

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

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IN THE MATTER OF THE APPLICATION OF)	
PUBLIC SERVICE COMPANY OF COLORADO)	
FOR APPROVAL OF ITS ELECTRIC AND)	
NATURAL GAS DEMAND-SIDE MANAGEMENT)	
(DSM) PLAN FOR CALENDAR YEARS 2009 AND)	DOCKET NO. 08A-366EG
2010 AND TO CHANGE ITS ELECTRIC AND GAS)	
DSM COST ADJUSTMENT RATES EFFECTIVE)	
JANUARY 1, 2009, AND FOR RELATED)	
WAIVERS AND AUTHORIZATIONS.)	

STIPULATION AND SETTLEMENT AGREEMENT

I. INTRODUCTION

Public Service Company of Colorado (“Public Service” or “the Company”), the Staff of the Colorado Public Utilities Commission (“Staff”), the Colorado Office of Consumer Counsel (“OCC”), the Southwest Energy Efficiency Project (“SWEEP”) and Western Resource Advocates (“WRA”), Colorado Energy Consumers (“CEC”), the City of Boulder and Boulder County (collectively “City”), Energy Outreach Colorado (“EOC”), the Governor’s Energy Office (“GEO”), Wal-mart Stores, Inc. and Sam’s West, Inc. (Wal-Mart”), The Kroger Co. on behalf of its King Soopers and City Market Divisions (“Kroger”), Nancy LaPlaca, the Energy Efficiency Business Coalition (“EEBC”), collectively referred to as the “Settling Parties”, hereby enter into this Stipulation and Settlement Agreement (“Stipulation”) resolving, as between these Parties, all issues that have been raised or could have been raised in Docket No. 08A-366EG relating to the Company’s 2009-2010 DSM Biennial Plan. This Stipulation sets forth all the terms and conditions of such settlement.

The Parties to this Stipulation state that the results of the compromises reflected herein are a just and reasonable resolution of the issues addressed in this Stipulation, and that reaching agreement as set forth herein by means of a negotiated settlement is in the public interest. 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” or “CPUC”) approve this Stipulation.

II. BACKGROUND

On August 11, 2008, Public Service filed its Application For Approval Of Its Electric And Natural Gas Demand-Side Management Plan For Calendar Years 2009 And 2010 And To Change Its Electric And Gas DSM Cost Adjustment Rates Effective January 1, 2009, and For Related Waivers and Authorizations. By Decision No. C08-0986, the Commission referred this matter to an administrative law judge (ALJ) for preparation of an initial Commission decision. On September 29, 2008, the ALJ issued Decision No. R08-1033-I establishing pre-filing deadlines and setting this case for three days of hearings commencing on November 19, 2008.

Public Service’s 2009-2010 DSM Biennial Plan is a combined electric and natural gas DSM plan under which the Company proposes to offer a total of 31 direct impact and 4 indirect impact DSM programs targeted to residential, business and low-income customer classes over the course of two years. The Company’s plan also includes a Planning and Research component consisting of four additional programs: DSM Market Research; DSM Planning and Administration; DSM Product Development; and Evaluation, Measurement and Verification. As originally filed the Company’s proposed

plan was designed to achieve annual electric and natural gas energy savings of approximately 181 GWh and 318,000 Dth, respectively, in 2009 and 244 GWh and 403,000 Dth, respectively, in 2010, at a proposed total cost of \$61 million and \$76 million for 2009 and 2010, respectively.

By this Stipulation, the Settling Parties recommend that the Commission authorize the Company to implement the DSM plan as amended by the Stipulation, and grant it the discretion to modify the plan, within the limits set forth in the Stipulation, and consistent with the Company's commitment to use its best efforts to meet or exceed the energy savings and demand reduction goals approved in Docket No. 07A-420E with respect to the electric DSM plan and approved in this case with respect to its natural gas DSM plan.

III. TERMS OF SETTLEMENT

The Settling Parties hereby stipulate and agree as follows:

1. **The 2009-2010 DSM Biennial Plan.** The Settling Parties agree that Public Service's 2009-2010 DSM Biennial Plan ("the DSM Plan"), as modified by the terms of this Stipulation, is consistent with §§ 40-3.2-103 and 40-3.2-104, C.R.S.; Decision Nos. C08-0560 and C08-0769 issued by the Commission in Docket No. 07A-420E; and the Commission's Gas DSM Rules, 4 C.C.R. 723-4-4750 through 4760, except to the extent such rules have been waived as recommended in Paragraph 9 to this Stipulation.

