

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

Appendix A  
Docket No. 05S-369ST  
Decision No. R06-0303  
Page 1 of 32

2005 MAR

11 4 44

**RE: THE INVESTIGATION AND SUSPENSION)  
OF TARIFF SHEETS FILED BY PUBLIC ) DOCKET NO. 05S-369ST  
SERVICE COMPANY OF COLORADO WITH )  
ADVICE LETTER NO. 94-STEAM )**

---

**STIPULATION AND AGREEMENT  
IN RESOLUTION OF PROCEEDING**

---

This Stipulation and Agreement in Resolution of Proceeding ("Stipulation") is entered into by and among Public Service Company of Colorado ("Public Service" or the "Company"), the Staff of the Colorado Public Utilities Commission ("Staff"), Denver Building Owners and Managers Association ("BOMA"), and U.S. General Services Administration, Public Buildings Service ("GSA") (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 steam rate case filing that have or could have been contested in this proceeding.

The Parties state that the results of the compromises reflected herein are a just and reasonable resolution of this steam rate case proceeding, that reaching agreement as set forth and implementation of the compromises and settlements reflected in this Stipulation will result in benefits to all concerned by establishing certainty 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.

## **I. PROCEDURAL BACKGROUND**

1. On August 3, 2005, the Company filed Advice Letter No. 94-Steam, proposing to establish new base rates and charges for steam service that would supersede the current base rates and charges effective September 3, 2005, and to make certain clarifying changes to its Steam Cost Adjustment ("SCA") tariff. The filing, which included the Company's direct testimony and exhibits, was made in accordance with the requirements imposed in Public Service's last Phase 2 steam rate case in Docket No. 04S-271ST. In Docket No. 04S-271ST, Public Service had entered into a Stipulation and Agreement with the Staff of the Commission which provided for Public Service to file another steam rate case by July 1, 2005. That Stipulation was approved by the Commission in Decision No. R05-0174, mailed February 10, 2005.<sup>1</sup> By subsequent decision, Decision C05-0854, mailed July 11, 2005, the Commission granted Public Service a 60-day extension of time to file this rate case.

2. In filing Advice Letter No. 94-Steam, Public Service proposed to increase overall jurisdictional revenues generated from its steam service base rates by \$3,366,684 on an annual basis, or about 74%, based on *pro forma* revenue requirements of \$7,903,807, using a test year of the 12 months ended March 31, 2005. The percentage increase in total jurisdictional steam service revenues of \$15,249,159, including fuel costs recovered through

---

<sup>1</sup> Decision No. R05-0174 is the "Recommended Decision of Administrative Law Judge Mana L. Jennings-Fader Approving Stipulation as Filed and Clarified and Closing Docket." Pursuant to C.R.S. § 40-6-114, the Recommended Decision became the decision of the Commission by operation of law on March 2, 2005.

the SCA, was 22.08%. The proposed revenue requirement reflected a proposed 9.04% overall return on the Company's rate base, determined as of March 31, 2005, calculated using a proposed return on common equity of 11.00% and an adjusted capital structure consisting of 56.02% equity and 43.98% long-term debt. The proposed base rates also reflected a proposed new rate design. The current steam base rate is a two-part rate consisting of a fixed Service & Facility Charge and a variable Commodity Charge. The Company proposed to move to a three-part rate that, in addition to the two existing components, would include a Capacity Charge. The Company further proposed a demand ratchet that would operate to revise customers' demand billing determinants. The rate filing also represented a departure from the recent tradition of the Company making two separate rate filings (referred to as "Phase I" and "Phase II") to effect the implementation of revised base rates. Instead of proposing to recover its revenue deficiency through a General Rate Schedule Adjustment rider, and issuing a subsequent filing to allocate the cost of service to various customer classes and to design rates, Public Service combined these two steps into one rate filing.

3. By Decision No. C05-1046, mailed September 2, 2005, the Commission suspended the effective date of the tariff sheets filed with Advice Letter No. 94-Steam for 120 days, or until January 1, 2006. On November 8, 2005, Public Service filed Amended Advice Letter No. 94-Steam for the purpose of changing the proposed effective date from September 3, 2005 to October 3, 2005 to accommodate the procedural schedule agreed to among the Parties and to allow adequate time for the Commission to issue a decision in this matter. By Decision No. C05-1377, mailed November 22, 2005, the Commission amended the 120-day suspension period for the proposed tariff sheets to January 31, 2006.

4. In Decision No. C05-1046, the Commission prescribed a time for the filing of interventions by interested persons and scheduled a hearing before an administrative law judge for December 22, 2005. A timely notice of intervention was filed by the Commission Staff and timely petitions to intervene were filed by BOMA and GSA. On October 5, 2005, Administrative Law Judge G. Harris Adams ("Presiding ALJ") issued an interim order, Decision No. R05-1210-I, granting the interventions of BOMA and GSA. By interim order issued November 21, 2005, Decision No. R05-1363-I, the Presiding ALJ vacated the hearing date of December 22, 2005, set a three-day hearing for February 15-17, 2006, and further modified the procedural schedule to provide for the filing of answer testimony and exhibits by Staff and the intervenors by January 9, 2006, and the filing of rebuttal testimony of Public Service and intervenor cross-answer testimony by January 26, 2006.

