has prefiled written testimony and exhibits.

This Settlement Agreement resolves all issues that have been or could have been raised by CU and Staff regarding Advice Letter No. 1394-Electric.

BACKGROUND

In support of its proposal to eliminate Schedule SCS-8, Public Service alleged that, while it had been serving CU under an Electric Service Agreement and Schedule SCS-8 since July 1, 1995¹, with the growth of CU's load that had occurred since July 1, 1995, the Company now believes that CU is more appropriately served under Schedule PSS. The Company believes that with the increased load growth at the Boulder campus there is no longer a reasonable basis for distinguishing CU from other customers receiving standby service from the Company. Public Service is also concerned that the lack of a minimum reserved capacity requirement in Schedule SCS-8 allows CU to reserve a lower level of standby capacity than the level that Public Service is actually standing by to provide to CU.

CU disputes the Company's position that it is no longer appropriate to serve CU under Schedule SCS-8. CU contends that the redundancy of its generation plant coupled with its ability to shed a portion of its load rather than looking to Public Service to back-up that portion of the load with standby service distinguish it from other standby service customers and justify the continuation of Schedule SCS-8. In addition, CU

¹ The initial term of the Electric Service Agreement was from July 1, 1995 through June 30, 2000. The parties have continued to operate under the Electric Service Agreement and Tariff No. SCS-8 from year to year from July 1, 2000 through the present.

believes that its equivalent forced outage rate continues to be well below the EFOR that was assumed in developing the current PSS tariff. Accordingly, CU claims the Company should continue to serve it under Schedule SCS-8.

On or about December 8, 2003, Public Service expects to file its Electric Phase II rate case in which it will propose a rate design to recover the revenue requirement approved by the Commission in Docket No. 02S-315EG. Among the proposals Public Service expects to make in the Phase II proceeding will be proposed rates for Standby Service including an appropriate standby service rate for CU. The upcoming Phase II proceeding will thus provide a forum within which the majority of the issues that have been or could have been raised by the parties in this proceeding can be addressed. With this in mind, the Parties have entered into the following interim Settlement Agreement to establish the terms under which Public Service will provide standby service to CU in the interim between now and the time the Commission enters its final order in the Company's Phase II electric rate proceeding to be filed later this year.

AGREEMENT

1. Phase II Rate Proceeding. For purposes of settlement the Parties agree that they will address all issues relating to the proper standby service rate for CU as part of Phase II of the Company's electric rate case to be filed on or before December 8, 2003. Nothing in this Settlement Agreement precludes any party from taking any position in Phase 2.

2. Schedule SCS-8. In the interim, until the Company puts new rates into effect following issuance of the Commission's final order in Phase II, Public Service shall continue to provide service to CU under the Electric Service Agreement, dated March 1, 1996, between Public Service and the Regents of the University of Colorado

and Schedule SCS-8 of the Company's electric tariffs. CU and PSCo agree that, during this period, CU shall nominate and pay for a minimum of 7 MW of standby capacity. CU further agrees that in the event that its maximum demand for backup electric service during any 15 minute period exceeds 7 MW, then beginning that month and continuing until new rates become effective at the conclusion of Phase II, the minimum reservation for standby capacity under Schedule SCS-8 shall be automatically increased to the level of the CU's backup peak demand during the month, provided, however, that in no event shall the minimum reservation be raised above 11 MW. The Parties agree that nothing in this paragraph shall limit in any way the positions they may take in Phase II of the Company's electric rate proceeding regarding the minimum level of capacity CU shall be required to reserve and pay for once new rates become effective at the conclusion of Phase II or any other issue relating to the proper standby rate for CU.

3. Public Interest. The Parties agree that approval of this interim Settlement Agreement reflects a reasonable resolution of the issues raised in this proceeding and is consistent with the public interest. The Settlement Agreement establishes a minimum reservation of standby capacity equal to 7 MW based on CU's estimate of the level of standby capacity it would require in the event that one of its generating units experienced a forced outage. The Agreement also provides for an increase of the reservation up to a maximum of 11 MW to address the contingency where CU's backup peak demand to exceed 7 MW in any 15 minute period. The parties estimate that CU's capacity payment would increase by approximately \$11,000.00 per month were its reservation for standby service to increase from 7MW to 11MW. These provisions help

to resolve the more significant of the Company's concerns that led to its filing to withdraw the current SCS-8 tariff.