The Settling Parties agree that Public Service has the discretion and the responsibility to manage the proposed gas and electric DSM Plan to meet and attempt to exceed the electric energy savings and demand reduction goals established by the Commission in Docket No. 07A-420E and the natural gas savings goals established in this proceeding. In implementing the 2009-2010 DSM Biennial Plan, Public Service agrees to launch all of the programs identified and described in the DSM Plan and not to discontinue or significantly modify such programs except after notice as described in Paragraph 2.b *supra*.

The Settling Parties recommend that the Commission authorize the Company to implement each of the programs described in the DSM Plan, together with the amendments and additions to such programs that are described in Appendix A. The Settling Parties further recommend that, subject to the budgetary restrictions and other limitations described in this Stipulation, the Commission grant the Company the discretion to modify the specific DSM programs set forth in the DSM Plan as amended

by this Stipulation, including but not limited to, changing the level of rebates paid to participants, shifting budget dollars between programs within the natural gas or electric DSM portfolios, and adding new programs or discontinuing DSM programs without the requirement to obtain the Commission's pre-approval of such modifications. The Company may in its discretion file an application seeking pre-approval of the technical assumptions associated with any new program offerings, or approval to incur costs in excess of 115% of its annual budget for its electric DSM portfolio or 125% of the annual budget for its natural gas DSM portfolio. The Settling Parties recommend that the Commission endeavor to act upon such an Application as expeditiously as possible.

2. Modifications to the DSM Plan.

a. **Changes to the DSM Plan filed with the Application.** In the course of negotiations, the Settling Parties have discussed with Public Service various details of the Company's proposed programs and the associated technical assumptions. As a result of these discussions, Public Service has agreed to make certain changes to the DSM Plan originally filed with its Application. An updated version of the DSM Plan that reflects changes agreed to as part of this Settlement, together with errata correcting certain errors, shall be filed with the Commission within sixty days following issuance of a final Commission order approving this Stipulation.

The program-related changes that Public Service has agreed to make are summarized in Appendix A. Some of these changes require increases to the Company's originally proposed budgets which are also specified in Appendix A. The Settling Parties agree that the additional budget amounts for 2009 will be recovered over six months through adjustments to the electric and natural gas DSMCA filed on

April 1, 2009 to be effective July 1, 2009. The full-adjusted budget amounts for 2010 will be recovered from ratepayers over twelve months beginning January 1, 2010.

Certain changes to the DSM Plan that Public Service has agreed to make will further result in changes in the expected electric and gas savings for 2009 and 2010. As a consequence of these changes, the Settling Parties agree to the modified levels of expected savings as set forth in Paragraph 6 below.

b. **Process for Potential Changes to the DSM Plan in the Future.**

At the time of the quarterly roundtable meeting described in paragraph 10, interested persons may submit new program ideas or proposed revisions to existing programs to the Company in writing in a format to be provided by the Company. The Company agrees to act in good faith in considering new program ideas and proposed revisions to existing programs. The Company currently uses an initial screening process to score and prioritize all new DSM program ideas for further research and development. Within three months of receipt, the Company agrees to evaluate all written DSM program ideas received from interested persons in accordance with its existing initial screening process and to consider all proposed revisions to existing programs and to report the results of such screening and consideration as part of its next written quarterly update. The Company retains discretion whether to implement proposed revisions to existing programs and new program ideas presented to it by interested persons.

In the event the Company decides to discontinue any DSM program identified in the DSM Plan, it shall provide ninety-days notice and the basis of such decision to all persons who have asked to be included on the DSM Roundtable distribution list ("DSM Roundtable Distribution List"). The Company shall provide sixty-days advance notice to

the DSM Roundtable Distribution List of any decision to add a new DSM program, to reduce rebate levels, to adopt new or discontinue existing measures, or to change technical assumptions or eligibility requirements for any DSM program. Persons receiving such notices shall have thirty-days following receipt within which to provide a response to the Company's notification. The Company agrees to act in good faith to consider any responses received in making its final decision regarding the proposed modification and/or discontinuation.

3. **Self-Directed Custom Efficiency Program.** As directed by the Commission at Paragraph 156 of Decision No. C08-0560, Public Service met with representatives of its large industrial customers who participated in Docket No. 07A-420E as part of its planning for its Self-Direct Program. The Company also met with the large commercial customers and other interested persons who had participated as Intervenor in Docket No. 07A-420E. The Settling Parties agree that the Company's proposed Self Direct Program shares many of the features of its proposed Custom Efficiency Program and should therefore be viewed as a subset of the Company's Custom Efficiency Program rather than as a traditional Self-Direct program. The only significant difference between the Company's proposed Self-Direct program and the proposed Custom Efficiency Program is that customers participating in the Self-Direct program will perform their own engineering evaluation of the anticipated energy savings and will conduct their own measurement and verification of achieved energy savings after the fact, resulting in a lower cost to the Company. The Company will verify the results of customers' energy savings calculations and evaluation, measurement and

verification results. Participants in the Company's proposed Self-Direct program will pay the DSMCA just as all other participants in the Company's DSM programs.