5. On January 9, 2006, Staff, BOMA and GSA filed their answer testimony and exhibits. On January 26, 2006, Public Service filed its rebuttal testimony and exhibits.

6. Prior to the filing of answer testimony in this case, representatives of Public Service, Staff, BOMA and GSA met on several occasions to discuss possible terms of settlement of the issues raised in this proceeding. The first such informal settlement conference took place on November 14, 2005 in Hearing Room A at the Commission's offices. Two more informal settlement conferences were held at Public Service's offices on November 28, 2005 and December 1, 2005. Settlement discussions were suspended on December 19, 2005. However, on January 30, 2006, after the filing of Public Service's rebuttal testimony, settlement talks resumed in a meeting at Republic Plaza between representatives of Public Service and BOMA. Over the course of the next two weeks, settlement discussions ensued among and between Public Service, BOMA, Staff and GSA,

culminating in an agreement of a comprehensive settlement in principle in this case. This Stipulation is the culmination of those settlement discussions.

7. As the result of a conference call among counsel for the Parties and the Presiding ALJ on February 14, 2006, the Parties represented that they had reached a comprehensive settlement in principle and requested that the hearings scheduled to commence February 16, 2006 be vacated to allow the Parties to reduce the settlement to writing. By interim order issued February 15, 2006, Decision No. R06-0128-I, the Presiding ALJ vacated the hearings scheduled for February 15-17 and set a hearing of March 13, 2006, to consider the anticipated settlement agreement.

## **II. POSITIONS OF THE PARTIES**

### **A. Public Service's Direct Case**

8. Public Service filed the direct testimony and exhibits of five witnesses in support of its rate case. Company witness Ms. Jan Wagner, Director of Thermal Energy and Zuni Generating Station, acknowledged the severity of customer impacts of Public Service's proposed steam rate increase, but presented evidence that the Company's district steam business has not been recovering its costs and needs to reset rates to make it economically self-sustaining. Ms. Wagner testified that, since the 2001 test year used in its last steam rate case, Public Service's net steam plant in service has grown by over 87%, driven primarily by the installation of a new \$4.5 million steam production boiler on the State Capitol grounds to replace a boiler that had been retired after 30 years, and the \$1.5 million relocation and replacement of a central steam main in Stout Street caused by the recent construction of the Convention Center Expansion. In addition, as a result of certain refinements and improvements to the new corporate general ledger

accounting system that was implemented during the test year of the last steam rate case, the Company determined that the Steam Department's Operation and Maintenance ("O&M") expenses and Administrative and General ("A&G") expenses reflected in its current base rates had been significantly understated. The test year O&M and A&G costs in the Company's proposed revenue requirement reflect an increase of approximately 76%, as compared to those reflected in the prior rate case. Ms. Wagner also testified that the district steam business has experienced little growth over the course of the past four years and that the threat of customers leaving the system for more economic alternatives for providing their heating needs is a real one.

9. Public Service witness Mr. Tim Willemsen, Manager of Revenue Analysis for the Company, supported the Company's test year revenue requirements. In addition to explaining the accounting adjustments, Commission-ordered adjustments and pro forma adjustments made in developing the proposed revenue requirement, Mr. Willemsen supported the Company's proposed rate base of \$19,003,711. Mr. Willemsen testified that, for purposes of this case, the Company was continuing the use of year-end rate base, which had been used in setting Public Service's gas, electric and steam service rates for approximately 31 years. Mr. Willemsen explained that the use of year-end rate base was particularly appropriate in this case, based on regulatory lag and the fact that the costs of much of the new steam plant – the new \$4.5 million Capitol steam boiler and \$1.5 million Stout Street relocation projects – do not reflect the type of assets that will generate incremental revenues.

10. Public Service witness George E. Tyson II, Public Service's Vice President and Treasurer, testified in support of the need for the Company to maintain its financial

integrity and the importance of setting steam base rates consistent with this goal. Mr. Tyson also supported the Company's proposed capital structure and cost of long-term debt of 6.54%. Public Service witness Mr. Robert B. Hevert, President of Concentric Energy Advisors, Inc., testified in support of the Company's proposed rate of return on common equity of 11.00%

11. Public Service witness Ms. Donna J. Sipes, Pricing Analyst, testified in support of the Company's cost allocation and rate design, and explained the basis and rationale for the introduction of the new Capacity Charge rate component and the demand ratchet. Ms. Sipes explained how the addition of the Capacity Charge would advance the primary pricing goals of more accurately reflecting costs steam customers impose on the system and affording the Company a reasonable opportunity to recover its costs. Ms. Sipes also explained that, in developing the proposed monthly Service and Facility Charge of \$130.00, the Company mitigated the increase to the current charge of \$75.00, in consideration of the large billing impacts on smaller customers, to 74%, in line with the overall revenue increase requested in this case. Ms. Sipes also testified in support of the Company's proposal to change the terminology used in its tariff for the steam usage component of its base rates (stated in per 1000 pounds, or Mlbs.) from "Commodity Charge" to "Consumption Charge." Lastly, Ms. Sipes supported certain revisions in language in its SCA tariff, indicating that the changes were developed through a cooperative procedure between Staff and Public Service as dictated by the settlement approved in Docket No. 04S-271ST, and reflected changes that were acceptable to both Public Service and Staff.

