

**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) DOCKET NO. _____E
FOR APPROVAL OF ITS 2011 ELECTRIC)
RESOURCE PLAN)**

DIRECT TESTIMONY OF TIMOTHY J. CARTER

ON

BEHALF OF

PUBLIC SERVICE COMPANY OF COLORADO

OCTOBER 31, 2011

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II. PURPOSE OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?

A. The purpose of my testimony is to present information regarding the appropriateness of utilizing a Price Volatility Mitigation Adder (“PVM Adder”) in evaluating bids submitted in the 2011 Electric Resource Plan that utilize natural gas as a primary fuel source and how the PVM Adder is developed. In addition, I will explain fuel oil requirements for bids that include an option for fuel oil backup in lieu of firm natural gas transport.

III. PVM ADDER

Q. WHY DOES THE COMPANY INCORPORATE A PVM ADDER INTO ITS RESOURCE SELECTION PROCESS?

A. The Company incorporates a PVM Adder in its resource evaluation process to account for the volatile nature of natural gas prices as compared to the fixed pricing typically associated with other resource options such as wind or solar.

Q. HOW IS THE PVM ADDER CALCULATED?

A. The PVM Adder is calculated by taking the average premium cost of an “at the money” Henry Hub call option for years 2012-2021.

Q. HOW IS THE PVM ADDER APPLIED IN THE RESOURCE EVALUATION PROCESS?

A. The PVM adder, represented in units of \$/MMBtu, is added to the delivered price of natural gas for every year of the 2011-2050 planning period.

Q. HAS THE COMPANY USED THIS METHODOLOGY BEFORE?

1 A. Yes, the Company used this same basic methodology in the 2007 Colorado
2 Resource Plan (Docket No. 07A-447E) and in the Clean Air Clean Jobs Act
3 proceeding (Docket No. 10M-245E).

4 **IV. FUEL OIL REQUIREMENTS**

5 **Q. WHAT ARE THE MINIMUM STORAGE CAPACITY REQUIREMENTS FOR**
6 **A PLANT WISHING TO OFFER FUEL OIL AS A BACK-UP SUPPLY**
7 **OPTION?**

8 A. The minimum storage capacity requirements for natural gas fired plants that
9 elect to offer fuel oil back-up as part of their bid are currently being evaluated
10 and will be published in the report that is described in Mr. Dallinger's
11 testimony.

12 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

13 A. Yes, it does.

Timothy J. Carter

Statement of Qualifications

I graduated from the College of St. Thomas in St. Paul, Minnesota, in 1986 with a Bachelor of Arts Degree in Accounting and from the University of Denver in Denver, Colorado, in 2010 with a Master of Business Administration.

I am currently employed as the Director of Gas Supply for Xcel Energy Service Inc.'s Gas Supply group in Denver, Colorado. This group is responsible for the acquisition of natural gas and fuel oil for all of Xcel Energy's gas fired power plants and tolling arrangements and the acquisition of natural gas supplies for system supply customers on the Public Service and NSPM and NSPW distribution systems. In addition, the Gas Supply group is responsible for implementing the natural gas hedging programs for Public Service, NSP-M and NSP-W.

I began my career in the natural gas industry in 1992, as a Gas Accountant with Centran Corporation. In 1993, Centran Corporation was acquired by Northern States Power (NSP) and became its non-regulated marketing organization called Centerprise. From 1993 to 1999, I held various positions of increasing responsibility with Centerprise in the areas of risk management and natural gas operations. In 1999, I moved to NSP as Manager of Gas Operations. In August 2000, with the merger of New Century Energies and NSP to form Xcel Energy, I accepted the position of Manager, Gas Supply for the Mid-Continent region and was responsible for the gas acquisition, nominations and gas accounting for the regulated subsidiaries of NSPM and NSPW. In 2004, I was promoted to my current position, Director of Gas Supply.

I have filed testimony with the Colorado Public Utilities Commission, Public Utility Commission of Texas and the New Mexico Public Regulation Commission and have testified before the Colorado Public Utilities Commission and the New Mexico Public Regulation Commission.