In recognition of the fact that the proposed Self-Direct Program is designed to operate as a subset of the Custom Efficiency Program, the Settling Parties agree that the Self-Direct Program should be renamed, "Self-Directed Custom Efficiency Program." The Settling Parties agree to recommend to the Commission that it authorize the Company to provide rebates under the Self-Directed Custom Efficiency Program in any case where the customer meets the eligibility requirements, provided that the program has a Total Resource Cost (TRC) test value, as defined in § 40-1-102, C.R.S., that is at least equal to one (1) rather than limiting this program to installations that have a TRC value at least equal to the TRC value for the overall DSM portfolio as specified in Paragraph 158 of Decision No. C08-0560.

The Company shall offer the Self-Directed Custom Efficiency Program to commercial and industrial customers who have an aggregated peak demand at all meters of at least 2 MW in any single month and an aggregated annual energy usage of at least 10 GWh. The customer of record must be the same for all meters aggregated to qualify for this program. The Company agrees that rebates will not be given under the Self-Directed Custom Efficiency Program for applications with expected paybacks of less than one year or paybacks greater than fifteen years. Rebate levels will be adjusted downward so that no project (with rebates included) has a payback less than one year. The Company agrees to track the expenditures, energy savings, and paybacks associated with each approved project under the Self-Directed Custom Efficiency Program.

4. **Confidentiality of Participant O&M Data.** The Settling Parties understand that, in the absence of a written agreement signed by the Participant authorizing disclosure of the Participant's operations and maintenance savings or expense data ("Participant O&M data"), all such Participant O&M data shall be treated as proprietary and trade secret information that is privileged and highly sensitive. Accordingly, the Company agrees that, while Participant O&M data shall be used to evaluate the cost-effectiveness of all DSM projects and programs that use the custom-efficiency analysis process, Public Service will not include Participant O&M data in its incentive calculations unless it has been authorized to disclose such Participant O&M data by written agreement as set forth above.

In the absence of a written agreement authorizing disclosure of Participant O&M data, the Company agrees to treat Participant O&M data as proprietary and trade secret information that is privileged and highly sensitive and shall not disclose such information except as provided in this paragraph. For the sole purpose of achieving settlement in this proceeding, the Settling Parties agree that the Company may only disclose the results, by cost category, of calculations made using the privileged values, but not the values themselves, by making such results available for inspection by members of the Staff of both the Commission and the Office of Consumer Counsel at the Company's Colorado offices, pursuant to the following procedures. The Company will provide the Participant customer ten (10) business-days notice of the place and time of the inspection and provide the opportunity for a representative of the customer to be present during the inspection. The Company shall maintain a log of the persons, dates, times and documents reviewed. Participant O&M data shall not be disclosed to any

other party or by any other means, except after receipt of written authorization from the Participant. Within forty-five days following the end of each quarter, the Company agrees to provide a report to the Staff of the Commission and the Office of Consumer Counsel on the number and value of rebates spent on measures whose cost effectiveness depends on the Participant O&M data (*i.e.*, the TRC for the measures would be less than one (1) without the Participant O&M data).

5. **Participation by All Classes of Customers.** The parties agree that, with respect to the targeted customer segments (*i.e.*, residential, business, and low-income) and to the breadth of program offerings contemplated for each segment, Public Service's proposed electric and gas DSM portfolios, as set forth in the DSM Plan as amended by this Stipulation, have been designed to afford all classes of customers an opportunity to participate as required by §§ 40-3.2-103 and 40-3.2-104, C.R.S.

6. **Energy and Demand Savings.** The Settling Parties agree that Public Service shall use its best efforts to achieve at least 175.8 GWh in electric energy savings in 2009 and at least 237.5 GWh in electric energy savings in 2010, both of which exceed the energy savings goals prescribed by the Commission in Decision No.C08-0560 issued in Docket No. 07A-420E. These electric savings include a reduction of approximately 6 GWh each year due to a decrease in the Residential Home Lighting Program's Net-to-Gross ratio from .93 to .83 as explained in Appendix A. The Settling Parties also agree that the Company shall use best efforts to achieve at least 58 MW and 75 MW in demand reductions in 2009 and 2010, respectively, from its proposed electric energy efficiency programs and from its expanded Saver's Switch

program.¹ These demand reductions equal the demand reduction goals prescribed by the Commission in Decision No.C08-0560 issued in Docket No. 07A-420E.

