

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

**IN THE MATTER OF THE INVESTIGATED)
AND SUSPENSION OF TARIFF SHEETS)
FILED BY PUBLIC SERVICE COMPANY) Docket No. 06S—016E
OF COLORADO WITH ADVICE LETTER)
NO. 1448 - ELECTRIC)**

STIPULATION AND AGREEMENT IN RESOLUTION OF PROCEEDING

I. INTRODUCTION

This Stipulation and Agreement (“Stipulation”) is entered into by and among Public Service Company of Colorado (“Public Service” or “the Company”), the Staff of the Public Utilities Commission of the State of Colorado (“Staff”), the Colorado Office of Consumer Counsel (“OCC”), Colorado Solar Energy Industries Association (“CoSEIA”), , and, Ken Regelson (“Regelson”) (each individually a “Party” and collectively the “Parties”).

This Stipulation sets forth the terms and conditions by which the Parties have agreed to resolve all outstanding issues presented by the Company’s tariff filing that have or could have been contested in a proceeding, subject to the reservations contained herein.

The Parties state that the results of the compromises reflected herein are a just and reasonable resolution of this tariff filing proceeding, that reaching agreement as set forth and implementation of the compromises and settlements reflected in this

Stipulation will result in savings to all concerned by establishing certainly and avoiding litigation. 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") approve this Stipulation, without modification. For those Parties for whom this Stipulation is executed by counsel, such counsel states that (s)he has authority to execute this Stipulation on behalf of his/her client.

CF&I Steel, L.P. ("CF&I") and Climax Molybdenum Company ("Climax"), Aquila and Western Resource Advocates ("WRA") have authorized the Parties to this Stipulation and Agreement to state that while they do not join in this agreement as signatories, they do not oppose the Commission approving the Stipulation and Agreement.

II. BACKGROUND

1. On December 1, 2005 the Company filed Advice No. 1448 – Electric to introduce both an Interim Renewable Energy Standard Adjustment ("RESA") and new interim photovoltaic service tariffs, effective January 1, 2006. The proposed RESA is a one percent adjustment that would apply to each customer's total electric bill. In addition, the Company proposed a new Net Metering Service ("Schedule NM") that provides customers who choose service under Schedule RPV or Schedule CPV, net-metered consumption. If approved by the Commission, the effect of this filing on the Company's annual revenue would be an increase of approximately \$22 million, based on the Company's estimated annual revenue for 2006. The impact of this filing on the Company's average residential customer would be an increase of \$0.59 cents per

month based on rates that are to be effective on January 1, 2006. For an average small commercial customer the monthly increase would be an increase of \$1.14.

2. On December 23, 2005 the Company filed an amendment to Advice No. 1448 – Electric to extend the proposed effective date from January 1, 2006 to January 13, 2006. The Company proposed this extension to allow the Company and Commission Staff (“Staff”) additional time to address Staff’s concerns on the details of how the RESA will be accounted for.

3. On January 9, 2006, Public Service filed Advice Letter No. 1448 – Electric Second Amended. The purpose of the second amendment was to update the Company’s Rate Schedule Summation Sheet Nos. 20 and 22 to include revisions to the Company’s Air Quality Improvement Rider, Electric Commodity Adjustment, and Purchased Capacity Cost Adjustment that were approved by the Commission effective on January 1, 2006.

4. On January 11, 2006 the Commission suspended the effective date of Advice Letter No. 1448 - Electric, Advice Letter No. 1448 – Electric Amended and Advice Letter No. 1448 – Electric Second Amended at the request of Staff and set the matter for hearing before the Commission. A prehearing conference is scheduled for February 16, 2006.

5. Representatives of Public Service and the Parties have met from time to time since January 9, 2006, exchanged information and conducted discussions in an attempt to address the concerns of the Parties with regard to issues raised by the Company’s filing. On February 2, 2006 Public Service and the Staff invited all parties to attend a settlement conference on February 3, 2006. At that Conference, Staff made a

detailed presentation outlining its concerns with what it described as a lack of information regarding the manner in which the Company intended to utilize the RESA funds; an explanation of the accounting methods to be used by Public Service to enable Staff to track collections, interest accumulations and program expenditures, including, but not limited to administrative costs and other issues. In addition, Staff, Climax and CF&I questioned the need for the Company to collect the full one percent RESA in the initial year of the program.

