

Section 3 – Retail Energy Forecast

For the 2009 Compliance Plan, Public Service is using its most recent 2008 forecast developed in September 2008 and issued October 1, 2008.

Forecast Overview

Public Service has experienced historical growth in retail electric sales since 1997 averaging 2.6% per year, driven mostly by growth in the number of customers and large increases in residential air conditioning saturation. Public Service's retail electric sales are forecasted to increase at an average annual rate of 1.1% through 2025. This lower projected growth rate is the result of slower growth in the number of customers and in residential air conditioning saturation and increased DSM impacts. The forecasted DSM impacts in the forecast include the CPUC final decision goals (Decision No. 08-0560 in Docket No. 07A-420E) at the 100% level.

Energy Sales Forecast

Public Service's residential sales have increased an average of 3.3% per year over the past ten years. Customer growth has averaged 1.7% per year since 1997 and is expected to increase by 1.5% per year through 2025. Use per customer has increased at an average annual rate of 1.4% since 1997, but is expected to decline by 0.7% per year on average through 2025, primarily due to slowing growth in residential air conditioning saturation, the implementation of new federal energy efficiency initiatives, and the impacts of new DSM programs. As a result, residential sales are forecasted to increase at 0.7% per year on average through 2025.

Commercial and industrial sales are projected to increase at an average annual rate of 1.3% through 2025, following average growth of 2.3% per year since 1997. Sales growth in this sector, resulting from the recent expansion of natural gas exploration in the state, is expected to be more than offset by a general

downturn in the economy reflected in Colorado Gross State Product and by the increased impact of new DSM programs.

Total long-term firm resale sales increased by 10.0% per year, on average, over the past ten years, primarily due to the addition of new customers. Through 2025, long-term firm resale sales are expected to decrease by 1.3% per year on average. This negative rate reflects the expiration of some current contracts, as well as a reduction in sales to Rural Electric Cooperative customers following the construction of Comanche 3.

Public Service's combined retail and long-term firm wholesale electric sales are projected to grow at 0.7% per year on average through 2025. Growth during the past ten years averaged 3.7% annually. The strong historical growth rate reflects large increases in residential air conditioning saturation along with the acquisition of new wholesale customers during the past ten years. The lower projected growth rate is due to slowing growth in residential air conditioning saturation, the implementation of new federal efficiency standards, increased DSM impacts, and the expiration or reduction of firm wholesale contractual loads.

The Company's energy forecasts are depicted graphically in Figure 3-1 and in tabular form in Figure 3-2.

Figure 3-1 Actual and Forecasted Electric Sales (GWh)

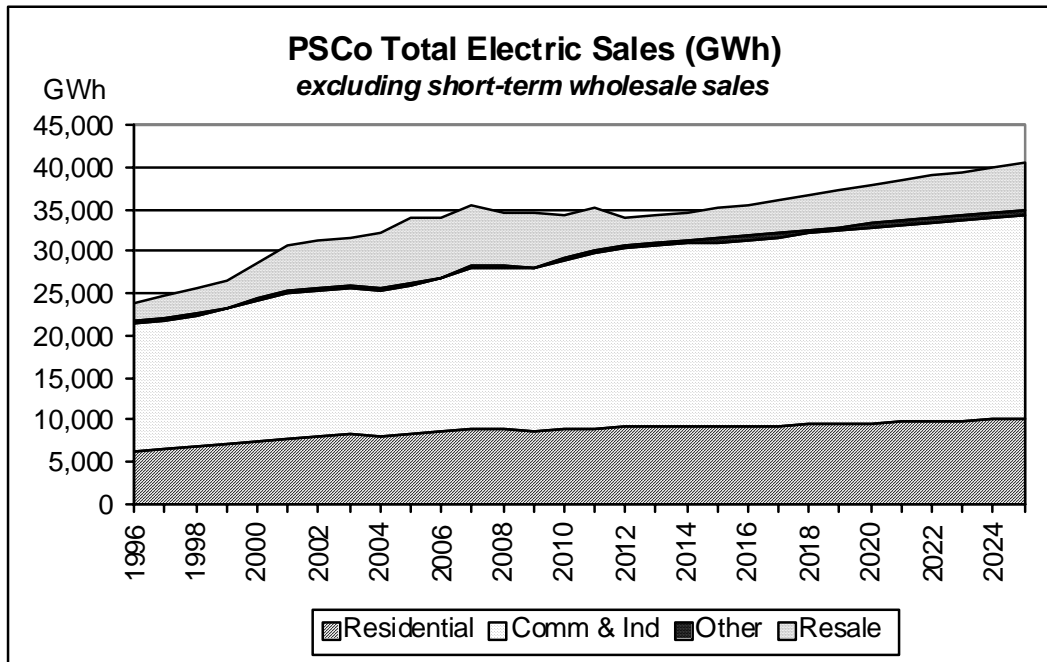


Figure 3-2 Actual and Forecasted Electric Sales (GWH)

Year	Retail Sales	Long-Term Firm Wholesale Sales	Total Sales
1996	21,671	2,198	23,869
1997	21,988	2,767	24,755
1998	22,582	3,076	25,658
1999	23,353	3,226	26,579
2000	24,604	4,110	28,714
2001	25,248	5,562	30,810
2002	25,691	5,741	31,432
2003	25,864	5,854	31,718
2004	25,704	6,509	32,213
2005	26,337	7,584	33,921
2006	26,964	7,118	34,082
2007	28,369	7,171	35,540
2008	28,255	6,448	34,704
2009	28,160	6,350	34,510
2010	29,299	4,982	34,281
2011	30,132	5,151	35,283
2012	30,778	3,137	33,915
2013	31,085	3,127	34,212
2014	31,309	3,355	34,664
2015	31,543	3,556	35,099
2016	31,846	3,760	35,606
2017	32,208	3,969	36,177
2018	32,557	4,184	36,742
2019	32,957	4,407	37,364
2020	33,288	4,636	37,924
2021	33,572	4,872	38,444
2022	33,879	5,116	38,995
2023	34,183	5,301	39,484
2024	34,557	5,483	40,040
2025	34,831	5,670	40,501

Note: Values above the heavy line are actual historical values; values below the line are forecasts. 2008 includes 8 months actual and 4 months forecast.

Forecast Methodology

Public Service uses monthly historical customer and sales data by rate class together with weather, economic, demographic, price, and appliance saturation and efficiency historical data and forecasts to develop its forecast of energy sales. The residential sales and commercial and industrial sales forecasts are developed using a Statistically-Adjusted End-Use (SAE) modeling approach. The SAE method entails specifying energy use as a function of the primary end-use variables (heating, cooling, and base use). The factors that affect these end-use energy requirements include price, economic and demographic variables, weather, and appliance saturation and efficiency indices.

Forecasts for sales to resale customers are developed using information from the customers and trend analysis or contractual requirements and are adjusted as appropriate to reflect the contractual schedules of energy allocations from Western Area Power Administration (WAPA).

The historical customer, sales, and price data are obtained from the Company's billing system. Forecasted price data is obtained from the Company's Strategist resource planning model and the PROSYM production cost model. Forecasted economic and demographic data are obtained from the Center for Business and Economic Forecasting, Inc., and Global Insight, Inc. Historical and forecasted appliance saturation and efficiency data is obtained through studies conducted by the company and from Itron, Inc.