**B. BOMA's Answer Case**

12. BOMA filed the answer testimony and exhibits of Ron Binz. Mr. Binz highlighted the significant customer impacts that would result from the Company's filed rates, and particularly the change from two-part rates to three-part rates. Mr. Binz testified that this latter proposed change would exacerbate the rate increase among the customers with high peak loads and low load factors, which include many large buildings relying on district steam service primarily for winter heating load. Based on evidence presented by Mr. Binz, the combination of the change in rate design and the significant increase in the revenue requirement would result in about 40% of customers experiencing a doubling of their base rate steam service costs and about 17% experiencing a tripling of their base rate costs. Mr. Binz testified that, with these cost increases, there is a significant risk that many customers will take a serious look at installing the necessary boilers and other equipment to allow them to exit the Company's steam system, resulting in a "death spiral" phenomenon on Public Service's steam system.

13. Through the testimony of Mr. Binz, BOMA requested that the Commission limit any base rate increase approved in this case to \$825,000, or 18%. This equates to about one-quarter of Public Service's requested increase. In addition, BOMA challenged the Company's recovery of the \$4.5 million State Steam Plant, on the grounds that it was not needed and merely created substantial excess capacity. Mr. Binz proposed that the Commission adopt average rate base, which would only allow for the inclusion of 1/13th of the new State steam plant if it were allowed. Mr. Binz also argued that the costs of the \$1.5 million Stout Street relocation project should be allocated to gas and electric customers as well to steam customers, as it arose under the Denver franchise, which benefits all utility



service customers. Although BOMA did not challenge the reasonableness of any particular expense, BOMA challenged the overall level of expenses, requesting that the Commission limit any increase in O&M expenses to 10% per year. This would result in a disallowance from the revenue requirement of \$749,000 in expenses.

14. Mr. Binz also recommended that the Commission adopt the return on equity (10.5%) and capital structure (55.49% equity; 44.51% long-term debt) adopted by the parties in the recent gas rate case settlement, and approved by the Commission, in Docket No. 05S-264G. BOMA further recommended that the Company normalize test year revenues for weather for purposes of the rate case.

15. BOMA also vigorously challenged the introduction of a Capacity Charge and the demand ratchet, pointing to the inordinate customer impacts resulting therefrom. BOMA contended that such large customer impacts would drive Public Service's business into a "death spiral," wherein the high costs would drive the larger customers to install their own boilers and exit the steam system, leaving Public Service with an increasingly shrinking customer base among which to spread the Company's fixed costs. Under this "death spiral" theory, as the Company files rate increases in an attempt to recover its costs from the remaining customers, the increased rates will drive even more customers to exit the system, and so on. BOMA presented evidence that many customers will have the incentive to leave the system based on the proposed steam service rates and the current capital costs of commercial boilers. According to Mr. Binz, the annual savings over district steam service if the proposed rate increase were approved could provide a simple payback to the customer of the necessary investment in less than three years. As a result, BOMA requested that the Commission employ extraordinary regulatory tools to deal with the issues in this case.

**C. Staff's Answer Case**

16. Staff filed the answer testimony and exhibits of three witnesses. Through the testimony of Mr. Karl Kunzie, Rate/Financial Analyst, Staff recommended a test year revenue requirement of \$7,533,521, reflecting an increase of \$2,996,398, based on a return on equity of 9.5%, using year-end rate base and the Company's proposed capital structure. Mr. Kunzie advocated certain adjustments to the Company's proposed rate base to eliminate certain legacy costs related to the Capitol boiler that had been retired, resulting in a proposed rate base of \$18,142,527. Through the testimony of Mr. John Trogonoski, Rate/Financial Analyst, Staff recommended a rate of return on equity of 9.5%. Mr. Trogonoski also proposed a modification to the Company's proposed cost of debt, to 6.44%, in order to reflect the issuance and refinancing of certain pollution control bonds by the Company in August 2005, which occurred after the filing of Public Service's direct case.

17. Through the testimony of Ms. Sharon Podein, Professional Engineer, Staff did not oppose the addition of a Capacity Charge, but recommended that the demand ratchet be eliminated. Ms. Podein proposed that the Commission address rate shock by phasing in the revenue requirements over a three-year period. Essentially, Staff suggests that base rates be set during the first year such that Public Service is permitted the opportunity to recover all of its expenses and long-term debt costs, but not earn any return on equity capital. For the second year, the base rates would increase to allow Public Service to earn a return on equity of 5%, and the full revenue requirement increase would be implemented at the beginning of the third year, allowing for the opportunity to recover the full return on equity authorized by the Commission in this case. Adoption of this proposal would result in a revenue requirement shortfall of approximately \$1.8 million for the first year and \$900,000 for the second year. In her

testimony, Ms. Podein recognized the difficult circumstances this recommendation would put on both Public Service and its customers, and strongly suggested the Parties attempt to settle this case:

Staff anticipates that none of the parties will be pleased with Staff's recommendation. From the viewpoint of the steam customer, the future holds three years of substantial base rate increases. This occurs at a time when steam customers are being hit with some of the highest gas costs in history. From PSCo's perspective, it will not realize its authorized rate of return until the third year of the phase-in of rates. However, any workable solution is going to require a significant amount of give-and-take on all sides. Staff encourages the parties in this docket to work toward this end and seek common ground.<sup>2</sup>

**D. GSA's Answer Case**

18. Through the testimony of Mr. Jeff Brakke, Manager for GSA in downtown Denver, GSA generally opposed the rate increase, and particularly the proposed change in the structure of the steam rates, combined with the demand ratchet. GSA highlighted the cost impacts to its downtown Denver operations and the difficulty of sustaining such a dramatic cost increase at one time. GSA also stated its strong preference that the Company maintain its current two-part rate structure.

**E. Public Service's Rebuttal Case**

19. Public Service filed the rebuttal testimony and exhibits of six witnesses, responding to the various positions of Staff and the intervenors. Through the rebuttal testimony of Mr. Fredric Stoffel, Public Service contended that both Staff's proposal to phase-in any rate increase over a three-year period and BOMA's proposal to cap any rate increase at 18% failed to comply with the legal standard which the Commission must apply

in establishing just and reasonable rates. Mr. Stoffel pointed out that under either proposal the resulting rates would, by design, not provide Public Service's steam department with a reasonable opportunity to recover its full cost of service, including a reasonable return on equity. As such, Public Service contended that the Commission's approval of either proposal would be unlawful. Mr. Stoffel also observed, in response to Mr. Binz's concern about a death spiral, that the current high cost of steam service was driven predominantly by the high cost of natural gas fuel, which is collected through the SCA and not through base rates. Mr. Stoffel then outlined several cost-savings measures that the Company was willing to pursue in cooperation with its customers and Staff in order to address high costs for steam service.

Through the rebuttal testimony of Ms. Donna Sipes, Public Service offered to reduce the customer impacts caused by the introduction of the proposed new Capacity Charge by revising its rate proposal to recover less capacity-related costs (50%, as compared to the 100% originally proposed) through the Capacity Charge, with the remaining capacity-related costs collected through the commodity charge. Ms. Sipes also defended the use of the demand ratchet as originally proposed.

Public Service witness Mr. Timothy Willemsen responded to BOMA's position advocating the use of average rate base in this case and the recommendation that a significant portion of the Stout Street relocation project should be allocated to gas and electric customers, on the basis that the Denver city franchise provides benefits to those customers as well. Mr. Willemsen contended that an equal sharing of facility relocation costs among Public Service's various business segments that benefit from the Denver franchise could lead

---

<sup>2</sup> Answer Testimony and Exhibits of Sharon Podein, Staff of the Colorado Public Utilities Commission, p. 12.

to significant cross-subsidization among such business segments, especially considering that the gas and electric service territory covered by the Denver franchise is much more expansive than the steam territory, which serves only the downtown area, and that the franchise also covers non-regulated chilled water service. Mr. Willemsen also accepted the adjustment to steam plant in service and accumulated depreciation related to the original Capitol boiler, consistent with the recommendation by Staff witness Mr. Kunzie. Mr. Willemsen also corrected a *pro forma* adjustment to test year revenues in his original revenue requirements study. The revised revenue requirement proposed by Mr. Willemsen in his rebuttal testimony was \$7,784,400, reflecting a revenue increase of \$3,271,690.

Public Service witness Ms. Jan Wagner defended the justification for replacement of the old Capitol boiler with the new Capitol boiler and presented evidence that Public Service's steam department does not have substantial excess steam production capacity. In his rebuttal testimony Public Service witness Mr. George Tyson accepted Staff's recommended long-term debt cost of 6.44%, as adjusted to reflect the issuance and refinancing of pollution control bonds in August 2005. In his rebuttal testimony Public Service witness Mr. Robert Hevert responded to Staff witness Mr. Trogonoski's analyses in support of Staff's recommended return on equity of 9.5% and continued to defend the reasonableness of the Company's proposed return on equity of 11.0%.

### **III. TERMS OF SETTLEMENT**

#### **A. Revenue Requirements**

20. The Parties have agreed upon a settled revenue requirement of \$7,508,845, based upon the test year of twelve months ended March 31, 2005, resulting in an increase in

steam base rate revenues of \$2,996,135, or 66.4%. The Parties agree to certain elements in developing the revenue requirements, including the adjustment to steam plant in service recommended by Staff, the capital structure proposed by Public Service and accepted by Staff, the revised cost of debt of 6.44%, and the accounting, Commission-ordered and pro forma adjustments reflected in Mr. Willemsen's revenue requirement study attached to his rebuttal testimony as Exhibit TLW-3. However, the Parties have not agreed to the specific resolution of the disputed issues of the appropriate rate of return on common equity for the steam business and the method for measuring rate base, and represent that the differences among them on these issues are irreconcilable. Public Service and Staff agree to the use of year-end rate base. BOMA disagrees and supports the use of average rate base with an appropriate *pro forma* adjustment to recognize the investment in the Capitol steam boiler. Nevertheless, because the settled revenue requirement results in rates that the Parties agree are just and reasonable, the Parties have agreed that a specified return on equity need not and should not be specified by the Commission in this case. Similarly, the Parties state that the two contending methods for measuring rate base differ in regulatory theory, but produce similar results. Therefore, the Parties respectfully submit that the public interest requires that this Stipulation be approved without the adoption of a specified rate of return on equity or a specified method for measuring rate base for the steam business.