Following that conference, representatives of the Company met with Staff during the week of February 6, 2006 to provide more detailed explanations of the Company's forecasts and budgeting assumptions related to its proposed Interim RESA and to negotiate the scope of a monthly reporting requirement that would address the Staff's need to track the effectiveness and prudent use of the funds generated by the Interim RESA. Settlement negotiations resumed during a settlement conference held on February 10, 2006, at which time a settlement on all major principles was achieved. This Stipulation represents the results of those negotiations. This Stipulation incorporates by reference Attachments A and B, appended hereto, which are identified as follows:

S&A Attachment A – Auditable Chart of Accounts

S&A Attachment B – Monthly Report Customer Solar Program

III. TERMS AND CONDITIONS

A. Accounting Information

In order to provide the Staff and the Parties with a clear understanding of the methods that will be utilized by Public Service to account for the funds collected under

the Interim RESA and to track the expenditures, including administrative expenditures of the program, Attachment A attached hereto contains a description of how the funds will track through the Public Service accounting system. Public Service and Staff recognize and agree that this is an initial description only and both parties recognize that further information as supplied by Public Service in its compliance filings and other proceedings relating to other Public Service Advice Letters concerning Renewable Energy Standard Adjustments may be needed and/or required in those future proceedings.

Public Service has further represented that there will be no capital expenditures made from the RESA fund in 2006. As a result, the parties agree that appropriate accounting treatment, and issues related thereto, concerning the customers' contribution of capital for the fund need not be addressed in this proceeding. The parties agree to reserve their rights to address this issue when the Company files its first Compliance Plan.

B. Monthly Reporting

The Parties to this docket, particularly Staff, have expressed their desire to track the success of the program closely in the early stages of its implementation by Public Service. In order to assist in this, Public Service has agreed to provide reports, on a monthly basis, that include information that would allow the Parties to track the program's growth. A sample Monthly Report Customer Solar Program is attached hereto as Attachment B. Public Service has also agreed to provide Staff with copies of all the applications and completed installation reports it receives each month, and has agreed that it will file those applications as confidential documents pursuant to Commission rules as necessary. These documents must clearly show for each solar

installation the following data: zip code, installed cost, rebates paid or payable for both hardware and RECs, system capacity (in kW_{dc} rated at STC and AC as per PVWatts), estimate of annual RECs to be generated by the system, inverter manufacturer & model, panel manufacturer & model, and installer identification. The Monthly Reports submitted by the Company will also include other renewable resources acquired with RESA funds that are outside the Solar Rebate Program including their type, capacity, estimated annual electrical generation, and cost and any RECs purchased or otherwise acquired denoting the resource type and source. These Monthly Reports shall be filed in both a Confidential and Public version.

As with the stipulated procedure for information related to Accounting, parties reserve their rights to address reporting requirements when the Company files its Compliance Plan.

C. Amount of the Initial RESA

Staff, Climax and CF&I have expressed concern over the fact that the proposal of Public Service to introduce the Interim RESA at the full one percent of the Retail Rate Impact Limit will generate substantially more revenue than needed by the program in its initial year, based on Public Service's market forecasting. Staff is also concerned with the possible effects this "banking" process will have on the ultimate rate paid by customers and the authorized rate of return for Public Service. The Company maintains that, based upon forecasts provided to the Parties, these additional funds are needed to be "banked," together with the interest required by the Commission's Rules, in order to meet the Renewable Energy Standard for future years as the target level increases in a "stair-step" fashion in years 2007 (3%), 2011 (6%) and 2015 (10%). WRA and Regelson

strongly support Public Service's position on "banking." Staff maintains that Public Service has not provided adequate evidence that "banking" is necessary. In order to reach settlement in this docket and avoid delaying the implementation of this RESA and to begin the program, the Company has agreed to reduce the level of the Interim RESA to 0.60 percent (six tenths of one percent) of a customer's total electric bill annually, to be used in the calculation of the Retail Rate Impact as set out in Rule 3661, pro-rated for calendar year 2006 to recognize the effective date of the Interim RESA. Nothing in this settlement limits the right of any party to advocate for or against RESA of up to the full limit of the retail rate impact cap established by the Renewable Energy Standard and the Commission's Renewable Energy Standard Rules at any time in the future.

IV. GENERAL PROVISIONS

1. The Parties agree that all matters that were raised or could have been raised in this docket relating to the issues specifically identified and addressed herein have been resolved by the Stipulation.