The Settling Parties further agree that the Company shall use its best efforts to achieve natural gas savings of at least 318,141 Dth and 402,808 Dth for 2009 and 2010, respectively. The Settling Parties request that the Commission approve these levels of gas savings, in combination with actual gas program expenditures to calculate dekatherms saved per dollar expended, as the energy targets that may be used in the future by the Company for the purpose of calculating a bonus under Rules 4754 and 4760.

7. **2009 and 2010 DSM Budgets.** The Settling Parties agree to recommend that the Commission approve a total electric DSM portfolio budget for 2009 of \$50,818,284, and for 2010 of \$63,650,147, and a total gas DSM portfolio budget for 2009 of \$12,628,529 and for 2010 of \$16,516,364, including the increases to both the electric and gas budgets referenced in Paragraph 2 above and specified in Appendix A. The Settling Parties agree that the Company's proposed 2009-2010 DSM Biennial Plan and associated budgets as modified by the Stipulation were developed giving due consideration to the impact of the DSM Plan on non-participants and on low-income customers.

The Settling Parties agree that Public Service shall have flexibility to move budget dollars between specific programs and customer segments within its proposed gas DSM program portfolio and within its proposed electric DSM program portfolio in order to achieve the energy savings and demand reduction goals set forth in the DSM

¹ These expected demand reductions do not include the expected impacts from Public Service's Interruptible Service Option Credit (ISOC) program or the expected impacts from a third-party demand

Plan, provided, however, that the Company shall not reduce the level of spending on low-income DSM programs unless the Company has achieved 100 percent of the forecasted level of participation in such programs.

The Settling Parties agree that so long as the total portfolio of natural gas DSM programs that are implemented by the Company reflects a benefit-cost ratio of at least one (1) calculated as provided in §40-1-102(5) C.R.S., there shall be a rebuttable presumption that actual expenditures within 125% of the approved gas budget for any given plan year are reasonable and prudent. The Settling Parties agree that so long as the total portfolio of electric DSM programs that are implemented by the Company reflects a benefit-cost ratio of at least one (1) calculated as provided in §40-1-102(5) C.R.S., there shall be a rebuttable presumption that actual expenditures within 115% of the approved electric budget for any given plan year are reasonable and prudent. The Company shall not be precluded from spending amounts in excess of these limits. However, if the Company's total expenditures in any year exceed 125% of the total approved gas DSM portfolio budget or 115% of the total approved electric DSM portfolio budget, the Company shall have the burden of going forward and the burden of proof with respect to the reasonableness and prudence of any expenditures exceeding 125% of any specific gas DSM program budget or 115 % of any specific electric DSM program budget.

The Settling Parties agree that the company shall file an Advice Letter within sixty (60) days following issuance of a final Commission order approving this Stipulation that proposes to amend the electric and gas DSMCA tariffs to incorporate in the tariffs a process whereby the Company's DSMCA filings would be allowed to take effect by

response contract, both of which have been addressed in separate dockets.

operation of law while a separate adjudicatory proceeding is initiated annually following the April 1 DSMCA filing by the Commission to review the prior year's DSM expenditures for reasonableness and prudence. The Settling Parties agree that the Commission should initiate such a prudence review proceeding automatically if the Company's total expenditures in any year exceed 125% of the total approved gas DSM portfolio budget or 115% of the total approved electric DSM portfolio budget. If the budgets are not exceeded, the Settling Parties agree that the Commission should initiate a prudence review proceeding if, after allowing interested persons an opportunity to comment, the Commission believes that an investigation into the reasonableness and prudence of Public Service's DSM expenditures is warranted. In any such prudence review proceeding, the presumptions and burdens of going forward and proof discussed in the paragraph above shall apply. If the Commission determines in a prudence review proceeding that a portion of the Company's DSM expenditures should not be recovered from customers, the next April 1 electric or gas DSMCA filing, as applicable, shall be adjusted as appropriate to reflect that decision.

8. Technical Assumptions and Cost Benefit Calculations. The Settling Parties agree that the technical assumptions set forth in Appendix B attached hereto are reasonable for the purposes of:

- Developing a forecast of annual DSMCA expenditures associated with the Company's electric and gas DSM portfolios in 2009 and 2010;
- Establishing overall annual energy savings targets for 2009 and 2010 for the Company's gas DSM portfolio;² and

² The Commission established electric energy savings goals for the Company in Decision C08-0560 in Docket No. 07A-420E.

