

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

* * * * *

IN THE MATTER OF THE)
APPLICATION OF PUBLIC SERVICE)
COMPANY OF COLORADO FOR)
APPROVAL OF ITS 2016 ELECTRIC) PROCEEDING NO. 16A-0396E
RESOURCE PLAN)
)

SUPPORTING TESTIMONY AND ATTACHMENTS OF DAVID L. EVES

ON

BEHALF OF

PUBLIC SERVICE COMPANY OF COLORADO

AUGUST 29, 2017

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

* * * * *

**IN THE MATTER OF THE)
APPLICATION OF PUBLIC SERVICE)
COMPANY OF COLORADO FOR)
APPROVAL OF ITS 2016 ELECTRIC) PROCEEDING NO. 16A-0396E
RESOURCE PLAN)
)**

SUMMARY OF THE SUPPORTING TESTIMONY OF DAVID L. EVES

Mr. David L. Eves is President of Public Service Company of Colorado. As president of Public Service, he is responsible for the Company's overall operations. In his testimony, Mr. Eves provides support for the Stipulation Agreement ("Stipulation") filed on August 29, 2017 by the 15 Stipulating Parties¹ representing a diversity of interests. The Stipulation sets forth general parameters for the presentation of the "Colorado Energy Plan Portfolio" in the Phase II process of the Company's 2016 ERP (in addition to consideration of the two resource need scenarios required by the Phase I Decision (i.e., the 0 MW need scenario and the updated demand forecast need scenario)), and a framework for the subsequent

¹ The Stipulating Parties are Public Service, the Colorado Public Utilities Commission Staff ("Staff"), the Colorado Office of Consumer Counsel ("OCC"); the Colorado Energy Office ("CEO"); the City of Boulder ("Boulder"); Climax Molybdenum Company ("Climax"); the Colorado Energy Consumers Group ("CEC"); Colorado Independent Energy Association ("CIEA"); the Colorado Solar Energy Industries Association ("COSEIA"), Interwest Energy Alliance ("Interwest"); Invenergy, LLC ("Invenergy"); Southwest Generation Operating Company, LLC ("SWG"); Rocky Mountain Environmental Labor Coalition and Colorado Building and Construction Trades Council, AFL-CIO (jointly, "RMELC/CBCTC"); Vote Solar; and Western Resource Advocates ("WRA").

review and implementation of that portfolio. Mr. Eves requests that the Commission find the Stipulation to be in the public interest and approve it.

The Colorado Energy Plan Portfolio is a response to our customers large and small, who have made clear to us that clean energy progress and emissions reduction are important while maintaining reliability and affordability. It is based on a voluntary proposal to retire coal-fired generation early and replace it with certain amounts of utility-owned and IPP-owned eligible energy resources, including wind and solar, and dispatchable and semi-dispatchable resources. The presentation of a Colorado Energy Plan Portfolio is driven by a desire to see if such a portfolio can save money for customers in the long-term on a present value basis by taking advantage of the federal PTCs and ITCs and retiring existing coal-fired generation to, among other things, free up transmission capacity for eligible energy resources.

Additionally, the Colorado Energy Plan Portfolio is based on a voluntary application of a standard of review that requires the Colorado Energy Plan Portfolio to keep customers neutral or save customers money on a present value basis. This standard is consistent with and derived from the Executive Order D 2017-015, Supporting Colorado's Clean Energy Transition, issued by Governor John Hickenlooper on July 11, 2017, which discusses maximizing use of renewable energy without increased costs to customers. Mr. Eves testifies that the Executive Order puts in place a more stringent standard of review than the ERP Rules, which require a resource plan to be "cost effective," i.e., the resources included in the resource plan "can be acquired at a reasonable cost and rate impact." The difficult standard of not increasing costs to customers incents bidders in the Phase II

competitive solicitation to sharpen their pencils and bring their very best proposals forward, which in turn buttresses the “competitive spirit” of the Phase II process.

Mr. Eves explains that given the currently available federal tax credits for wind and solar, the recently issued Executive Order, and the upcoming Phase II competitive solicitation process, this is the right time for the Commission to allow for the opportunity to develop and present the Colorado Energy Plan Portfolio. The Colorado Energy Plan Portfolio consists of two primary components for which approval is sought in this ERP Proceeding and, attendant to the Colorado Energy Plan Portfolio, there are three additional approvals the Company plans to seek in separate proceedings to allow for its implementation. Overall, there are five elements of the Colorado Energy Plan Portfolio contemplated by the Stipulation:

1. A proposal to voluntarily retire Comanche 1 (335 MW) by the end of 2022 and Comanche 2 (325 MW) by the end of 2025 if the Colorado Energy Plan Portfolio is approved.
2. Satisfaction of utility ownership targets of: (1) 50 percent of the nameplate capacity of all eligible energy resources, and (2) 75 percent of the nameplate capacity of all dispatchable and semi-dispatchable resources.
3. Acceleration of the depreciation expense for Comanche 1 and Comanche 2 and establishment of a regulatory asset to collect the incremental depreciation expense and related costs. Approval would be sought in a separate proceeding.
4. A reduction in Renewable Energy Standard Adjustment (“RESA”) collections from the current 2% down to 1%, likely beginning in 2021 or

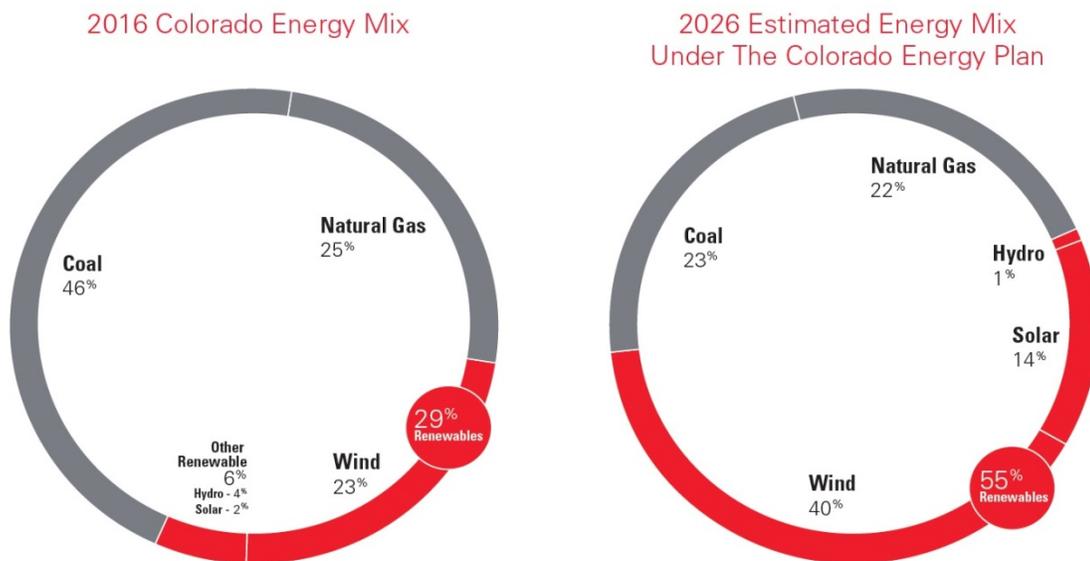
2022. Approval would also be sought in a separate proceeding along with the accelerated depreciation and related approvals.

5. The development of a new switching station on the southern transmission system in Energy Resource Zone-5 (“ERZ-5”) remote from the Comanche Substation. Approval would be sought in a separate proceeding to obtain a Certificate of Public Convenience and Necessity (“CPCN”) for the switching station. This would be a standalone proceeding separate from the application seeking approval of the accelerated depreciation and RESA reduction.