2. Notwithstanding the resolution of this issues set forth in this Stipulation, none of the methodologies or ratemaking principles contained herein shall be deemed by the Parties to constitute a settled practice or precedent in any future proceeding, and nothing herein shall constitute a waiver by any Party with respect to any matter not specifically addressed herein.

3. The Parties acknowledge that the terms set forth in this Stipulation are just and reasonable, reasonably balance the interests of the Parties, and are in the public interest given the facts and circumstances at this time. In addition, the Parties submit

that reaching the agreement set forth herein by means of a negotiated settlement, rather than through a formal adversarial process, is also in the public interest.

4. The Parties acknowledge that this Stipulation represents a compromise of the positions each would assert if the issues resolved herein were litigated. Accordingly, evidence of conduct or statements made in negotiations and discussions in connection with this Stipulation shall not be admissible in any proceeding. The Parties further agree that nothing contained in this Stipulation shall constitute a precedent, admission, concession, acknowledgement or agreement that may be used by or against the Parties in any subsequent proceedings before the Commission or otherwise.

5. The Parties agree to present, to support and to defend this Stipulation before the Commission and the courts. The Parties agree, if necessary, to present testimony and exhibits to the Commission to secure approval of this Stipulation. The Parties believe that the issues specifically addressed herein need no longer be addressed in the hearing in this docket.

6. This Stipulation shall not become effective until the issuance of a final Commission Order approving the Stipulation that does not modify the Stipulation in a manner that is unacceptable to any of the Parties. In the event the Commission modifies this Stipulation in a manner unacceptable to any Party, that Party shall have the right to withdraw from this Stipulation and proceed to hearing on the issues that may be appropriately raised by that Party in this docket. The withdrawing Party shall notify the Commission and the Parties to this Stipulation by e-mail within three business days of the Commission modification that the Party is withdrawing from the Stipulation and that the Party is ready to proceed to hearing; the e-mail notice shall designate the

precise issue or issues on which the Party desires to proceed to hearing (the "Hearing Notice").

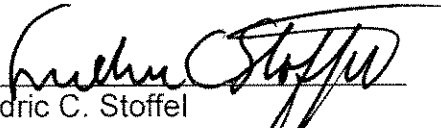
The withdrawal of a Party shall not automatically terminate this Stipulation as to the withdrawing Party or any other Party. However, within three business days of the date of the Hearing Notice from the first withdrawing Party, all Parties shall confer to arrive at a comprehensive list of issues that shall proceed to hearing and a list of issues that remain settled as a result of the first Party's withdrawal from this Stipulation. Within five business days of the date of the Hearing Notice, the Parties shall file with the Commission a formal notice containing the list of issues that shall proceed to hearing and those issues that remain settled. The Parties who proceed to hearing shall have and be entitled to exercise all rights with respect to the issues that are heard that they would have had in the absence of this Stipulation.

Hearing shall be scheduled on all of the issues designated in the formal notice filed with the Commission as soon as practicable. In the event that this Stipulation is not approved, or is approved with conditions that are unacceptable to any Party who subsequently withdraws, the negotiations or discussions undertaken in conjunction with the Stipulation shall not be admissible into evidence in this or any other proceeding, except as may be necessary in any proceeding to enforce this Stipulation.

7. This Stipulation may be executed in counterparts, each of which when taken together shall constitute the entire Agreement of the Parties.

Dated this 14th day of February 2006.

PUBLIC SERVICE COMPANY OF
COLORADO

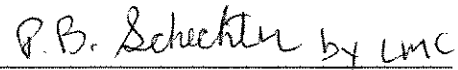
By: 
Fredric C. Stoffel
Vice President, Policy Development
Xcel Energy Services Inc.
1225 17th Street, Suite 1000
Denver, Colorado 80202

Agent for Public Service
Company of Colorado

By: 
Larry M. Cowger, #12218
Assistant General Counsel
Xcel Energy Services Inc.
1225 17th Street, Suite 900
Denver, CO 80202
Telephone: (303) 294-2225