- Determining savings achieved in 2009 and 2010 based on the actual project completions in each calendar year, where such savings are compared to the overall annual portfolio energy savings goals as established by the Commission in Docket No. 07A-420E for the Company's electric DSM portfolio and as established in this proceeding for the gas DSM portfolio, when calculating the electric DSM financial incentive pursuant to Decision Nos. C08-0560 and C08-0769 issued by the Commission in Docket No. 07A-420E and in support of an application for a bonus under Rule 4760.

The Settling Parties agree that for purposes of calculating the gross savings associated with each of the prescriptive gas or electric DSM program measures offered as part of the gas and electric DSM portfolios, Public Service shall use the technical assumptions relating to the energy savings calculations for such measures actually installed during calendar years 2009 and 2010. Such savings shall be referred to as "deemed savings."

The Settling Parties agree that the Company shall use the technical assumptions set forth in Appendix B relating to incremental customer O&M savings (for prescriptive measures only), customer O&M costs (for prescriptive measures only), incremental customer capital costs (for prescriptive measures only), net-to-gross ratios, and the deemed savings formulas and other technical assumptions set forth in Appendix B for purposes of determining program and portfolio cost effectiveness and for calculating annual portfolio net economic benefits based on measures actually installed during calendar years 2009 and 2010.

The Settling Parties agree that, for purposes of determining program and portfolio cost effectiveness and for calculating annual portfolio net economic benefits based on measures actually installed during calendar years 2009 and 2010, Public Service shall use the avoided cost assumptions set forth in Appendix E attached to the DSM Plan.

The Settling Parties agree that Public Service shall use the methodology described in the Direct Testimony of Company witness Jeremy Petersen for purposes of determining DSM portfolio and program cost-effectiveness based on measures actually installed during calendar years 2009 and 2010. Accordingly, Public Service shall use this same methodology for calculating the net economic benefit associated with DSM measures actually installed during calendar years 2009 and 2010.

9. **DSMCA Tariffs.** The Settling Parties agree to recommend that the Commission should grant waivers from its Gas DSM Rules to allow for changes to the gas DSMCA every six months in accordance with the following filing schedule:

- April 1 filings for gas DSMCA rates to be effective July 1, to recover DSM costs for programs that were implemented prior to January 1, 2009; Gas Bonus; and reconciliation of deferred balances from previous calendar year
- October 1 filings for gas DSMCA rates to be effective January 1 to recover current period DSM costs for the calendar year beginning the same January 1.

The Settling Parties agree that Public Service shall file in compliance with the Commission decision in this proceeding a gas DSMCA tariff, Sheets 42 to 42C, that

conform to the pro forma tariff attached to this agreement as Appendix C, effective January 1, 2009.

The Settling Parties further agree to recommend to the Commission that it authorize the Company to implement changes in the gas DSMCA rates as set forth, for illustrative purposes, on Sheet 42D of the gas DSMCA tariff attached to this agreement as Appendix C. The Settling Parties recognize that the actual gas DSMCA percentage rider will be calculated to recover the 2009 gas DSM portfolio budget based on the rates that are approved to take effect as a result of the Commission's final order in Docket No. 08S-146G. The Settling Parties agree to recommend to the Commission that it authorize the Company to implement changes in the electric DSMCA rates as set forth on Sheet 107C of the electric DSMCA attached to this agreement as Appendix D. The Settling Parties recognize that rates included in the electric tariff sheets were designed to recover \$48,713,284, which was the electric DSM budget as proposed in the Application, less the portion of those costs currently being recovered in base rates (\$2,216,921). Public Service shall be permitted to include in its April 1, 2009 DSMCA tariff filings the additional budget amounts for 2009 agreed to as set forth in Appendix A.

10. **DSM Roundtable Meetings.** The Company agrees to conduct quarterly DSM roundtable meetings in 2009 and will review this schedule with the parties for 2010. These meetings shall be open to all persons interested in the Company's DSM activities. Public Service shall provide quarterly written updates to all persons on the DSM Roundtable Distribution List as set forth in Paragraph 11. The Company agrees to post the agendas for such roundtables meetings and all quarterly updates on the Xcel Energy website.

11. **Reporting Requirements.**

a. **Quarterly Updates.** The Company agrees to file with the Commission in this docket and to provide to all persons on the DSM Roundtable Distribution List, within forty-five days following the end of each quarter, written quarterly updates, describing the implementation status for all programs included in the DSM Plan, including the energy and demand savings achieved, and expenditures made by program, and any changes in the way a program is being implemented.

b. **Annual Reports.** On or before April 1 following the end of each year of the Biennial Plan, the Company shall file an annual report of the results achieved during the previous plan year in total and by program, including achieved energy and demand savings , avoided annual and cumulative CO2 and SOx emissions in metric tons, actual expenditures, expenditures expressed in terms of \$/kwh over the lifetime of the measures installed, and net economic benefits achieved.