Public Service understands and is sensitive to the fact that the early retirement of Comanche 1 and Comanche 2 will have impacts on certain of its employees and the local economy. Mr. Eves addresses the Company’s commitment to working with Pueblo County, the City of Pueblo, the local community, and customers in this region of Colorado. Conversations have begun and seek to proactively address and develop an economic path forward if and when Comanche 1 and Comanche 2 retire early. Mr. Eves notes that southern Colorado is a strong location for eligible energy resources, with excellent solar and wind resource potential. Given the region’s strength from this perspective, the Company anticipates receiving very competitive solar and wind bids located in southern Colorado in the Phase II competitive solicitation. If Public Service receives the competitive bids anticipated from this region, the most competitive of these bids are likely to be a part of the Colorado Energy Plan Portfolio. These new resources could provide significant benefits to this region.

There will be a loss of tax revenue in the event of the early retirement of Comanche 1 and Comanche 2. Nevertheless, by retiring Comanche 1 and Comanche 2, the Company will free up approximately 660 MW of transmission injection capacity into its system, and the installation of the transmission switching station and any new solar, wind or natural gas generation units in southern Colorado would provide new tax revenues to the local taxation authorities. To the extent multiple generation units are bid and awarded in the Pueblo area, the local authorities may benefit from a significant increase in tax revenues over the next 25 to 40 years.

If proposed and approved, the Colorado Energy Plan Portfolio would continue the growth of renewable energy in the Company's energy mix. As shown in the figure below, the Company's renewables (wind, solar and hydro) could be as much as 55% of our energy mix by 2026, increasing from approximately 30% in 2016:



Mr. Eves also quantifies how a Colorado Energy Plan Portfolio could perform as compared to the carbon emission reduction goals set forth in the Executive Order:

Exec. Order Target		Colorado Energy Plan Portfolio Estimated Result
Economy-wide multi-sector GHG target	26% below 2005 by 2025	Public Service's emissions reductions would achieve about half of the total state economy's reduction need as expressed in tons by 2025. The Company would achieve 18 million short tons of reduction against a goal that requires 35 million short tons of reduction by 2025.
Electric sector CO ₂ target	25% below 2012 by 2025	40% below 2012 by 2025
Electric sector CO ₂ target	35% below 2012 by 2030	45% below 2012 by 2026. Would exceed the 2030 target by ten percentage points.

In sum, the Executive Order provides that “[a]ppropriate state agencies shall work strategically with any interested electric utilities or cooperatives that, on a voluntary basis, would like to maximize its use of renewable energy, while maintaining reliability and without increasing costs to customers.” The Stipulation in this proceeding represents a voluntary attempt by Public Service, in conjunction with a diverse group of stakeholders including Staff, OCC, CEO, industrial customers, IPPs, labor interests, and the environmental community, to do just that.

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

* * * * *

IN THE MATTER OF THE)
APPLICATION OF PUBLIC SERVICE)
COMPANY OF COLORADO FOR)
APPROVAL OF ITS 2016 ELECTRIC) PROCEEDING NO. 16A-0396E
RESOURCE PLAN)
)

DIRECT TESTIMONY AND ATTACHMENTS OF DAVID L. EVES

INDEX

<u>SECTION</u>	<u>PAGE</u>
I. INTRODUCTION, QUALIFICATIONS, AND PURPOSE OF TESTIMONY	13
II. BACKGROUND	17
A. THE STATE OF THE RECORD REGARDING COAL-FIRED GENERATION RETIREMENTS.....	17
B. LEGISLATIVE DISCUSSIONS	22
C. EXECUTIVE ORDER	23
D. DEVELOPMENT OF STIPULATION AGREEMENT WITH PARTIES.....	25
III. THE COLORADO ENERGY PLAN PORTFOLIO	27
A. ENERGY MIX TRANSITION ISSUES.....	30
B. CEP PORTFOLIO COMPONENTS AND RELATED APPROVALS	42
C. VOLUNTARY RETIREMENTS AND RESOURCE NEED.....	44
D. COLORADO ENERGY PORTFOLIO OWNERSHIP PERCENTAGES	48
E. ACCELERATED DEPRECIATION OF COMANCHE 1 AND COMANCHE 2	57
F. RESA REDUCTION TO 1%.....	59
G. ACCELERATED DEPRECIATION AND RESA REDUCTION INTERACTION	62
H. SWITCHING STATION PROPOSAL	63
IV. RESOURCE PLANNING CONSIDERATIONS	68
A. COLORADO ENERGY PLAN EVALUATION APPROACH.....	68

	B.	CPCNs AND COST RECOVERY FOR GENERATION FACILITIES	74
	C.	RULE 3660(H) ISSUES	81
V.		OTHER COLORADO ENERGY PLAN PORTFOLIO ISSUES	85
	A.	TRANSMISSION SYSTEM PERFORMANCE ISSUES	85
	B.	LABOR ISSUES	87
	C.	CO-OWNERS AND WHOLESALE CUSTOMERS	89
VI.		CONCLUSION	91

LIST OF ATTACHMENTS

Attachment DLE-1	Executive Order D 2017-015
Attachment DLE-2	Revised Indicative ERP Phase II Timeline

GLOSSARY OF ACRONYMS AND DEFINED TERMS

<u>Acronym/Defined Term</u>	<u>Meaning</u>
AD/RR	Accelerated Depreciation / RESA Reduction
AFUDC	Allowance For Funds Used During Construction
CACJA	Clean Air Clean Jobs Act
CCPG	Colorado Coordinated Planning Group
CO ₂	Carbon Dioxide
COD	Commercial Operation Date
CPCN	Certificate of Public Convenience and Necessity
CPP	Clean Power Plan
CSG	Community Solar Garden
CWIP	Construction Work In Progress
DG	Distributed Generation
ECA	Electric Commodity Adjustment
EPA	Environmental Protection Agency
ERP	Electric Resource Plan
ERZ	Electric Resource Zone
GDA	Generation Development Area
GHG	Greenhouse Gas
GRSA	General Rate Schedule Adjustment
IPP	Independent Power Producer
ITC	Investment Tax Credit
kW	Kilowatt

kWh	Kilowatt-hour
MLEP	Materially Less Expensive Portfolio
MWh	Megawatt hour
NO _x	Nitrogen Dioxide
PLA	Project Labor Agreement
PTC	Production Tax Credit
Public Service or Company	Public Service Company of Colorado
PVRR	Present Value Revenue Requirement
RAP	Resource Acquisition Period
RE Plan	Renewable Energy Plan
RES	Renewable Energy Standard
RESA	Renewable Energy Standard Adjustment
Retail DG	Retail Distributed Generation
RFP	Request for Proposal
SCR	Selective Catalytic Reduction
SO ₂	Sulfur Dioxide
WACC	Weighted Average Cost of Capital
Xcel Energy	Xcel Energy Inc.
XES	Xcel Energy Services Inc.

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

* * * * *

IN THE MATTER OF THE)
APPLICATION OF PUBLIC SERVICE)
COMPANY OF COLORADO FOR)
APPROVAL OF ITS 2016 ELECTRIC) PROCEEDING NO. 16A-0396E
RESOURCE PLAN)
)

SUPPORTING TESTIMONY AND ATTACHMENTS OF DAVID L. EVES

1 I. **INTRODUCTION, QUALIFICATIONS, AND PURPOSE OF TESTIMONY**

2 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

3 A. My name is David L. Eves. My business address is 1800 Larimer, Suite
4 1100; Denver, Colorado 80202.

5 Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT POSITION?

6 A. I am employed by Public Service Company of Colorado (“Public Service” or
7 “Company”) as President.

8 Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THE PROCEEDING?