21. The Parties submit that the settled revenue requirement may be supported in at least two different ways, based on the evidence presented in this case, and that the range of calculated returns on equity under each of these methods is within the recommended returns on equity reflected in the testimony of the parties in this case. For example, the settled revenue requirement is identical to that recommended by Staff in its answer case, which was

based upon Mr. Trogonoski's recommended rate of return on equity of 9.5%. Also by way of example, the settled revenue requirement is also supported by Mr. Binz's recommended return on equity of 10.5%, with a reduction in Public Service's test year A&G expenses (so as to mitigate the significant cost increases in this case) of \$193,000. While the Parties do not support either of these approaches as part of the terms of this Stipulation, the Parties agree that the record evidence in this proceeding amply supports a Commission finding that the settled revenue requirement of \$7,508,845 is just and reasonable, and will provide Public Service an opportunity to earn a return on equity that is within an acceptable range of reasonableness for ratemaking purposes.

**B. Rate Structure and Rate Design**

22. The Parties agree that, for purposes of settlement of this proceeding, Public Service shall retain the two-part rate structure. The Parties agree that the monthly Service and Facility Charge shall be \$130.00, as proposed by Public Service. As reflected on Appendix B hereto, based on the settled revenue requirement, the resulting Consumption Charge shall be \$8.843 per Mlb. In consideration with all of the terms and conditions of this Stipulation, the Parties agree that these base steam service rates are just and reasonable and should be approved by the Commission. These settled rates shall be incorporated into Public Service's steam tariff as shown in the *pro forma* tariff sheets contained in Appendix A attached hereto and made a part hereof.

**C. Rate Moratorium**

23. Public Service agrees that the settled base rates shall not be replaced by different base rates until May 1, 2008, at the earliest. Public Service shall not be precluded from filing revised tariff sheets to change its steam base rates with a proposed effective date

that is prior to May 1, 2008, provided that Public Service advises the Commission in the advice letter accompanying such tariff filing of the terms of this Section C of this Stipulation and states that it is bound by this agreement to have the Commission suspend any such increased rates for a period that ends on or after May 1, 2008.

**D. Rate Terminology**

The Parties agree that the rate component currently referred to in the Company's tariff as the "Commodity Charge" shall not be changed for tariff and billing purposes, as originally proposed by Public Service.

**E. Modifications to SCA Tariff**

24. During the course of the settlement discussions leading up to this Stipulation, Public Service and Staff discussed further revising the existing SCA tariff to provide certain additional procedural improvements to the SCA process, including aspects of that process which had been agreed to by Public and Staff in the Stipulation and Agreement entered in Docket No. 04S-271ST. Public Service and Staff agree that a process in which the SCA application is filed sufficiently in advance of the proposed SCA effective date, and that includes sufficient supporting information and workpapers, would enhance administrative efficiency and obviate the need for the subsequent filing of a Steam Cost Report and steam cost prudence review. To this end, Staff and Public Service agree to continue to work together to develop appropriate procedures to the SCA process and necessary revisions to the SCA tariff, which shall culminate in Public Service filing revised SCA tariffs on or before May 1, 2006 reflecting such agreed-to revisions. In order to provide sufficient time for Public Service and Staff to develop such revisions to the SCA tariff, the Parties agree that the



SCA tariff sheets proposed by Public Service with Amended Advice Letter No. 94-Steam shall be permanently suspended.

**F. No Settled Practice**

25. The Parties agree that this Stipulation and the settlement rates and the cost allocation and rate design methods used to derive the settlement rates have been agreed to by the Parties solely for purposes of settlement and do not constitute a settled practice or otherwise have precedent-setting value in any future proceedings. Neither Public Service, the Commission, its Staff or any other party or person shall be deemed to have approved, accepted, agreed to or consented to any concept, theory or principle underlying or supposed to underlie any of the matters provided for in this Stipulation. Notwithstanding the resolution of the issues set forth in this Stipulation, none of the methods or ratemaking principles herein contained shall be deemed by the Parties to constitute a settled practice or precedent in any future proceeding. Except as otherwise provided in Section C above, nothing in this Stipulation shall preclude the Company from seeking prospective changes in its steam service rates by an appropriate filing with the Commission. Nothing in this Stipulation shall be construed to limit the Company from applying to the Commission for changes to the Company's SCA. Nothing in this Stipulation shall be construed to preclude the Staff of the Commission (by seeking an order to show cause) or any other party (by filing a complaint) from seeking review by the Commission of the justness and reasonableness of the Company's steam service rates or from seeking to obtain prospective changes in the Company's steam service rates and/or provisions in the Company's steam tariff.