12. **Evaluation, Measurement & Verification Plan.**

a. **On-Going Measurement & Verification.** The Settling Parties agree that the Company's proposal for on-going measurement and verification ("M&V") as described generally in the Direct Testimony of Ms. Suzanne Doyle and in the Plan Documentation is reasonable and should be approved by the Commission. However, the parties also recognize that the Company is continuing to develop the specific activities that will be undertaken to measure and verify energy savings for particular programs. The Company agrees to provide a detailed description of the M&V plan for each DSM program to all Settling Parties within 30 days after such plan is finalized.

The Company will report any modifications made to its M&V plans in its written quarterly updates referenced in Paragraphs 11(a) above.

b. **Comprehensive Program Evaluations.** In addition to the ongoing measurement and verification described in the plan, the Settling Parties agree that Public Service shall conduct comprehensive program evaluations of three or four specific programs each year. The comprehensive program evaluations of particular programs will be staggered over a number of years. The principal purposes of comprehensive program evaluations are to assess customer satisfaction with the DSM program being evaluated, and to assess changes that should be made to technical assumptions, net-to-gross (NTG) ratios and program processes based on the evaluator's own research as well as a thorough review of industry-wide and the Company's current processes, technical assumptions and NTG ratios. If, as a result of a comprehensive program evaluation that is completed prior to December 31, 2009, the evaluator recommends changes to any technical assumptions, NTG ratios, or program processes, the Company shall implement such changes for purposes of its DSM activities undertaken during 2010. The Settling Parties understand that such changes shall not affect the calculation of achieved savings and net economic benefits for 2009.

The Settling parties recognize that the Company is currently conducting a comprehensive evaluation of the Business Lighting Program. The Company agrees that it shall plan to conduct Comprehensive Program Evaluations of the following programs during 2009, 2010, and 2011:

2009: Residential Home Lighting

Residential Saver's Switch

Business New Construction

Business Cooling

2010: Residential Evaporative Cooling

Business Motors

Business Recommissioning

Business and Residential Customer Behavior Change Program

2011: Low-Income Single Family Weatherization

Business Boiler Efficiency

Business Self-Directed Custom Efficiency

Residential Energy Star Retailer Incentive Program

The Company agrees to provide the non-confidential portion of all Comprehensive Program Evaluations to all persons on the DSM Roundtable Distribution List. The Company will also consult with interested parties at the scheduled roundtable meetings regarding suggested changes to the programs that are proposed to be included as part of the comprehensive evaluation performed during 2010 and 2011.

IV. GENERAL PROVISIONS

The Settling Parties agree to join in a motion that requests the Commission to approve this Stipulation and to support this Stipulation.

This Stipulation is a negotiated compromise of issues raised in this proceeding relating to the Company's proposed gas and electric DSM plan for calendar years 2009 and 2010, the proposed changes to the electric and gas DSMCA to become effective January 1, 2009, and the requested waivers of the Commission's Gas DSM Rules. By

signing this Stipulation and by joining the motion to adopt the Stipulation filed with the Commission, the Settling Parties acknowledge that they pledge support for Commission approval and subsequent implementation of these provisions.

Nothing in this Stipulation shall bind any of the Settling Parties with respect to any position such party may take in any subsequent biennial DSM Plan proceeding before this Commission. This Stipulation shall not become effective until the issuance of a final Commission Order approving the Stipulation, which Order does not contain any modification of its terms and conditions that is unacceptable to any of the Settling 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 Docket No. 08A-366EG. The withdrawing Party shall notify the Commission and the Parties to this Stipulation by e-mail within five business days of the Commission's final order modifying the Stipulation 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 five business days of the date of the Hearing Notice from the first withdrawing Party, all Settling 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 Settling

Parties shall file with the Commission a formal notice containing the list of issues that shall proceed to hearing and the list of 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.

The Settling Parties agree that 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.

Approval by the Commission of this Stipulation shall constitute a determination that the Stipulation represents a just, equitable and reasonable resolution of all issues that were or could have been contested among the Settling Parties in the above-captioned proceeding. The Settling Parties state that reaching Stipulation in this docket by means of a negotiated settlement is in the public interest and that the results of the compromises and settlements reflected by this Stipulation are just, reasonable and in the public interest.

All Settling Parties have had the opportunity to participate in the drafting of this Stipulation. There shall be no legal presumption that any specific Settling Party was the drafter of this Stipulation.

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

Dated this ____ day of October, 2008.