9 A. I am testifying on behalf of Public Service.

10 Q. PLEASE SUMMARIZE YOUR RESPONSIBILITIES AND
11 QUALIFICATIONS.

12 A. As President of Public Service, I am responsible for the Company’s overall
13 operations. In this role, I have been engaged in the Company’s 2016 Electric

1 Resource Plan. I have attached a description of my qualifications at the
2 conclusion of my testimony.

3 **Q. WHAT IS THE PURPOSE OF YOUR SUPPORTING TESTIMONY?**

4 A. The purpose of my testimony is to provide support for the Stipulation
5 Agreement (“Stipulation”) filed by Public Service, the Colorado Public Utilities
6 Commission Staff (“Staff”), the Colorado Office of Consumer Counsel
7 (“OCC”); the Colorado Energy Office (“CEO”); the City of Boulder (“Boulder”);
8 Climax Molybdenum Company (“Climax”); the Colorado Energy Consumers
9 Group (“CEC”); Colorado Independent Energy Association (“CIEA”); the
10 Colorado Solar Energy Industries Association (“COSEIA”), Interwest Energy
11 Alliance (“Interwest”); Invenergy, LLC (“Invenergy”); Southwest Generation
12 Operating Company, LLC (“SWG”); Rocky Mountain Environmental Labor
13 Coalition and Colorado Building and Construction Trades Council, AFL-CIO
14 (jointly, “RMELC/CBCTC”); Vote Solar; and Western Resource Advocates
15 (“WRA”) (collectively, “Stipulating Parties”) on August 29, 2017. For the
16 reasons discussed in my testimony, as well as those set forth in the
17 Stipulation itself and the accompanying motion requesting Commission
18 approval of the Stipulation, I am requesting that the Commission find the
19 Stipulation to be in the public interest and approve it.

20 **Q. WHAT IS THE COMPANY REQUESTING IN THIS STIPULATION FILING?**

21 A. The Company and other Stipulating Parties seek an order from the
22 Commission approving the Stipulation, which sets forth general parameters
23 for the presentation of the “Colorado Energy Plan Portfolio,” as described

1 later in my testimony, in the Phase II process of the Company's 2016 ERP (in
2 addition to consideration of the two resource need scenarios required by the
3 Phase I decision (i.e., the 0 MW need scenario and the updated demand
4 forecast need scenario)), and a framework for the subsequent review of that
5 portfolio. A final Commission decision regarding the Stipulation is requested
6 no later than December 31, 2017 in order to provide sufficient time for the
7 Company to prepare its 120-Day Report.

8 **Q. WHAT TYPE OF INFORMATION IS INCLUDED IN YOUR SUPPORTING**
9 **TESTIMONY?**

10 A. My testimony contains two general types of information. First, I address in
11 detail the background leading up to the Stipulation and the specific
12 parameters of the Stipulation itself. Second, throughout my testimony I
13 address what could happen if the Stipulation is approved and we are given
14 the opportunity to develop a Colorado Energy Plan Portfolio based on the
15 bids received in the Phase II competitive solicitation. Much of this information
16 and testimony is based upon projections given we have not yet received bids
17 for generation resources. However, I provide this information to help the
18 Commission understand the potential benefits of the Colorado Energy Plan
19 Portfolio and inform the decision as to whether it should be presented in the
20 120-Day Report.

21 Approval of the Stipulation would give the Commission an opportunity
22 to evaluate a Colorado Energy Plan Portfolio that harnesses the benefits of
23 cost effective renewable generation, which will take advantage of federal tax

1 incentives for customers, while simultaneously providing economic
2 development benefits and business opportunities. The Company anticipates
3 that the overall bill impacts of the Colorado Energy Plan Portfolio will be
4 neutral or will result in savings for customers, on a present value basis, and
5 provide greater price certainty for customers by leveraging the unique
6 opportunity created by the federal production tax credit (“PTC”) and
7 investment tax credit (“ITC”) extension for customers. Moreover, we fully
8 anticipate that the Colorado Energy Plan Portfolio, as I explain in more detail
9 below, would continue to lower the overall emissions of the Public Service
10 generation fleet.

11 **Q. DO YOU HAVE ANY ATTACHMENTS TO YOUR SUPPORTING**
12 **TESTIMONY?**

13 A. Yes. I am sponsoring two attachments: Attachment DLE-1, which is Governor
14 Hickenlooper’s Executive Order D 2017-015, and Attachment DLE-2, which is
15 a revised indicative ERP Phase II timeline.

1 **II. BACKGROUND**

2 **Q. WHAT IS THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY?**

3 A. The purpose of this section of my testimony is to provide the Commission with
4 relevant background leading up to the filing of the Stipulation. Specifically, I will
5 explain why it is appropriate from a public policy perspective for the Commission
6 to consider the resource portfolio described in the Stipulation as the “Colorado
7 Energy Plan Portfolio” based on: (1) the record in this proceeding regarding the
8 consideration of resource portfolios that include the early retirement of coal-fired
9 generation, (2) legislative discussions that took place among elected officials and
10 stakeholders during this past session of the General Assembly; (3) the issuance
11 of Executive Order D 2017-015, Supporting Colorado’s Clean Energy Transition,
12 by Governor John Hickenlooper on July 11, 2017, and (4) the discussions among
13 the parties to this proceeding that resulted in the filing of the Stipulation.

14 **A. The State of the Record Regarding Coal-fired Generation Retirements**

15 **Q. PLEASE PROVIDE SOME BACKGROUND ON THE RECORD IN THIS**
16 **PROCEEDING WITH REGARD TO CONSIDERATION OF RESOURCE**
17 **PORTFOLIOS THAT INCLUDE RETIREMENTS OF EXISTING GENERATION**
18 **RESOURCES.**

19 A. CIEA was the primary party asserting that the Company should develop resource
20 portfolios that include the retirement of existing coal-fired generation. As
21 summarized by the Commission in Decision No. C17-0316 (“Phase I Decision”),
22 “CIEA requests that the Commission direct Public Service to model the
23 acquisition of sufficient additional resources to permit the early retirement of a

1 portion of its existing coal-fired generation resources, if doing so would create
2 savings for customers.”² CIEA further argued that Strategist modeling has
3 previously been used by the Company in past ERP proceedings to examine early
4 retirement of coal-fired generating units.³

5 **Q. HOW DID THE COMPANY RESPOND TO THESE ARGUMENTS?**

6 A. Company witness Ms. Alice K. Jackson responded to these arguments in her
7 rebuttal testimony, and Public Service also responded to these arguments in its
8 Statement of Position. The passage below from Public Service’s Statement of
9 Position summarizes our response to CIEA’s arguments and also provides
10 background on proposed voluntary retirements of coal-fired generation resources
11 considered in the past two ERPs:

12 Like many areas of public utility regulation, the determination of the
13 resource need to be filled in a particular ERP is not always as
14 simple as applying the methodology in Rule 3610. The need for
15 additional generation resources may be the result of customer load
16 growth, as contemplated in Rule 3610, or the result of a reduction
17 in generating resources due to contract terminations or utility
18 proposals to retire existing generation resources (at the end of their
19 useful lives or earlier). These early retirements may be voluntarily
20 proposed by the utility or brought forward due to regulatory issues
21 or directives from the General Assembly. For example, in the 2007
22 ERP the Company voluntarily brought forward a proposal to retire
23 certain Company-owned coal-fired generation resources and
24 replace the capacity with a Company-owned gas-fired generation
25 resource. The Commission explicitly recognized, however, that this
26 proposal and filling the resource need created by the proposed
27 retirements required “additional determinations in addition to the
28 ERP Rule requirements” The Commission granted Public
29 Service’s request to retire the coal-fired generation resources, and
30 the Commission approved utility ownership of the replacement

² Decision No. C17-0316, at ¶ 50 (mailed Apr. 28, 2017).

³ Decision No. C17-0316, at ¶ 50 (mailed Apr. 28, 2017).