**IV. TERM OF THIS STIPULATION AND AGREEMENT**

26. This Stipulation shall take effect upon its approval by the Commission. The provisions of this Stipulation shall terminate and have no continuing effect as to the revised rates for steam service resulting from Public Service's next steam rate case, whether initiated through the Company's filing of a rate case, an order to show cause, or complaint.

#### **V. IMPLEMENTATION AND EFFECTIVE DATE**

27. 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").

28. 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.

29. 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.

30. The Parties hereto agree that, upon a final Commission Order approving this Stipulation, including the pro forma tariff sheets attached hereto and contained in Appendix A, Public Service shall file an advice letter in compliance with such final order tendering for approval all tariff sheets contained in Appendix a. Such tariff sheets shall be filed on not less than one day's notice to become effective May 1, 2006. These settlement rates and tariff revisions shall then become final terms and conditions and shall not be subject to modification except in accordance with the Colorado Public Utilities Law and the Commission's Rules and Regulations promulgated thereunder.

## **VI. GENERAL TERMS AND CONDITIONS**

31. The Parties hereby agree that all pre-filed testimony and exhibits shall be admitted into evidence in this docket without cross-examination. This Stipulation reflects compromise and settlement of all issues raised or that could have been raised in this docket.

This Stipulation shall be filed as soon as possible with the Commission for Commission approval.

32. Approval by the Commission of this Stipulation shall constitute a determination that the Stipulation represents a just, equitable and reasonable resolution of issues that were or could have been contested among the parties in this proceeding. The Parties state that reaching agreement as set forth herein by means of a negotiated settlement rather than through a formal adversarial process is in the public interest and that the results of the compromises and settlements reflected in this Stipulation are in the public interest.

33. This Stipulation may be executed in counterparts, each of which when taken together shall constitute the entire Stipulation with respect to the issues addressed by this Stipulation.

34. The Parties agree to a waiver of compliance with any requirements of the Commission's Rules and Regulations to the extent necessary to permit all provisions of this Stipulation to be carried out and effectuated.

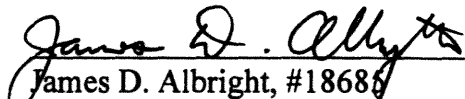
Respectfully submitted this 7th day of March, 2006,

**PUBLIC SERVICE COMPANY OF  
COLORADO**

Approved as to form:

By: 

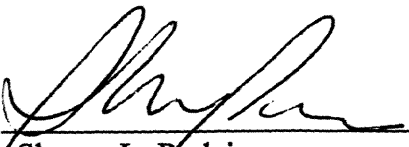
Fredric C. Stoffel  
Vice President, Policy Development  
Xcel Energy Services Inc.  
Agent for Public Service  
Company of Colorado



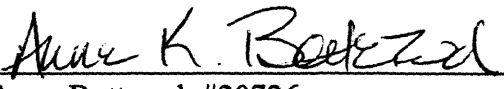
James D. Albright, #18688  
Assistant General Counsel  
Xcel Energy Services Inc.  
1225 17th Street, Suite 900  
Denver, CO 80202  
Telephone: 303.294.2753

Attorney for Public Service  
Company of Colorado

**STAFF OF THE COLORADO  
PUBLIC UTILITIES COMMISSION**

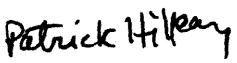
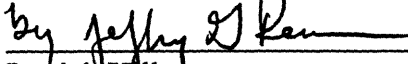
By:   
Sharon L. Podein  
Professional Engineer  
Colorado Public Utilities Commission  
1580 Logan St., OL-1  
Denver, CO 80203

Approved as to form:

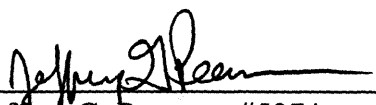
  
Anne Botterud, #20726  
Assistant Attorney General  
Business and Licensing Section  
1525 Sherman Street, 5th Floor  
Denver, CO 80203  
Telephone: 303.866.3867

Attorney for Staff of the  
Colorado Public Utilities Commission

**DENVER BUILDING OWNERS AND  
MANAGERS ASSOCIATION**

By:   
by   
Patrick Hilleary.  
President

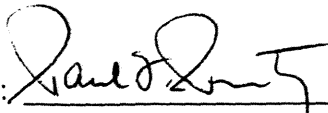
Approved as to form:


  
Jeffrey G. Pearson, #5874  
1570 Emerson Street  
Denver, CO 80218  
Telephone: 303.832.5138

Attorney for Denver Building Owners  
and Managers Association

**U.S. GENERAL SERVICES ADMINISTRATION  
PUBLIC BUILDING SERVICE**

Approved as to form:

By:   
Paul Prouty  
Assistant Regional Administrator

  
Jeffrey Aramowicz, #33069  
Denver Federal Center  
Building 41, Room 200  
Denver, CO 80225  
Telephone: 303.236.7352

Attorney for U.S. General Services  
Administration, Public Buildings Service

# APPENDIX A

P.O. Box 840  
Denver, CO 80201-0840

Sheet No. 3

Cancels

Sheet No.

