



P.O. Box 840
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April 14, 2006

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PUBLIC UTILITIES COMMISSION

Advice No. 1454 - Electric

Public Utilities Commission
of the State Of Colorado
1580 Logan Street, OL- 2
Denver, Colorado 80203

The accompanying tariff sheets issued by Public Service Company of Colorado are sent to you for filing in accordance with the requirements of the Public Utilities Law:

COLORADO P.U.C. NO. 7 - ELECTRIC

and the following sheets are attached:

| <u>Colorado P.U.C. Sheet No.</u> | | <u>Title of Sheet</u> | <u>Cancels Colorado P.U.C. Sheet No.</u> | |
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The principal proposed changes are: to place into effect in the Company's Colorado P.U.C. No. 7 - Electric tariff, adjusted base rates to reflect the removal of all purchased capacity costs, a General Rate Schedule Adjustment (GRSA) rider, to replace the current Purchased Capacity Cost Adjustment (PCCA) clause with a new zero-based PCCA clause, to replace the current Electric Commodity Adjustment (ECA) clause with a new ECA clause, to increase the rates for Wind Energy Service (WES), to implement a late payment charge applicable to residential customers, and to revise the Schedule of Charges for Rendering Service, all to become effective January 1, 2007.

The GRSA rider will apply to the adjusted base rates for all customers receiving electric power and energy under the Company's electric tariff.

The effect of the GRSA rider is to recover an increase of \$178,312,697 based on the cost of service developed for the twelve months ending December 31, 2005. The primary reason for the changes in base rates is to reflect the Company's current costs for providing electric services to its customers based upon the revenue requirements, excluding purchased capacity costs, for the test year ending December 31, 2005. These revenue requirements include increased expenses and capital expenditures associated with expanding and maintaining the Company's electric system. The Company's electric rate base has increased by approximately \$606 million or by 22 percent. The additional investment was necessary to meet the requirements of both new and existing customers. Implementation

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of the revised tariffs contained in this filing would allow the Company to increase its electric revenues and provide it with the opportunity to earn an 11.0 percent return on equity and a 9.15 percent return on rate base.

The Company is also proposing to revise its PCCA to recover the total of the Company's fixed cost obligations under its long-term power purchase agreements on a dollar for dollar basis beginning January 1, 2007. The current PCCA was designed to recover only a portion of the incremental purchased capacity costs that were not recovered in base rates. It was placed in effect on June 1, 2004 and will expire December 31, 2006 in accordance with the Commission Decision No. C04-0476 in Docket No. 03A-436E. The total estimated cost to be collected from customers under the proposed PCCA is \$336,297,476, including \$299,778,266 which has been removed from base rates. The Company is also proposing to adjust its base rates to reflect the removal of purchased capacity costs. At the time the Company makes its compliance filing as ordered by the Commission in this case, the Company will file revised PCCA rates to reflect an updated projection of its 2007 purchased capacity costs. The Company proposes to revise the PCCA annually by filing on November 1st to be effective the following January 1st.

The Company is also proposing a new monthly ECA to be effective January 1, 2007. The ECA currently in effect was placed into effect on January 1, 2005 and will expire on December 31, 2006 in accordance with the Commission Decision No. C03-0670 in Docket No. 02S-315EG. The Company proposes a revised monthly ECA to recover fuel and purchased energy costs, including a mandatory time-of-use ECA applicable to all Commercial and Industrial customers that receive electric service under a primary or transmission voltage rate schedule and an optional TOU ECA for Commercial and Industrial secondary voltage customers with demands of three hundred kilowatts or more. The Company expects to file proposed ECA Factors in December, 2006 using an updated estimate of January 2007 costs to be effective on January 1, 2007.

The Company is proposing to increase its Wind Energy Service rate (Schedule WES) revenue by \$597,613 to recover the full incremental cost of wind generation over the system avoided cost. The Company proposes to increase the per 100 kilowatt-hour block Wind Energy Rates from \$3.787 to 4.287 for secondary voltage customers, from \$3.761 to 4.179 for primary voltage customers, and from \$3.733 to 4.083 for transmission voltage customers.

The Company proposes to implement a one and one-half percent (1-1/2%) late payment charge applicable to residential customers who fail to pay their bills in full by the payment due date. For customers that have elected the optional custom due date, the late payment charge will apply if the customer fails to pay its bill in full by the custom due date.

Finally, the Company is proposing revisions to some of its Charges for Rendering Service, including a revision to the charge for a returned check which are reflected on Sheet No. 25 and Sheet No. 25A, to update these charges to current cost levels.

Contemporaneously filed with this advice letter is Advice No. 671 - Gas. This companion filing proposes late payment charges for residential customers and a revised charge for a returned check as these charges apply to both electric and gas service.

The effect of this filing on the Company's total electric revenue is an increase of \$ 209,832,186, including the projected costs for the twelve months ending December 31, 2007 the Company proposes to recovery through the PCCA and the ECA and an increase in the Renewable Energy Standard Adjustment (RESA) revenue of \$1,251,484. The total proposed annual increase in electric base rate revenue, after purchased power costs in the amount of \$299,778,266 have been removed, is \$178,312,697.

If approved by the Commission, the effect of this filing on the customers of the Company will be an overall increase in electric rates of 10.15 percent. The monthly bill for an average residential customer that uses 625 kilowatt-hours will increase by \$6.52 per month, from \$56.15 to \$62.67, an increase of 11.61 percent. The monthly bill for an average small commercial customer that uses 1,025 kilowatt-hours will increase by \$9.96 per month, from \$89.98 to \$99.94, an increase of 11.07 percent.

Customers of the Company receiving electric service as of the date of this filing will be notified of this filing by individual notice provided by first class mail, and by general notice published in the legal classified sections of the Denver Rocky Mountain News and the Denver Post, newspapers of general circulation in Public Service's electric service territory. A copy of the official notice is attached hereto as Appendix A.

It is requested that the changed tariffs accompanying this advice letter become effective on May 15, 2006. The Company is proposing the May 15, 2006 effective date in order to trigger the statutory timelines for providing customer notice. However, the Company intends to file an amended advice letter to change the proposed effective date to June 5, 2006 so that the 210-day suspension period expires as of January 1, 2007, the date on which the Company desires to put the rates approved by the Commission as a result of this filing into effect.

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Please send copies of all notices, pleadings, correspondence, and other documents regarding this filing to:

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Vice President

FCS:tlm

Enclosures