

COLO. PUC No. 7 Electric

Exhibit No. 2

PUBLIC SERVICE COMPANY OF COLORADO

Sheet No. 107

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

Cancels
Sheet No.

ELECTRIC RATES

DEMAND-SIDE MANAGEMENT COST ADJUSTMENT

APPLICABILITY

All rate schedules for electric service are subject to a Demand-Side Management Cost Adjustment ("DSMCA") designed to recover the costs of Commission-approved energy efficiency, load management, and ISOC programs. The DSMCA factors for all applicable rate schedules are as set forth on Sheet No. 107C.

DEFINITIONS

Balance in the DT (DTB). The balance in the DT is the difference between DSMCA revenues collected and the actual costs incurred. The DTB shall include a carrying charge (or credit) on the under-(or over-)recovered balance equal to the Company's after-tax weighted average cost of capital.

Current Period Demand-Side Management Costs (CDSC). The projected calendar year expenditures for Commission approved energy efficiency, load management, and ISOC programs after January 1, 2009. These costs shall be expensed and recovered over twelve months beginning January 1 of the year in which the costs are expected to be incurred.

DSM Portfolio. The DSM Portfolio shall consist of the energy-efficiency and peak demand reduction programs, including Saver's Switch but excluding the Interruptible Service Option Credit Program, approved by the Commission as a result of the Company's biannual filing made every two years commencing, July 1, 2008.

DSM Tracker (DT). The spreadsheet tracker where all DSMCA-related expenditures and cost recovery will be recorded. The DSM Tracker will be updated monthly and filed annually with the Commission.

Financial Incentives (FI). The Company shall be entitled to recover a financial incentive based on its DSM Portfolio performance during the previous year provided that it has achieved energy savings of at least 100 GWh or 50% of the Commission-approved energy savings goal for the previous year, whichever is higher. Such financial incentives shall first be applied based on the performance of the Company's DSM Portfolio during 2009. If the Company achieves energy savings equal to or greater than the minimum level of energy savings required to be eligible for a financial incentive, but less than 75 percent of its Commission-approved energy savings goal for the prior year, the Company shall be entitled to recover

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DEMAND-SIDE MANAGEMENT COST ADJUSTMENT

DEFINITIONS - Cont'd

Financial Incentives (FI). Cont'd
through the DSMCA an amount equal to 10 percent of the NEB achieved during the prior year. If the Company achieves energy savings equal to or greater than 75 percent but less than 100 percent of the Commission-approved energy savings goal for the prior year it shall be entitled to recover through the DSMCA an amount equal to 15 percent of the NEB from the prior year's DSM programs. If the Company achieves energy savings equal to or greater than 100 percent of the Commission-approved energy savings goal for the prior year, the Company shall be entitled to recover through the DSMCA an amount equal to 20 percent of the NEB. Additionally, the Company shall be entitled to recover through the DSMCA an incentive amount equal to 12.5 percent of the ISOC credits paid during the prior year. All such financial incentives shall be recovered in equal increments over 12-months commencing July 1.

Interruptible Service Option Credit Program Costs (ISOCC). The ISOCC include the credits paid to interruptible program participants, as well as the incremental marketing costs for the program.

Net Economic Benefits (NEB). Net economic benefits shall be equal to the difference between the net present value of the Company's avoided generation, transmission, distribution, capacity and energy costs, including the valuation of avoided emissions as approved by the Commission and the valuation of any non-energy benefits as approved by the Commission; and the costs incurred by the Company and the program participants to implement DSM measures during the prior year.

Prior Period Demand-Side Management Costs (PDSC). Costs associated with the Company's demand-side management ("DSM") activities undertaken prior to January 1, 2009, including those costs that historically have been capitalized and are amortized over an 8-year period as well as those costs that are expensed and recovered over 12 months. The PDSC shall continue to be recovered through the DSMCA until such time as 100 percent of the amortized costs and expenditures prior to 2009 have been recovered.

DSMCA REVENUE REQUIREMENT

The DSMCA Revenue Requirement ("DSMCARR") shall be as follows:

$$DSMCARR = PDSC + CDSC + DTB + ISOCC + FI$$

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ELECTRIC RATES

DEMAND-SIDE MANAGEMENT COST ADJUSTMENT

CLASS COST ALLOCATIONS

The Company will assign class responsibility of the DSMCARR by updating the demand cost allocation factor approved by the Commission in the most recent Phase II rate case by projected energy sales.

RATE DESIGN

Rates shall be designed by dividing the costs allocated to each class by the projected class billing determinants. Secondary General, Primary General, Transmission General, Special Contracts and Standby customers shall be billed the DSMCA on a demand basis; all other customers will be billed on an energy basis.

ANNUAL FILINGS

On April 1 of each year, the Company shall file for approval to revise the DSMCARR and resulting DSMCA to be effective July 1 of the same year. This filing adjusts the following components of the DSMCARR: the PDSC, the DTB, and the FI.

On July 1 of each year, the Company shall file for approval to revise the DSMCARR and resulting DSMCA to reflect the CDSC and the ISOCC for the upcoming year to be effective January 1.

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ELECTRIC RATES		
DEMAND SIDE MANAGEMENT COST ADJUSTMENT		
<u>Rate Schedule</u>	<u>Applicable Charge</u>	<u>Monthly Rider Rate</u>
<u>Residential Service</u>		
R	Energy Charge	\$-----/kWh
RD	Demand Charge	-----/kW-Mo
<u>Small Commercial Service</u>		
C	Energy Charge	-----/kWh
<u>Commercial & Industrial General Service</u>		
SGL	Energy Charge	-----/kWh
SG	Demand Charge	-----/kW-Mo
PG	Demand Charge	-----/kW-Mo
TG	Demand Charge	-----/kW-Mo
<u>Special Contract Service</u>		
SCS-6	Production Demand Charge	-----/kW-Mo
SCS-7	Production Demand Charge	-----/kW-Mo
<u>Standby Service</u>		
SST	Gen Standby Capacity Reservation Fee	-----/kW-Mo
	Usage Demand Charge	-----/kW-Mo
PST	Gen Standby Capacity Reservation Fee	-----/kW-Mo
	Usage Demand Charge	-----/kW-Mo
TST	Gen Standby Capacity Reservation Fee	-----/kW-Mo
	Usage Demand Charge	-----/kW-Mo
<u>Lighting Service</u>		
RAL, CAL, PLL, SL, SSL		-----/kWh
SHL, SLU	Energy Charge	-----/kWh
TSL	Energy Charge	-----/kWh

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