Appendix A  
Docket No. 05S-369ST  
Decision No. R06-0303  
Page 24 of 32

## STEAM RATES

## RATE SCHEDULE SUMMATION SHEET

<u>Rate Schedule</u>	<u>Sheet No.</u>	<u>Type of Charge</u>	<u>Billing Units</u>	<u>Base Rate</u>	<u>Steam Cost Adj.</u>	<u>Total Rate</u>
H	5	Service and Facility Commodity	MLB	\$130.00 8.843	\$17.220	\$130.00 26.063

I  
I

Note: The above rates and charges are for informational bill presentation purposes only and include the base rates and charges plus all applicable steam rate adjustments. For billing purposes however, reference should be made to the appropriate rate schedules set forth herein.

ADVICE LETTER  
NUMBERISSUE  
DATEDECISION  
NUMBERVICE PRESIDENT,  
Policy DevelopmentEFFECTIVE  
DATE May 1, 2006



P.O. Box 840  
Denver, CO 80201-0840

Sheet No. 5  
Cancels  
Sheet No.

Appendix A  
Docket No. 05S-369ST  
Decision No. R06-0303  
Page 25 of 32

STEAM RATES		RATE
STEAM HEATING RATES		
GENERAL AND COMMERCIAL SERVICE		
SCHEDULE H		
<u>AVAILABILITY</u> Available, by individual contract, within the Company's Steam Service Area. Company may refuse to contract for steam to any applicant situated within said area when, in its judgment, its system capabilities are reached and/or when the supplying of such steam, because of location or characteristics of customer's requirements, may impair the quantity or quality of steam being rendered to existing customers.		
<u>APPLICABILITY</u> Applicable to general and commercial use for heating and/or other purposes. Not applicable for standby or resale purposes.		
<u>TYPE OF SERVICE</u> Steam delivered under this rate shall be as defined in the Steam Service Rules and Regulations.		
<u>MONTHLY RATE</u> Service and Facility Charge ..... \$ 130.00 Commodity Charge, all pounds used, per 1,000 pounds..... 8.843		
<u>MONTHLY MINIMUM</u> ..... \$ 130.00 The monthly minimum shall be the Service and Facility Charge. In the event that Company is required to make payment for franchise fees, sales taxes, occupancy taxes and the like as a result of the steam service rendered to customer, these charges will be included in the monthly bill to customer.		
A customer who requests a temporary discontinuance of service shall pay the Service and Facility Charge for each month that service is discontinued. A customer whose service is discontinued for non-payment and who applies for service within twelve months at the same location will be regarded as having taken a temporary discontinuance of service and shall pay the Service and Facility Charge for each month that service was discontinued.		
(Continued on Sheet No. 5A)		

ADVICE LETTER  
NUMBER

ISSUE  
DATE

DECISION  
NUMBER

VICE PRESIDENT,  
Policy Development

EFFECTIVE  
DATE May 1, 2006

## **APPENDIX B**

**Public Service Company of Colorado**  
**Docket No. 05S-369ST - Thermal Rate Case**  
**Revenue Reconciliation**  
**12 Months Ended March 31, 2005**

**Appendix B**  
**Page 1 of 1**

Item	Proposed Base Rate Component						Total Base Rate Revenue
	Service and Facility			Commodity			
	Billing Units (Cust. Months)	Rate (\$/Month)	Revenue	Billing Units (MLB)	Rate (\$/MLB)	Revenue	
Proposed Base Rate Revenue	1,752.00	\$130.00	\$227,760	823,364	\$8.843	\$7,281,008	\$7,508,768
Allowable Base Rate Revenue in Stipulation							<u>\$7,508,845</u>
Rounding Difference							\$77

Public Service Company of Colorado  
Docket No. 05S-369ST - Thermal Rate Case  
2005 Rate Case Customer Impact Study  
Based on Monthly Average Usage

Appendix C  
Page 1 of 5

Customer Class	Existing Rate	Proposed Rate	Monthly Average Usage	Monthly Existing Bill	Monthly Proposed Bill	Monthly Difference \$	Monthly Difference %
----------------	---------------	---------------	-----------------------	-----------------------	-----------------------	-----------------------	----------------------

General and Commercial - Schedule H							
S & F Charge	\$ 75.00	\$ 130.00		\$ 75.00	\$ 130.00	\$ 55.00	73.33%
Commodity Charge	\$ 5.321 Mlbs	\$ 8.843 /Mlbs	473 Mlbs	2,516.83	4,182.74	1,665.91	66.19%
Subtotal				\$ 2,591.83	\$ 4,312.74	\$ 1,720.91	66.40%
Base Rate Riders	0.00%	0.00%		-	-	-	
Base Rate Amount				\$ 2,591.83	\$ 4,312.74	\$ 1,720.91	66.40%
SCA	\$ 17.220	\$ 17.220		\$ 8,145.06	\$ 8,145.06	\$ -	
Total Bill				\$ 10,736.89	\$ 12,457.80	\$ 1,720.91	16.03%

Public Service Company of Colorado  
Docket No. 05S-369ST - Thermal Rate Case  
2005 Rate Case Customer Impact Study  
Based on Peak Month Usage