Attorney for Public Service
Company of Colorado

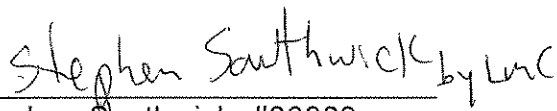
COLORADO OFFICE OF CONSUMER
COUNSEL

By:  by LMC
P. B. Schechter
1580 Logan Street, Suite 740
Denver, CO 80203

Rate/Financial Analyst for the
Colorado Office of Consumer
Counsel

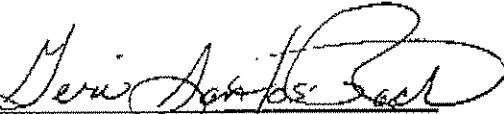
Approved as to Form:


John W. Suthers
Attorney General

By:  by LMC
Stephen Southwick, #30389
First Assistant Attorney General
Office of the Consumer Counsel Unit
Office of the Attorney General
1525 Sherman Street, 5th Floor
Denver, CO 80203
Telephone: (303) 866-5869

Attorney for the Colorado Office of
Consumer Counsel

**STAFF OF THE COLORADO PUBLIC
UTILITIES COMMISSION**

By: 
Geraldine G. Santos-Rach
1580 Logan Street, OL-2
Denver, Colorado 80203
Chief of Fixed Utilities

By: 
Richard Mignogna
1580 Logan Street, OL-2
Denver, Colorado 80203

Professional Engineer— Colorado
Public Utilities Commission

Approved as to Form:

John W. Suthers
Attorney General

By: _____
Jean S. Watson-Weidner, #21036
Assistant Attorney General
Business and Licensing Section
1525 Sherman Street, 5th Floor
Denver, CO 80203
Telephone: (303) 866-5158

Attorney for the Staff of the Colorado
Public Utilities

KENNETH REGELSON

By: _____
Kenneth Regelson
1450 Riverside Avenue
Boulder, CO 80304

**COLORADO SOLAR ENERGY
INDUSTRIES ASSOCIATION**

By: _____
Gary L. Nakarado, #9113
24657 Foothills Drive North
Golden, CO 80401
Telephone: (303) 638-1672

Attorney for and on behalf of
Colorado Solar Energy Industries
Association

**STAFF OF THE COLORADO PUBLIC
UTILITIES COMMISSION**

By: _____
Geraldine G. Santos-Rach
1580 Logan Street, OL-2
Denver, Colorado 80203
Chief of Fixed Utilities

By: _____
Richard Mignogna
1580 Logan Street, OL-2
Denver, Colorado 80203

Professional Engineer— Colorado
Public Utilities Commission

Approved as to Form:

John W. Suthers
Attorney General

By: *Jean S. Watson-Weidner*
Jean S. Watson-Weidner, #21036
Assistant Attorney General
Business and Licensing Section
1525 Sherman Street, 5th Floor
Denver, CO 80203
Telephone: (303) 866-5158

Attorney for the Staff of the Colorado
Public Utilities

KENNETH REGELSON

By: _____
Kenneth Regelson
1450 Riverside Avenue
Boulder, CO 80304

**COLORADO SOLAR ENERGY
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Attorney General

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Jean S. Watson-Weidner, #21036
Assistant Attorney General
Business and Licensing Section
1525 Sherman Street, 5th Floor
Denver, CO 80203
Telephone: (303) 866-5158

Attorney for the Staff of the Colorado
Public Utilities

KENNETH REGELSON

By: Kenneth Regelson by LmC
Kenneth Regelson
1450 Riverside Avenue
Boulder, CO 80304

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By: Gary L. Nakarado by LmC
Gary L. Nakarado, #9113
24657 Foothills Drive North
Golden, CO 80401
Telephone: (303) 638-1672

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Association

Attachment A

Auditable Chart of Accounts

1) Collections - Billing system

Response: PSCo will bill the 0.60% RESA as a rider applicable to the total electric bill for each base rate schedule, e.g. R, C, SG, PG, TG, etc. The term "total electric bill" is defined as each base rate schedule, plus the then-current applicable tariff riders, including the Electric Commodity Adjustment (ECA), Purchased Capacity Cost Adjustment (PCCA), Air Quality Improvement Rider (AQIR) and Demand Side Management Cost Adjustment (DSMCA). Monthly reports are available that detail how much was billed on the RESA rider by base rate schedule.

2) Interest Accumulation

Response: Interest will be calculated each month on the unexpended balance of the RESA account, revenue collected less expenditures, at the effective customer deposit interest rate. The interest will be tracked separately in the RESA account.