PUBLIC SERVICE COMPANY OF
COLORADO

By: _____

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

Agent for Public Service
Company of Colorado

APPROVED AS TO FORM:

By: _____

Ann E. Hopfenbeck #15460
Ducker, Montgomery, Aronstein
& Bess, P.C.
c/o Xcel Energy Services Inc. 1225
17th Street, Suite 900
Denver, CO 80202
Telephone: (303) 294-2059
Fax: (303) 294-2988

Attorney for Public Service
Company of Colorado

STAFF OF THE PUBLIC UTILITIES
COMMISSION

By: _____

Ronald E. Davis
1560 Broadway, Suite 250
Denver, CO 80202

Principal Economist-
Colorado Public Utilities Commission

APPROVED AS TO FORM:

JOHN W. SUTHERS
Attorney General

By: _____

Anne Botterud, #
First Assistant Attorney General
Business and Licensing Section
1525 Sherman Street, 5th Floor
Denver, Colorado 80203
Telephone: (303) 866-5295
Fax: (303) 866-5395

Attorney for Staff of the
Colorado Public Utilities Commission

COLORADO OFFICE OF CONSUMER
COUNSEL

BY: _____
P.B. Schechter
Rate/Financial Analyst
Office of Consumer Counsel
1580 Logan Street, Suite740
Denver, CO 80203
(303) 894-2124

APPROVED AS TO FORM

BY: _____
Christopher M. Irby, 35778
Assistant Attorney General
Office of the Attorney General
1525 Sherman Street, 5th Floor
Denver, Colorado 80203
(303) 866-5441
(303) 866-5342 (Fax)

ATTORNEYS FOR THE COLORADO
OFFICE OF CONSUMER COUNSEL

Appendix A

Program Changes Agreed to By Public Service

a. **Residential Air Conditioning Program.** In addition to those programs identified in the DSM Plan as originally filed, the Company agrees to evaluate residential Air Conditioning program options during the first four months of 2009, including incentives for proper cooling sizing, high efficiency (SEER) central air conditioning units, air source heat pumps, and quality installation including tight/right-sized duct installation, and to implement a residential Air Conditioning Program by June 2009. The Company will file an amendment to the DSM Plan for informational purposes in this docket on or before May 1, 2009, describing the Residential Air Conditioning Program, including 1) Proposed Budget and Goals, 2) Application Process, 3) Marketing objectives, goals and strategy, 4) Program-Specific Policies, 5) Stakeholder Involvement, 6) Evaluation, Measurement & Verification Plan, 7) Rebate Levels and 8) Technical Assumptions. The Company shall also provide the Benefit-Cost Analysis for the program for 2009 and 2010. The Settling Parties agree that the 2009 and 2010 DSM budgets shall be increased by \$ 1.22 million and \$ 2.15 million, respectively, based on the Company's goal of paying 2,000 rebates in 2009 and 4,000 rebates in 2010.

As part of the development of the Residential Air Conditioning Program described above, the Company agrees that it will work in good faith with designated representatives of the EEBC and GEO to evaluate modifications to the Central Air Conditioner Tune-Up Program that would allow it to successfully re-launch this program in June 2009 and meet a TRC of at least 1.0. The EEBC agrees to provide the

Company with access to any updated information it may have regarding energy savings associated with A/C tune-up and to provide the Company with a proposal for contractor training and program promotion to be provided by the industry that would support the successful implementation of this program. If the EEBC and the Company are able to reach agreement regarding re-design of the Residential Air Conditioning Tune-Up Program, Public Service will file an amendment to the DSM Plan for informational purposes in this docket by May 1, 2009 describing the Residential Air Conditioning Tune-Up Program, including 1) Proposed Budget and Goals, 2) Application Process, 3) Marketing objectives, goals and strategy, 4) Program-Specific Policies, 5) Stakeholder Involvement, 6) Evaluation, Measurement & Verification Plan, 7) Rebate Levels and 8) Technical Assumptions. The Company shall also provide the Benefit-Cost Analysis for the program for 2009 and 2010. If the Residential Air Conditioning Tune-Up Program is added to the DSM Plan, the Settling Parties agree that the 2009 and 2010 budgets for the electric DSM portfolio shall be increased by \$ 150,000 and \$ 250,000, respectively.

b. **Evaporative Cooling.** In order to ensure that the Residential Air Conditioning Program does not adversely impact the proposed Evaporative Cooling Rebate Program, the Company agrees to expand this program by offering higher rebates for whole-house systems in 2009 and by evaluating broader marketing and builder/customer adoption strategies to be implemented by June 1, 2009. Builders will be eligible for rebates under the Company's Evaporative Cooling program. The Settling Parties agree that the 2009 and 2010 DSM budgets shall be increased by \$ 280,000 and \$ 365,000, respectively, to accommodate the expansion of the Evaporative Cooling Rebate Program.