1 capacity. A Phase II competitive solicitation was also conducted to
2 fill the incremental resource need in that proceeding.
3

4 Similarly, the resource need filled in the 2011 ERP was not just
5 limited to the incremental resource need derived from the Rule
6 3610 methodology. Two coal-fired generation resource retirements
7 and the replacement of the associated capacity were at issue in
8 that proceeding stemming from the requirements of HB 10-1365,
9 known as the Clean Air-Clean Jobs Act (“CACJA”). The
10 Commission ultimately approved the retirement of Arapahoe 4, a
11 coal-fired generation resource, in the 2011 ERP, and the
12 Company’s proposal to enter into a power purchase agreement
13 (“PPA”) with an independent power producer (“IPP”) to replace this
14 capacity (as well as a natural gas sales agreement). The proposal
15 to replace the Company-owned Arapahoe 4 unit with a PPA was
16 proposed by Public Service through a standalone application, which
17 was eventually consolidated with the 2011 ERP proceeding.
18

19 Both of these prior instances involved proposals by the Company to
20 retire and replace utility-owned generation resources. No prior ERP
21 has involved a “bottoms up” look at the existing generation fleet
22 mandated by the Commission, where existing utility-owned and
23 IPP-owned resources not slated for retirement or contract
24 expiration within the RAP are evaluated for potential early
25 retirement or termination and replacement *sua sponte* by the
26 Commission. This type of analysis goes beyond the scope of the
27 ERP Rules, as recognized by the Commission in the 2007 ERP.⁴
28

29 **Q. BASED ON THIS ANALYSIS, WHAT CONCLUSIONS DID THE**
30 **COMPANY DRAW?**

31 A. Based on the analysis above, the Company concluded as follows in its Statement
32 of Position:

33 [A]s a high-level matter, the forced retirement of any existing
34 resource, whether utility-owned or IPP-owned, and replacement of
35 the resource through the ERP is outside the scope of the ERP and
36 contrary to the ERP Rules unless: (1) the utility voluntarily proposes
37 early retirement and replacement of the utility-owned resource (as
38 in Proceeding No. 07A-447E); (2) the General Assembly directs
39 early retirement and replacement of the utility-owned resource (as

⁴ Public Service Statement of Position, at 4-7 (filed Feb. 24, 2017) (internal citations omitted).

1 in Proceeding No. 11A-869E); (3) the IPP proposes early
2 termination of a PPA and/or early retirement of an IPP-owned
3 resource; or (4) the utility-owned resource or the IPP-owned
4 resource will reach the end of its useful life (and will not be life
5 extended) or contract term during the RAP.⁵
6

7 **Q. DID THE COMMISSION ADDRESS THESE FOUR CIRCUMSTANCES IN ITS**
8 **PHASE I DECISION?**

9 A. The Commission did not directly address the Company's Statement of Position
10 language regarding generation retirement in the Phase I Decision. The
11 Commission held that it would "not require Public Service to conduct CIEA's
12 proposed analysis of early coal plant retirements in this ERP."⁶ However, the
13 Commission further noted it "intend[ed] to open a rulemaking to modify the ERP
14 Rules. We may examine potential changes to the provisions for evaluating
15 existing resources pursuant to Rule 4 CCR 723-3-3607 with respect to plant
16 retirements and replacement capacity based on the experience gained in recent
17 ERPs and other proceedings such as the Clean Air-Clean Jobs Act proceedings
18 in 2010."⁷

19 **Q. IS THE STIPULATION FILED IN THIS PROCEEDING CONSISTENT WITH**
20 **ONE OF THE FOUR CIRCUMSTANCES OUTLINED BY THE COMPANY IN**
21 **ITS STATEMENT OF POSITION?**

22 A. Yes. The Stipulation falls squarely within the first set of circumstances outlined in
23 our Statement of Position. Pursuant to the Stipulation, we are seeking the
24 permission of this Commission to bring forward the Colorado Energy Plan

⁵ Public Service Statement of Position, at 7-8 (filed Feb. 24, 2017) (internal citations omitted).

⁶ Decision No. C17-0316, at ¶ 53 (mailed Apr. 28, 2017).

⁷ Decision No. C17-0316, at ¶ 54 (mailed Apr. 28, 2017).

1 Portfolio as a resource portfolio for Commission consideration in Phase II of this
2 ERP proceeding. The Colorado Energy Plan Portfolio includes voluntary
3 retirements of two coal-fired generating units conditioned on the satisfaction of
4 certain utility ownership percentage targets of eligible energy resources and
5 dispatchable and semi-dispatchable resources in the Phase II competitive
6 solicitation and approval of other associated actions. Accordingly, the Stipulation
7 contemplates a situation where “the utility voluntarily proposes early retirement
8 and replacement of the utility-owned resource (as in Proceeding No. 07A-447E)
9”⁸

10 **Q. DID THE COMMISSION ADDRESS “ALTERNATIVE” TYPES OF RESOURCE**
11 **PORTFOLIOS IN THE PHASE I DECISION?**

12 A. Yes. In Paragraph 47 of the Phase I Decision, the Commission stated:

13 [B]ecause it is the Commission’s preference to consider resource
14 acquisitions in an ERP context, we permit Public Service to present
15 in its 120-Day Report an alternative portfolio that includes additional
16 resources in excess of the calculated resource need. Proposed
17 acquisitions in excess of the need must be shown to benefit
18 customers over the Planning Period.⁹

19
20 This indicated a willingness to consider alternative types of resource portfolios in
21 this proceeding given the Commission’s preference to evaluate resource
22 acquisitions in ERP proceedings. Public Service is not proposing to present the
23 Colorado Energy Plan Portfolio pursuant to Paragraph 47 and we acknowledge
24 that the Colorado Energy Plan Portfolio does not fall squarely within it. However,
25 the notion of an alternative resource portfolio discussed in Paragraph 47 provides

⁸ Public Service Statement of Position, at 8 (filed Feb. 24, 2017).

⁹ Decision No. C17-0316, at ¶ 47 (mailed Apr. 28, 2017).

1 support in the record for different types of portfolios to be submitted in the 120-
2 Day Report.

3 **Q. DO THE STIPULATING PARTIES AGREE THAT THE PRESENTATION OF**
4 **THE COLORADO ENERGY PLAN PORTFOLIO IS CONSISTENT WITH THE**
5 **RECORD IN THIS PROCEEDING?**

6 A. Yes. The Stipulation contains a section on this very point. The Stipulating Parties
7 agree that given the discussion of resource portfolios that include early
8 retirements of coal-fired generation, coupled with the Commission's stated
9 willingness to evaluate different types of resource portfolios in this proceeding, it
10 is consistent with the record in this proceeding to evaluate the Colorado Energy
11 Plan Portfolio if it is brought forward by the Company.

12 **B. Legislative Discussions**

13 **Q. WERE THERE DISCUSSIONS REGARDING TAKING ADVANTAGE OF**
14 **FEDERAL TAX CREDITS FOR ELIGIBLE ENERGY RESOURCES AND**
15 **POTENTIAL TRANSITION OF THE CURRENT GENERATION FLEET DURING**
16 **THE LEGISLATIVE SESSION?**

17 A. Yes. The extension of the PTC and ITC by the U.S. Congress and the ability of
18 investor-owned utilities to take full advantage of the extension to the benefit of
19 customers was under discussion during the 2017 session of the General
20 Assembly. Specifically, elected officials, policymakers, and stakeholders
21 considered approaches to acquire resources that benefit from the PTC and ITC
22 at their highest levels and transition the generation fleet towards a less carbon-
23 intensive resource mix. This transition could have included the early retirement of

1 coal-fired generation resources. The central theme and point of the discussions
2 was to provide savings to customers by taking advantage of the federal PTCs
3 and ITCs and retiring existing generation to, among other things, free up
4 transmission capacity for eligible energy resources. These discussions did not
5 involve any expansion of Commission authority to be able to evaluate proposals
6 because such an expansion was unnecessary. While legislation was never
7 introduced, the discussions with stakeholders and policymakers were helpful as
8 we considered our plans as a Company and evaluated next steps with regard to
9 our generation fleet.