Appendix C  
Page 2 of 5

Customer Class	Existing Rate	Proposed Rate	Peak Month Usage	Monthly Existing Bill	Monthly Proposed Bill	Monthly Difference \$	Difference %
<b>General and Commercial - Schedule H</b>							
S & F Charge	\$ 75.00	\$ 130.00		\$ 75.00	\$ 130.00	\$ 55.00	73.33%
Commodity Charge	\$ 5.321 Mlbs	\$ 8.843 /Mlbs	960 Mlbs	5,108.16	8,489.28	3,381.12	66.19%
Subtotal				\$ 5,183.16	\$ 8,619.28	\$ 3,436.12	66.29%
Base Rate Riders	0.00%	0.00%		-	-	-	
Base Rate Amount				\$ 5,183.16	\$ 8,619.28	\$ 3,436.12	66.29%
SCA	\$ 17.220	\$ 17.220		\$ 16,531.20	\$ 16,531.20	\$ -	
Total Bill				\$ 21,714.36	\$ 25,150.48	\$ 3,436.12	15.82%

PUBLIC SERVICE COMPANY OF COLORADO  
2005 THERMAL RATE CASE  
MONTHLY BILL IMPACTS  
MONTHLY USE = 20 MLBS.

Annual Load Factor	Monthly Bill Under Current Rates				Monthly Bill Under Revised Proposed Rates						\$ Increase	% Increase
	S&F Revenue	Commodity Revenue	SCA Revenue	Total Bill	S&F Revenue	Demand Billing Determinant	Demand Revenue	Commodity Revenue	SCA Revenue	Total Bill		
20	\$75.00	\$106.420	\$344.400	\$525.82	\$130.00	N/A	\$0.00	\$176.860	\$344.400	\$651.26	\$125.44	23.9%
30	\$75.00	\$106.420	\$344.400	\$525.82	\$130.00	N/A	\$0.00	\$176.860	\$344.400	\$651.26	\$125.44	23.9%
40	\$75.00	\$106.420	\$344.400	\$525.82	\$130.00	N/A	\$0.00	\$176.860	\$344.400	\$651.26	\$125.44	23.9%
50	\$75.00	\$106.420	\$344.400	\$525.82	\$130.00	N/A	\$0.00	\$176.860	\$344.400	\$651.26	\$125.44	23.9%

PUBLIC SERVICE COMPANY OF COLORADO  
2005 THERMAL RATE CASE  
MONTHLY BILL IMPACTS  
MONTHLY USE = 240 MLBS.

Annual Load Factor	Monthly Bill Under Current Rates				Monthly Bill Under Revised Proposed Rates						\$ Increase	% Increase
	S&F Revenue	Commodity Revenue	SCA Revenue	Total Bill	S&F Revenue	Demand Billing Determinant	Demand Revenue	Commodity Revenue	SCA Revenue	Total Bill		
20	\$75.00	\$1,277.040	\$4,132.800	\$5,484.84	\$130.00	N/A	\$0.00	\$2,122.320	\$4,132.800	\$6,385.12	\$900.28	16.4%
30	\$75.00	\$1,277.040	\$4,132.800	\$5,484.84	\$130.00	N/A	\$0.00	\$2,122.320	\$4,132.800	\$6,385.12	\$900.28	16.4%
40	\$75.00	\$1,277.040	\$4,132.800	\$5,484.84	\$130.00	N/A	\$0.00	\$2,122.320	\$4,132.800	\$6,385.12	\$900.28	16.4%
50	\$75.00	\$1,277.040	\$4,132.800	\$5,484.84	\$130.00	N/A	\$0.00	\$2,122.320	\$4,132.800	\$6,385.12	\$900.28	16.4%

PUBLIC SERVICE COMPANY OF COLORADO  
2005 THERMAL RATE CASE  
MONTHLY BILL IMPACTS  
MONTHLY USE = 1000 MLBS.

Annual Load Factor	Monthly Bill Under Current Rates				Monthly Bill Under Revised Proposed Rates						\$ increase	% increase
	S&F Revenue	Commodity Revenue	SCA Revenue	Total Bill	S&F Revenue	Demand Billing Determinant	Demand Revenue	Commodity Revenue	SCA Revenue	Total Bill		
20	\$75.00	\$5,321.000	\$17,220.000	\$22,616.00	\$130.00	N/A	\$0.00	\$8,843.000	\$17,220.00	\$26,193.00	\$3,577.00	15.8%
30	\$75.00	\$5,321.000	\$17,220.000	\$22,616.00	\$130.00	N/A	\$0.00	\$8,843.000	\$17,220.00	\$26,193.00	\$3,577.00	15.8%
40	\$75.00	\$5,321.000	\$17,220.000	\$22,616.00	\$130.00	N/A	\$0.00	\$8,843.000	\$17,220.00	\$26,193.00	\$3,577.00	15.8%
50	\$75.00	\$5,321.000	\$17,220.000	\$22,616.00	\$130.00	N/A	\$0.00	\$8,843.000	\$17,220.00	\$26,193.00	\$3,577.00	15.8%