c. **Energy Efficient Showerhead Program.** During the first quarter of 2009, Public Service agrees to evaluate modification of its Energy Efficient Showerhead Program to promote the use of low-flow showerhead with a flow rate of 1.5 gallons per minute rather than a showerhead with a flow rate of 2.0 gallons per minute as originally proposed and to implement such a modification during 2009 provided that the Company is able to identify units with a flow rate of 1.5 gallons per minute that can be obtained for a cost of \$13.00 per unit or less and provide adequate quality. So long as the Company can obtain 1.5 gpm showerheads for \$13.00 per unit or less it shall also include such showerheads in its Easy Savings Energy Kits available to low-income customers and in its School Education Kits. If the Company is unable to obtain 1.5 gpm showerheads for \$13.00 per unit or less, the Company may, in its discretion, choose to scale back participation levels in the Energy Efficient Showerhead Program and in the Easy Savings Energy Kit Program to allow it to promote the higher cost 1.5 gpm showerhead without a significant increase in the overall budget for these programs or it promote the 2.0 gpm showerheads through these programs and maintain participation rates as originally forecast.

d. **School Education Kits.** The Company agrees to expand participation in the School Education Kits Program to 15,000 participants during 2010. The Settling Parties agree that the 2010 DSM electric and gas budgets shall be increased by \$ 385,000 and \$ 388,000, respectively, to accommodate this expansion of the School Education Kit Program.

e. **Residential Home Lighting.** The Company agrees that the net-to-gross ratio to be used in calculating net energy savings associated with the Residential

Home Lighting program shall be .83 and have reduced the net savings goal for 2009 and 2010 by approximately 6 GWh each year to reflect this change.

f. **Research on Emerging Technologies and New Product Development.** The Company agrees to increase the budget provided for research on emerging technologies and new program development by \$250,000 for each year of the 2009-2010 DSM Biennial Plan. Of this \$250,000 increase, \$175,000 will be included in the updated electric DSM portfolio budget and \$75,000 will be included in the updated gas DSM portfolio budget.

g. **Home Performance with ENERGY STAR Program.** Prior to launching this program in the first quarter of 2009, the Company agrees to evaluate the following modifications to the Home Performance with ENERGY STAR Program: 1) extending the period within which the customer must complete the required and optional installations under this program from six months to up to two years, 2) requiring a blower door test as part of the initial Home Performance audit for homes meeting specifically defined criteria, and 3) to allow rebates to be given to customers as each measure is implemented. If both or either of these changes can be implemented without lowering the Program's TRC below a value of 1 and the EEBC and the Company are able to reach consensus regarding the criteria for when a blower door test will be required, Xcel Energy will incorporate such changes in its Home Performance with ENERGY STAR Program.

h. **ENERGY STAR New Homes Program.** Prior to launching this program on March 1, 2009, the Company agrees to re-evaluate the program design, including rebate levels, HERS ratings incentives, use of multiple HERS rating vendors

and providers, and Measurement and Verification. The Company agrees to work in good faith with EEBC, GEO, and any others of the Settling Parties who desire to participate, in evaluating and finalizing the program. Provided that a consensus can be reached regarding the redesign of this Program prior to March 1, 2009, the Company agrees to implement the agreed upon changes and will file an amendment to the DSM Plan for informational purposes in this docket, reflecting such changes by May 1, 2009. If consensus is not reached prior to the March 1, 2009 deadline for program launch, the Company will implement this Program as originally filed.

i. **Insulation Rebate Program.** The Company agrees to extend eligibility for rebates under the residential insulation rebate program to electric only customers by the third quarter of 2009 if such an extension can be accomplished in a manner that meets a TRC of at least 1.

j. **Coordination with local communities and other governmental agencies.** In implementing its DSM programs, the Company agrees to use its best efforts to coordinate its efforts with those of local communities and other governmental agencies of which it is aware that have developed similar energy savings efforts. The Company shall encourage contractors that it hires to implement its DSM programs across multiple local jurisdictions to work with local contractors that are qualified to perform the work and whose rates are competitive.

k. **Certification Standards.** The Company agrees to require that all contractors or vendors providing home energy audits under the Residential Home Energy Audit, ENERGY STAR New Homes, or Home Performance with ENERGY STAR programs have RESNET and/or BPI certifications. The Company agrees to work

in good faith with the EEBC, the GEO, and any other interested party to establish certification standards for contractors and analysts who will be providing energy efficient services under programs where rebates will be provided.

Appendix B
Technical Assumptions

Appendix C

Gas DSMCA Tariff, Sheets 42 – 42D

Appendix D

Sheet 107C of Electric DSMCA Tariff