10 **C. Executive Order**

11 **Q. PLEASE BRIEFLY DESCRIBE THE EXECUTIVE ORDER ISSUED BY**
12 **GOVERNOR HICKENLOOPER ON JULY 11, 2017.**

13 A. The Executive Order is included with my supporting testimony as Attachment
14 DLE-1. The stated purpose of the Executive Order is to “support ... Colorado’s
15 transition to cleaner energy resources.”¹⁰ However, costs to customers and the
16 opportunity to harness savings for customers are also integral parts of the
17 Executive Order. To that end, the Executive Order discusses savings available
18 due to the decline in wind and solar prices, low natural gas prices, and the
19 availability of PTCs and ITCs for eligible energy resources. Accordingly, “[n]ow is
20 the time to accelerate the transition to a clean energy economy while maintaining
21 Colorado's position as one of the lowest energy cost states in the nation.”¹¹

¹⁰ Attachment DLE-1, at 1.

¹¹ Attachment DLE-1, at 2.

1 **Q. DOES THE EXECUTIVE ORDER INCLUDE SPECIFIC EMISSION REDUCTION**
2 **GOALS?**

3 A. Yes. The Executive Order includes an economy-wide greenhouse gas emission
4 reduction goal of more than 26% by 2025 as compared to 2005 levels. It also
5 includes carbon dioxide emission reduction goals specific to the electricity sector.
6 The first electricity sector goal is a 25% reduction in carbon dioxide emissions by
7 2025 as compared to 2012 levels. The second electricity sector goal is a 35%
8 reduction by 2030 as compared to 2012 levels.¹² The Executive Order also
9 directs the Colorado Department of Natural Resources to amend the Colorado
10 Climate Plan by October 1, 2017, to incorporate these emission reductions
11 goals.¹³

12 **Q. ARE THERE ANY OTHER DIRECTIVES IN THE EXECUTIVE ORDER**
13 **GERMANE TO THIS PROCEEDING AND THE STIPULATION?**

14 A. Yes. The Executive Order provides that “[a]ppropriate state agencies shall work
15 strategically with any interested electric utilities or cooperatives that, on a
16 voluntary basis, would like to maximize its use of renewable energy, while
17 maintaining reliability and without increasing costs to customers.”¹⁴ The
18 Stipulation in this proceeding represents a voluntary attempt by Public Service, in
19 conjunction with a diverse group of stakeholders including Staff, OCC, CEO,
20 industrial customers, IPPs, labor interests, and the environmental community, to
21 do just that.

¹² Attachment DLE-1, at 2.

¹³ Attachment DLE-1, at 3.

¹⁴ Attachment DLE-1, at 2.

1 **D. Development of Stipulation Agreement with Parties**

2 **Q. PLEASE PROVIDE A BRIEF BACKGROUND ON THE DEVELOPMENT OF**
3 **THE STIPULATION IN THIS PROCEEDING.**

4 A. Discussions among the parties in this proceeding began earlier this summer as
5 the Company took stock of its discussions during the legislative session and the
6 arguments made by parties to this proceeding regarding the development of
7 resource portfolios that include the early retirement of coal-fired generating
8 resources. The Company began evaluating the development of a resource
9 portfolio for Commission consideration that would include the voluntary early
10 retirement of Comanche 1 and Comanche 2. As with past voluntary retirement
11 proposals in the ERP context, the Company also wanted to target certain
12 ownership levels for generation in the portfolio. The Company then commenced
13 discussions among the parties to this proceeding to discuss this proposal.

14 **Q. WHAT DID THE COMPANY LEARN FROM ITS OUTREACH EFFORTS?**

15 A. The outreach confirmed what we heard during our legislative session discussions
16 and during the Phase I litigation in this proceeding, i.e., there was support for
17 developing a resource portfolio in the Phase II process that included, among
18 other things, voluntary early retirements of coal-fired generating units and
19 ownership percentage targets for eligible energy resources and dispatchable and
20 semi-dispatchable resources. Most importantly, the parties were interested in
21 seeing if the Company could develop such a portfolio “without increasing costs to

1 customers,” as provided for in the Executive Order.¹⁵ Further, the parties found
2 the proposed development of the Colorado Energy Plan Portfolio attractive
3 because it is consistent with “the Commission’s preference to consider resource
4 acquisitions in an ERP context” while fully meeting the carbon dioxide emission
5 reduction targets set forth in the Executive Order.¹⁶

6 **Q. WHAT WAS THE RESULT OF THE OUTREACH EFFORTS?**

7 A. After these individual outreach meetings, the Company convened group
8 discussions around an approach to bring the resource portfolio to the
9 Commission. Through negotiation, we were able to reach agreement with many
10 of the parties to this proceeding resulting in the Stipulation. I will address the
11 details of the Stipulation later in my testimony, but to briefly summarize, it is
12 supported by a diverse group of stakeholders and is consistent with the record in
13 this proceeding. As a result of the Stipulation, the Stipulating Parties propose that
14 the Company have an opportunity to develop a resource portfolio that includes
15 the retirements of two existing utility-owned coal-fired generating units,
16 Comanche 1 and Comanche 2, and replacement of these units and satisfaction
17 of the broader resource need identified in Phase I in this proceeding with a
18 balanced mix of utility-owned and IPP-owned eligible energy resources and
19 dispatchable and semi-dispatchable resources.

¹⁵ Attachment DLE-1, at 2.

¹⁶ See, e.g., Decision No. C17-0316, at ¶ 47 (mailed Apr. 28, 2017). The Commission has stated this preference in several recent proceedings.

1 **III. THE COLORADO ENERGY PLAN PORTFOLIO**

2 **Q. WHAT IS THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY?**

3 A. The purpose of this section of my testimony is to provide a brief background on
4 the Colorado Energy Plan Portfolio, followed by a discussion of issues related to
5 the energy mix contemplated by the Colorado Energy Plan Portfolio. I then
6 address the components of the Colorado Energy Plan Portfolio and related
7 approvals we require in separate proceedings in order to implement the Colorado
8 Energy Plan Portfolio. These approvals in separate proceedings, as I explain in
9 more detail below, would be contingent upon the Commission ultimately selecting
10 the Colorado Energy Plan Portfolio as its approved portfolio in the Phase II
11 process in this proceeding.

12 **Q. WHY DOES THE COMPANY BELIEVE IT IS APPROPRIATE TO PRESENT**
13 **THE COLORADO ENERGY PLAN PORTFOLIO FOR COMMISSION**
14 **CONSIDERATION?**

15 A. The presentation of a Colorado Energy Plan Portfolio is driven by a desire to see
16 if a portfolio that retires existing utility-owned assets and replaces them with
17 certain amounts of utility-owned and IPP-owned eligible energy resources and
18 dispatchable and semi-dispatchable resources can save money for customers in
19 the long-term on a present value basis.

20 **Q. WHY IS IT APPROPRIATE TO INCLUDE UTILITY OWNERSHIP TARGETS AS**
21 **PART OF ANY COLORADO ENERGY PLAN PORTFOLIO?**

22 A. A generation resource mix that includes a balance of utility-owned and IPP-
23 owned resources can benefit and protect customers. Through this Stipulation, the

1 Company seeks the ability to propose to voluntarily retire existing utility-owned
2 generation resources and develop a portfolio of generation resources that will not
3 increase costs to customers and save customers money over the long-term. All
4 resources will be acquired through the ERP Phase II competitive bidding
5 process. Under these circumstances, it is appropriate to provide for ownership
6 percentage targets for the resources acquired to fill the resource need and
7 replace the retiring generation resources. The Company anticipates that the
8 market will provide bids for utility ownership and IPP ownership that will allow for
9 the development of a Colorado Energy Plan Portfolio that meets the ownership
10 percentage targets and saves customers money over the long-term. Finally, the
11 expanded resource need will provide expanded opportunities for the IPP
12 community in Colorado, which I discuss later in my testimony.