3) Expenditures - by Type of Renewable Resource

Response: PSCo will track expenditures by type of renewable resource using work orders in the JDE accounting system. PSCo will have separate work orders for solar, wind, etc. that will can be reported to Staff individually, and can be consolidated for the entire RESA program. The expenditures that would be charged to these various work orders would be those directly attributable to the type of resource. There will be some expenditures that are common across all renewable resources, and will be charged to a common work order, e.g. costs associated with the RESA web page.

4) Expenditures - by Type of Expenditure

Response: PSCo will track expenditures by type in JDE by object account. Attached is a list of available object accounts that will be used for this purpose. Not all of these object accounts will be applicable to RESA expenditures. Also included in the attached file are the monthly journal entries that will be made to the RESA account.

Accounting for RESA Rider Summary
as of 2/14/2005

<u>FERC Account</u>	<u>Account Description</u>	<u>JDE Object</u>	<u>Object Description</u>	<u>Debit/Credit</u>	<u>Transaction</u>
(1) 186	PSCo Deferred Debit - RESA	748112-748260	Deferred Debit objects (see separate listing for more info)	Debit	Program expenses such as rebates, advertising, promotional costs
(2) 186	PSCo Deferred Debit - RESA	748999	Deferred Debit Clearing	Credit	To move deferred debit expense to balance
254	PSCo RESA Rider Reg Liability	422325	PSCo RESA Rider Reg Liability	Debit	sheet account during month-end close
(3) 440 - 445	PSCo Electric Rate Revenue	Various Revenue Objects	Revenue Objects by Customer Class	Credit	.06% Rider collected from PSCo customers
(4) 440 - 445	PSCo Electric Rate Revenue	Various Revenue Objects	Revenue Objects by Customer Class	Debit	To move revenue collected to balance
254	PSCo RESA Rider Reg Liability	422325	PSCo RESA Rider Reg Liability	Credit	sheet account via monthly journal entry
(5) 431	Miscellaneous Interest Expense	862500	Miscellaneous Interest Expense	Debit	Book interest expense at customer deposit
254	PSCo RESA Rider Reg Liability	422325	PSCo RESA Rider Reg Liability	Credit	rate via monthly journal entry

Attachment B



Date of Submittal: _____

Monthly Report Customer Solar Program

Month	Number of applications received	Number of completed applications received	Number of REC's to be applied towards year 2007	Average turnaround time for rebate payment	Average turnaround time for interconnection review	Budget	
						Total amount spent in month	Rebates paid out in month
<i>January</i>							
<i>February</i>							
<i>March</i>							
<i>April</i>							
<i>May</i>							
<i>June</i>							
<i>July</i>							
<i>August</i>							
<i>September</i>							
<i>October</i>							
<i>November</i>							
<i>December</i>							

CERTIFICATE OF SERVICE

I hereby certify that on this, the 14th day of February 2006, the original and fifteen (15) copies of the foregoing **STIPULATION AND AGREEMENT IN RESOLUTION OF PROCEEDING** were served via hand delivery on:

Doug Dean, Director
Public Utilities Commission
1580 Logan Street, OL-2
Denver, CO 80203

And a copy was e-mailed, hand-delivered or placed in the U.S. mail, postage prepaid, and addressed to:

Jean S. Watson-Weidner
Assistant Attorney General
Business and Licensing Section
Office of the Attorney General
1525 Sherman Street, 5th Floor
Denver, CO 80203

Richard P. Mignogna
Public Utilities Commission
1580 Logan Street, OL-2
Denver, CO 80203

Gary A. Klug
Public Utilities Commission
1580 Logan Street, OL-2
Denver, CO 80203

Geraldine G. Santos-Rach
Public Utilities Commission
1580 Logan Street, OL-2
Denver, Colorado 80203

Maurice Arnall
Regulatory Services
Aquila, Inc.
10700 East 350 Highway
P. O. Box 11739
Kansas City, MO 64138

Steven W. Southwick
First Assistant Attorney General
Office of the Attorney General
1525 Sherman Street, 5th Floor
Denver, CO 80203

P.B. Schechter
Rate/Financial Analyst
Office of Consumer Counsel
1580 Logan Street, Ste. 740
Denver, CO 80203

Eric C. Guidry
Western Resources Advocates
2260 Baseline Road, Suite 200
Boulder, CO 80302

Kenneth Regelson
1450 Riverside Avenue
Boulder, CO 80304

Gary L. Nakarado
Colorado Solar Energy Industries
Association
24657 Foothills Drive North
Golden, CO 80401