4. This Settlement Agreement reflects a compromise and settlement of all issues raised or that could have been raised in this Docket.

5. This Settlement Agreement shall not become effective until the issuance of a final Commission Order approving the Settlement Agreement, which Order does not contain any modification of the terms and conditions of this Settlement Agreement, which is unacceptable to either of the Parties. In the event the Commission modifies this Settlement Agreement in a manner unacceptable to either Party, that Party shall have the right to withdraw from this Settlement Agreement and proceed to hearing on the issues that may be appropriately raised by that Party in this docket. The withdrawing Party shall notify the Commission and the other Party to this Agreement by e-mail within three business days of the Commission modification that the Party is withdrawing from the Settlement Agreement and that the Party is ready to proceed to hearing; the e-mail notice shall designate the precise issue or issues on which the Party desires to proceed to hearing (the "Hearing Notice"). Once the Settlement Agreement has been terminated in this fashion, the Parties shall have and be entitled to exercise all rights with respect to the issues that are heard that they would have had in the absence of this Settlement Agreement.

6. Testimony filing and hearing dates shall be scheduled on all of the issues designated in the formal notice filed with the Commission as soon as practicable. In the event that this Settlement Agreement is not approved, or is approved with conditions that are unacceptable to any Party who subsequently withdraws, the negotiations or discussions undertaken in conjunction with the Settlement Agreement shall not be

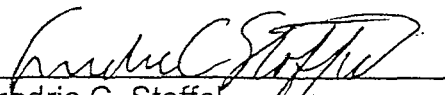
admissible into evidence in this or any other proceeding, except as may be necessary in any proceeding to enforce this Settlement Agreement.

7. Approval by the Commission of this Settlement Agreement shall constitute a determination that the Settlement Agreement represents a just, equitable and reasonable resolution of all issues that were or could have been contested among the Parties in this proceeding. The Parties to this Settlement Agreement state that reaching agreement in this docket as set forth in this Settlement Agreement by means of a negotiated settlement is in the public interest and that the results of the compromises and settlements reflected by this Settlement Agreement are just, reasonable and in the public interest.

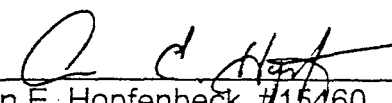
8. This Settlement Agreement may be executed in counterparts, all of which when taken together shall constitute the entire agreement with respect to the issues addressed by this Settlement Agreement.

Dated this 22nd day of October, 2003.

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COLORADO

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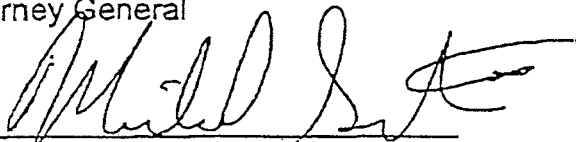
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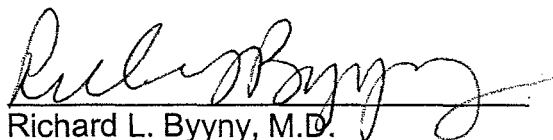
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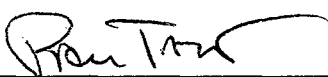
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By: 
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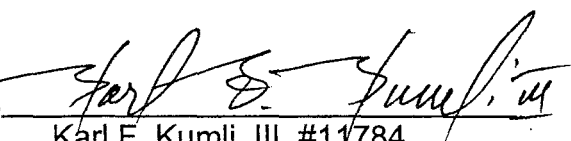
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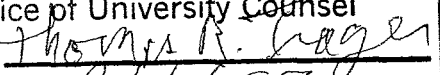
STATE OF COLORADO
STATE CONTROLLER'S OFFICE

By: 
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