13 **Q. IF THE COMPANY IS RETIRING EXISTING RESOURCES EARLY AND**
14 **ADDING NEW RESOURCES, HOW COULD A COLORADO ENERGY PLAN**
15 **PORTFOLIO KEEP CUSTOMERS NEUTRAL OR SAVE MONEY FOR**
16 **CUSTOMERS?**

17 A. In analyzing the potential costs and benefits of an early retirement of Comanche
18 1 and Comanche 2, replaced by a combination of additional wind, solar and
19 natural gas resources, one must look at all of the cost components that are
20 currently included in electric customer rates and what will be included in the
21 future with the updated generation portfolio. These costs generally fall within four
22 primary categories:

- 1 • Original and on-going capital costs
- 2 • On-going operating and maintenance costs
- 3 • Purchased fuel and delivery costs
- 4 • Purchased energy and capacity costs

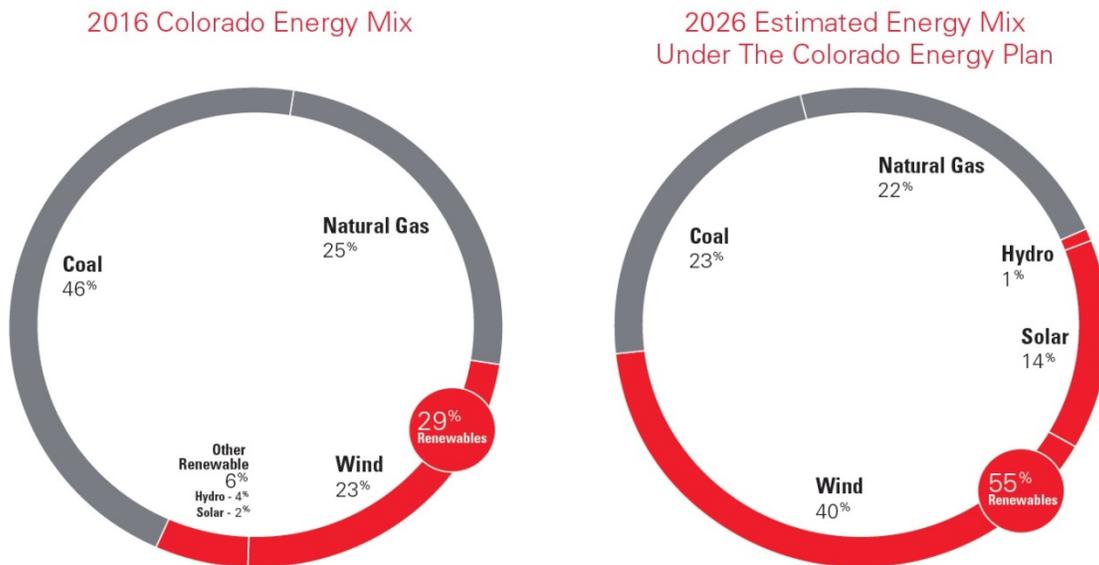
5 With early retirement, customers avoid paying: (1) the capital and on-going
6 operating and maintenance costs of Comanche 1 and Comanche 2 between
7 early retirement and the current useful life; and (2) the cost of coal and rail
8 deliveries to the plant during this same time period. Therefore, with the proposed
9 early retirement, customers avoid paying these categories of costs associated
10 with Comanche 1 and Comanche 2. In place of the coal-fired generation and the
11 energy produced by these two units, customers would pay the costs of an
12 updated portfolio of generation resources. Based on preliminary projections, the
13 Company anticipates being able to develop a portfolio of resources, including
14 wind, solar, and natural gas generation, with an average cost that is less than the
15 cost of Comanche 1 and Comanche 2 on a \$/MWh basis. In addition, the
16 updated portfolio will include new generation assets that will serve customers
17 another 25 to 40 years, and reduce the risk of additional future customer costs by
18 eliminating the possible need for additional emission control equipment on
19 Comanche 1 and 2. Moreover, the updated portfolio will reduce the risk of future
20 carbon costs and capture the benefits of today's federal tax credits.

1 **A. Energy Mix Transition Issues**

2 **Q. HOW WILL THE COLORADO ENERGY PLAN PORTFOLIO CHANGE THE**
3 **COMPANY'S ENERGY MIX?**

4 A. If proposed and approved, the Colorado Energy Plan Portfolio would continue the
5 growth of renewable energy in the Company's energy mix. The Company's
6 renewables (wind, solar and hydro) could be as much as 55% of our energy mix
7 by 2026, increasing from approximately 30% in 2016. The remaining energy mix
8 would be about half coal and about half natural gas – that is, approximately one
9 quarter for each of our total system energy. These numbers are based on current
10 best estimates and could also be influenced by future resource plans. Figure
11 DLE-1 below shows a projected energy mix in 2026 if the Colorado Energy Plan
12 Portfolio is approved by the Commission.

13 **FIGURE DLE-1**



1 **Q. WHAT ENVIRONMENTAL BENEFITS COULD THE COLORADO ENERGY**
2 **PLAN PORTFOLIO YIELD?**

3 A. The Colorado Energy Plan Portfolio seeks to decrease coal-fired generation and
4 increase zero-emission generation from eligible energy resources such as wind
5 and solar in the Company's generation fleet. This transition will significantly
6 reduce carbon dioxide (CO₂) emissions, nitrogen oxide (NO_x) emissions, and
7 sulfur dioxide (SO₂) emissions. With the implementation of the Colorado Energy
8 Plan Portfolio, we estimate that Public Service's CO₂ emissions could be 60%
9 lower in 2026 than in 2005. This emissions trajectory is consistent with
10 reductions anticipated under forecasts of global and U.S. emissions reductions
11 needed to achieve international climate targets. We also anticipate that SO₂ and
12 NO_x emissions could be about 90% lower than 2005 by 2026. The emissions of
13 SO₂ and NO_x from the coal units at the Comanche site should be roughly 80%
14 lower than 2005 as well.

15 **Q. IS THE COLORADO ENERGY PLAN PORTFOLIO CONSISTENT WITH**
16 **GOVERNOR HICKENLOOPER'S EXECUTIVE ORDER D 2017-015**
17 **SUPPORTING COLORADO'S TRANSITION TO CLEANER ENERGY**
18 **RESOURCES?**

19 A. Yes. The Executive Order sets forth three greenhouse gas ("GHG") emissions
20 targets: an economy-wide greenhouse gas reduction target of 26% below 2005
21 (i.e., it applies to the entire Colorado economy and not just a particular sector), a
22 power sector CO₂ reduction target of 25% below 2012 levels by 2025, and
23 another power sector CO₂ reduction target of 35% below 2012 levels by 2030.

1 The Colorado Energy Plan Portfolio and the retirements of Comanche 1
 2 and Comanche 2 could allow the Company to comfortably surpass the 2025 and
 3 2030 power sector CO₂ reduction targets, as shown in Table DLE-1 below. In
 4 fact, we anticipate that our emissions would be 45% below 2012 levels by 2026,
 5 which is ten percentage points below the 2030 target, and accomplished four
 6 years early.

TABLE DLE-1

EXECUTIVE ORDER D 2017-015 AND ESTIMATED RESULTS OF THE COLORADO ENERGY PLAN

Exec. Order Target		Colorado Energy Plan Portfolio Estimated Result
Economy-wide multi-sector GHG target	26% below 2005 by 2025	Public Service's emissions reductions would achieve about half of the total state economy's reduction need as expressed in tons by 2025. The Company would achieve 18 million short tons of reduction against a goal that requires 35 million short tons of reduction by 2025.
Electric sector CO ₂ target	25% below 2012 by 2025	40% below 2012 by 2025
Electric sector CO ₂ target	35% below 2012 by 2030	45% below 2012 by 2026. Would exceed the 2030 target by ten percentage points.

