

**XCEL ENERGY LEAST-COST RESOURCE PLAN PROPOSED SETTLEMENT
12-03-04**

Demand-Side Management

30. In order to achieve energy efficiency to provide a hedge against volatile gas prices and against uncertain future emission regulation, in order to reduce total system costs, and in accord with section 14 of the CEC Settlement, Public Service shall use its best efforts to acquire, on average, 40 MW of demand reduction and 100 GWh of energy savings per year from cost-effective Demand-Side Management (“DSM”) programs over the period beginning January 1, 2006 and ending December 31, 2013, so that by January 1, 2014 the Company will have achieved a cumulative level of 320 MW of total demand reduction and 800 GWh of annual energy savings. Notwithstanding the foregoing, Public Service’s actual annual demand reductions and energy savings during this period may vary from these annual averages. The Company shall expend \$196 million (2005 dollars) to meet such demand reductions and energy savings unless these demand reductions and energy savings are achieved with a lower level of expenditures. The DSM demand reductions and energy savings required by this paragraph shall include the demand reductions and energy savings achieved by Public Service through bidding under the 2003 LCP. The Company shall strive to develop and implement a set of DSM programs that give all classes of customers an opportunity to participate. As part of this effort, the Company will attempt to develop for residential and commercial customers some programs that concentrate on reduction in peak demand and some programs that concentrate on reduction of energy usage. All DSM programs implemented under

this Comprehensive Settlement Agreement, outside of bidding under the 2003 LCP, shall be required to pass the Total Resource Cost test. All DSM programs selected in the 2005 All-Source Evaluation will be part of the portfolio that minimizes the net present value of rate impacts.

31. The Company shall perform a market study to determine, generally, levels of efficiency available for various customer classes and the costs associated with such measures, and whether such levels of DSM are cost-effective and available in Colorado. Public Service agrees to involve other stakeholders in the design of the market study and the review of the contractor summary results. The market study shall not exceed \$2 million in cost. Public Service shall complete the market study as expeditiously as practicable, but no later than March 31, 2006.

32. Public Service further commits to conduct program-specific market and load research and ongoing measurement and verification for each DSM measure as appropriate, ranging from random audits to project-based reviews for the more customized measures. Public Service will conduct an impact and process evaluation that assesses the amount of energy and demand savings from each program and evaluates the functional efficiency and customer satisfaction with each program. Public Service will spend up to an additional \$2 million on these evaluation efforts. The \$4 million spent on the market study and the evaluation efforts shall be included in the \$196 million cap and shall be recoverable through the Demand Side Management Cost Adjustment ("DSMCA") clause.

33. Public Service shall be entitled to continue to fully recover its expenses and investment associated with existing DSM programs under the Company's 1999 Integrated Resource Plan under the terms and conditions of the Company's current DSMCA, which include a five year amortization period for DSM investment.

34. For the DSM programs contemplated by this Comprehensive Settlement Agreement, Public Service shall be entitled to fully recover its expenses and investment associated with these new programs under the terms and conditions of the Company's current DSMCA, except that the Company's investment in DSM measures shall be amortized over an 8 year period instead of a 5 year period. All DSM investments associated with contracts signed after December 31, 2005 shall be considered to be investments subject to the 8 year amortization period. Further, the Company shall be entitled to make an out-of-period adjustment in its 2006 rate case filing to capture the annualized effect of incremental increases in internal labor, benefits and other employee-related costs associated with implementing this expanded DSM program through 2006. The Company shall include no more than 18 full-time-equivalent employees in this out-of-period adjustment. These incremental labor and employee-related costs shall be included in the \$196 million cap discussed in prior paragraphs.

35. Within three months of completing the market study described in paragraph 31 above, but no later than July 1, 2006, the Company shall file an application with the Commission to open a docket to address the provision of DSM by Public Service above and beyond the levels provided by existing

programs and by this Comprehensive Settlement Agreement.¹ The Company acknowledges that in the DSM docket initiated pursuant to this paragraph, the Commission may examine for future DSM programs beyond the levels set forth in this Comprehensive Settlement Agreement, among other issues, 1) whether the Company's expenses should be recovered through a rider and 2) the appropriate amortization period for recovery of DSM investment.

36. Public Service shall file with the Commission with its annual DSMCA filing a report on the DSM expenditures, energy savings, and peak demand reduction achieved by the programs for the past year. Public Service shall also file with the Commission with its annual DSMCA filing the results of the impact and process evaluations² that were conducted in the past year.

37. Public Service shall establish and maintain a DSM working group that shall meet at least twice a year. The DSM working group shall be open to all interested persons and shall provide input to Public Service in DSM program design, analysis and other issues relevant to helping the Company meet or exceed the minimum energy savings and peak demand reduction levels. Public Service shall provide to the members of the DSM working group copies of all DSM filings it makes with the Commission.

¹ The Company has agreed in section 14(D) of the CECF Settlement to advocate in the subsequent Commission DSM proceedings, among other things, for use of the Total Resource Cost test and for financial incentives for Company acquisition of DSM. The Parties to this Comprehensive Settlement Agreement who are not signatories to the CECF Settlement are not bound by these terms of the CECF Settlement and fully reserve their rights to advocate for their interests in the subsequent DSM docket.

² Public Service shall conduct impact and process evaluations at the conclusion of each program.

38. The Parties do not agree among themselves as to whether the Commission must grant the Company a waiver from the Commission's Least-Cost Resource Planning Rules to accomplish the DSM commitments set forth in this Comprehensive Settlement Agreement. The Parties are not asking the Commission for a specific ruling on whether a waiver is required. However, to the extent that a waiver is required, the Parties agree that the public interest would be served by the Commission granting such a waiver.