10 Further, our estimates show that the Colorado Energy Plan Portfolio could drive
 11 the Company to accomplish roughly half of the needed reductions to meet the
 12 State's overall economy-wide GHG reduction target. Based on the 2014
 13 Colorado Greenhouse Gas Inventory, the 26 percent economy-wide reduction
 14 target by 2025 requires about 35 million short tons of GHG reduction from 2005
 15 levels of 135.6 million short tons (123 million metric tons) of CO₂-equivalent

1 statewide GHG emissions.¹⁷ The Colorado Energy Plan Portfolio, adding to
2 reductions we have accomplished from our renewables and energy efficiency
3 efforts since 2005, the Clean Air-Clean Jobs Act program, and the Rush Creek
4 Wind Project, could reduce our emissions from 2005 levels by 18 million short
5 tons, roughly half of the State's targeted economy-wide GHG reduction, by 2025.
6 Under the Colorado Energy Plan Portfolio, we anticipate that the Company would
7 lead Colorado in emissions reduction, as we have long done. Best of all, we think
8 this can all be done while keeping customers neutral or providing savings to
9 customers on a present value basis.

10 **Q. IF PRESENTED AND APPROVED BY THE COMMISSION, COULD THE**
11 **COLORADO ENERGY PLAN PORTFOLIO AVOID FUTURE EXPENDITURES**
12 **TO RETROFIT COMANCHE 1 AND 2 WITH EMISSIONS CONTROL**
13 **EQUIPMENT?**

14 A. Yes, that is possible. Notably, Comanche 1 and Comanche 2 are the last coal-
15 fired generating units on our Colorado system that do not have, or have plans to
16 install, selective catalytic reduction ("SCR") controls to reduce NOx emissions.
17 While there are no immediate requirements to install SCRs on these units, further
18 environmental control requirements are certainly possible during the current
19 expected plant lives, which end in 2032 for Comanche 1 and in 2035 for
20 Comanche 2.

¹⁷ Colorado Department of Public Health & Environment, *Colorado Greenhouse Gas Inventory – 2014 Update*, October 2014.

1 For instance, the Environmental Protection Agency (“EPA”) and states are
2 just beginning the second planning period for the Regional Haze program under
3 the Clean Air Act. The Regional Haze program seeks to improve visibility in
4 national parks and wilderness areas, and has been a driver of requirements for
5 environmental controls on coal plants throughout the United States.
6 Requirements for more stringent NOx reductions at Comanche 1 and 2 are a
7 possibility under that program. Ground-level ozone ambient air quality standards
8 have also become more stringent over time, and the Denver metropolitan area
9 has struggled to achieve the ozone standard for years. Through some
10 combination of a more stringent federal ozone standard, the creation of new
11 ozone non-attainment regions including or near the Comanche site, or the
12 linkage of Comanche NOx emissions to the Denver metro area’s ozone non-
13 attainment, it is plausible that Comanche 1 and Comanche 2 could be required to
14 install SCRs to reduce emissions of NOx, a known ozone-forming precursor,
15 before their scheduled retirement dates. Our current estimates suggest that
16 installing SCRs on both Comanche 1 and Comanche 2 would cost a total of
17 approximately \$190 million dollars.

18 **Q. COULD IMPLEMENTATION OF THE COLORADO ENERGY PLAN**
19 **PORTFOLIO HELP PUBLIC SERVICE MANAGE FUTURE CARBON**
20 **REGULATION?**

21 A. Yes. A Colorado Energy Plan Portfolio could help us to reduce the risks of future
22 carbon regulation by carrying our current expected emissions reductions pathway
23 of 45% below 2005 levels by 2021 further into the future. While future carbon

1 regulation is hard to predict, the Commission has required us to analyze resource
2 portfolios factoring in potential carbon pricing for more than a decade. Further,
3 the Commission ordered in the Phase I Decision in this proceeding that we
4 analyze resource portfolios using three different carbon price sensitivities,
5 including a carbon externality value based on the federal Social Cost of Carbon.

6 **Q. IF THIS STIPULATION IS APPROVED BY THE COMMISSION AND A**
7 **COLORADO ENERGY PLAN PORTFOLIO IS PRESENTED BY THE**
8 **COMPANY IN THE 120-DAY REPORT, WILL THE COMPANY ANALYZE IT**
9 **WITH THESE THREE CARBON PRICE SENSITIVITIES?**

10 A. Yes, we will analyze the Colorado Energy Plan Portfolio through all sensitivities
11 required by the Phase I Decision including the carbon price sensitivities. While
12 the Colorado Energy Plan Portfolio economics do not rely on these carbon
13 adders, the Colorado Energy Plan Portfolio will also be subject to the carbon cost
14 sensitivity analyses required by the Phase I Decision. These sensitivity analyses
15 will provide additional information regarding the potential savings associated with
16 the Colorado Energy Plan Portfolio for the Commission to consider in its
17 evaluation.

18 **Q. WHY IS IT IMPORTANT TO REDUCE CO₂ EMISSIONS?**

19 A. Regulation of carbon dioxide has been on the nation's agenda in one form or
20 another for almost two decades. This agenda has included international
21 agreements, proposed legislation and regulation. Although federal carbon policy
22 has long been controversial and is uncertain today, we believe that federal
23 climate policy as an issue is not going away. While I would acknowledge that

1 EPA under the Trump administration is unlikely to continue to pursue the Clean
2 Power Plan, EPA may pursue an alternative pathway to meet its obligation to
3 regulate CO₂ emissions. Future Presidential Administrations and the EPA may
4 follow suit or create more aggressive Clean Air Act-driven CO₂ reduction
5 programs. Federal climate legislation also remains a possibility at some point in
6 the future. In light of the fact that Public Service and other utilities must plan for
7 carbon reductions years in advance, we believe it is prudent to continue to
8 pursue cost-effective emission reductions such as those proposed in this plan.

9 Further, in addition to the State's GHG and CO₂ reduction targets within
10 Executive Order D 2017-015, we find that our communities, customers, and
11 investors are concerned about this issue. In Colorado, numerous communities –
12 Denver, Pueblo, Aspen, Boulder, Nederland, Lafayette and Frisco -- now support
13 100% renewable or clean energy goals. We've also surveyed individual
14 customers, and a majority of the Company's customers and citizens of Colorado
15 surveyed support clean energy progress and emissions reduction. The support
16 for increasing clean energy is especially strong, if not overwhelming, when the
17 survey questions include a statement that reliability and affordability must be
18 maintained. These survey results are summarized in Figure DLE-2 below. The
19 Colorado Energy Plan Portfolio is intended to support exactly that outcome:
20 increasingly clean energy without increasing bills.

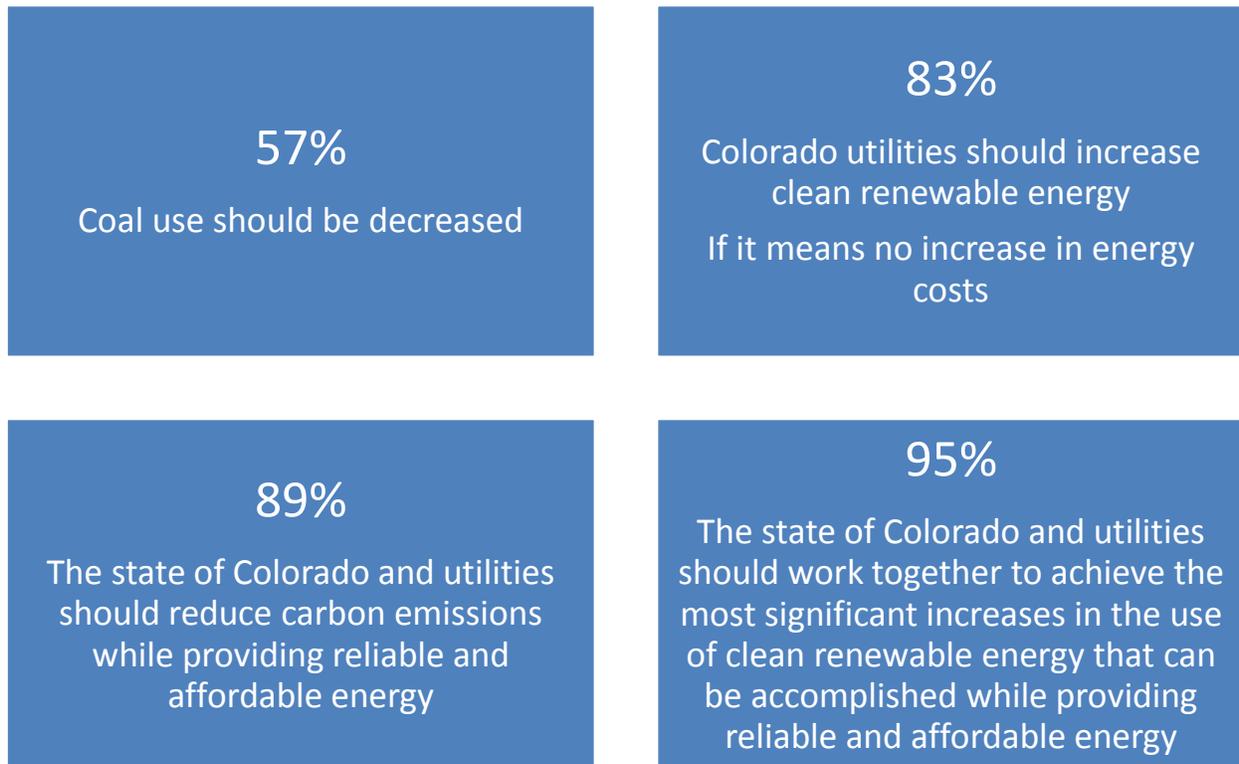
1

FIGURE DLE-2

2

**Results From Colorado Statewide Voter Survey: Percentage of Survey
3 Respondents Supporting These Statements, June 2017¹⁸**

3



4

Finally, Xcel Energy Inc. (“Xcel Energy”), Public Service’s holding

5

company parent, has also seen investor interest in these issues increase.

6

Attracting and retaining investors helps to keep our cost of capital down, which

7

allows us to serve Colorado’s customers more cost-effectively. In the last

8

shareholder proxy season, ballot initiatives requiring utilities to conduct risk

9

analysis around carbon regulation were proposed on several U.S. utility

¹⁸ Colorado Statewide Energy Survey, Keating Research. <http://keatingresearch.com/wp-content/uploads/2017/07/Keating-Research-Colorado-Statewide-Survey-July-10-Release.pdf>. Survey funded by Xcel Energy. June 2017.

1 shareholder proxies, and received more than 40% of investor votes. Due partially
2 to our strong leadership in carbon reduction, Xcel Energy has not yet faced a
3 climate-related ballot resolution from our investors. The development of the
4 Colorado Energy Plan Portfolio, like other actions Public Service and other
5 operating companies are developing across the Xcel Energy footprint, drives
6 down emissions-related financial risks and helps the Company to proactively
7 manage those investor concerns.

8 We see strong interest in a transition to cleaner energy from these crucial
9 stakeholders. When there is an opportunity like the development of the Colorado
10 Energy Plan Portfolio to reduce emissions while avoiding bill increases, we think
11 that is something we need to pursue.

12 **Q. TURNING TO THE JOB IMPACTS OF THE POTENTIAL EARLY RETIREMENT**
13 **OF COMANCHE 1 AND COMANCHE 2, HOW MANY JOBS AT THESE UNITS**
14 **WOULD BE AFFECTED?**

15 A. The retirement of Comanche 1 and Comanche 2 would affect approximately 80
16 employees that work at these units from today's staffing levels. These employees
17 have been informed of the potential early retirement of Comanche 1 to occur no
18 later than 2022 and Comanche 2 no later than 2025. We will work to find other
19 opportunities for these employees within the Company, including at other
20 generating resources that require these employees' specific expertise. However,
21 it is possible we will not find new opportunities within the Company for these
22 employees.

1 **Q. HAS THE COMPANY MADE PLANS TO MANAGE THE AFFECTED**
2 **WORKFORCE?**

3 A. Our Energy Supply group will utilize a very similar approach to that used for early
4 coal retirements pursuant to the Clean Air-Clean Jobs Act. Recognizing that
5 current operations at the Comanche site would continue for four to five years, we
6 have sufficient time to support our employees before any transition begins.
7 Normal labor attrition will be monitored using retirements and job or career
8 progression vacancies to support a staged decline in staffing at Comanche. In
9 addition, we will be looking at similar attrition at the other Public Service
10 generating facilities to provide placement opportunities to employees who are
11 interested in reassignments to other sites as normal attrition at those sites
12 occurs. We will work closely with IBEW, Local No. 111 for bargaining unit
13 employees and adhering to labor agreement provisions to transition staff in
14 accordance with the labor agreement. Initial work force plan analysis has
15 confirmed that there may be a number of opportunities to facilitate these staffing
16 reductions without formal reductions in staffing. Our intent is to work with all
17 impacted employees to offer opportunities to remain with the Company whenever
18 possible.

19 **Q. ARE THERE OTHER IMPACTS TO THE LOCAL ECONOMY?**

20 A. Yes. We understand and are sensitive to the fact that the early retirement of
21 Comanche 1 and Comanche 2 will have impacts on certain of our employees and
22 the local economy. These proposed early retirements are similar to the energy
23 transition that is going on across our industry as utilities across the country move

1 away from coal-fired generation towards a mix of renewable resources and
2 flexible gas generators. This transition has some immediate negative impacts in
3 the form of job losses, but we think there is a significant amount for the southern
4 Colorado community to gain from this energy transition as well.

5 **Q. PLEASE EXPLAIN.**

6 A. Southern Colorado is a strong location for eligible energy resources, with
7 excellent solar and wind resource potential. Given the region's strength from this
8 perspective, we anticipate receiving very competitive solar and wind bids located
9 in southern Colorado in the Phase II competitive solicitation. If we receive the
10 competitive bids we think we will from this region, the most competitive of these
11 bids are likely to be a part of the Colorado Energy Plan Portfolio. These new
12 resources could provide significant benefits to this region.

13 The electric switching station that would be developed in conjunction with
14 the Colorado Energy Plan Portfolio will also help us to acquire new generation
15 resources in this area. The switching station will facilitate interconnection access
16 for potential new generation resources and will be located in the vicinity of
17 Comanche Station. As discussed later in my testimony, this new switching
18 station would alleviate existing constraints that currently limit the ability to
19 interconnect new generation directly to the Comanche Substation.

20 There is also the possibility of new gas-fired generation resources in this
21 part of Colorado as a part of the Colorado Energy Plan Portfolio, particularly if
22 this generation is necessary for reliability purposes upon the retirement of
23 Comanche 1 and Comanche 2.

1 We are committed to working with Pueblo County, the City of Pueblo, the
2 local community, and our customers in this region of Colorado to proactively
3 address and develop an economic path forward if and when Comanche 1 and
4 Comanche 2 retire early. Conversations in this vein have already begun and will
5 continue. Further, the Stipulation, and namely the terms where we agree to the
6 use of a Project Labor Agreement (“PLA”) for demolition work and any utility self-
7 build gas units included as part of the Colorado Energy Plan Portfolio, are
8 indicative of this commitment. It is important to get these energy transitions right
9 and we will work with stakeholders to do so.

10 **Q. WILL THERE BE AN IMPACT TO THE VARIOUS TAXING AUTHORITIES (I.E.,**
11 **PUEBLO COUNTY, PUEBLO SCHOOL DISTRICT, THE COUNTY LIBRARY**
12 **AND THE CITY OF PUEBLO) THAT COULD RESULT DUE TO AN EARLY**
13 **RETIREMENT OF COMANCHE 1 AND COMANCHE 2 AND THE OVERALL**
14 **IMPLEMENTATION OF THE COLORADO ENERGY PLAN PORTFOLIO?**

15 A. Yes. There will be two distinct impacts to the taxing authorities in the Pueblo
16 area: (1) the loss of tax revenues associated with the accelerated retirement of
17 Comanche 1 and Comanche 2; and (2) an increase in tax revenues associated
18 with the installation of new generation projects and the proposed transmission
19 switching station.

20 **Q. WHY DOES THE COMPANY BELIEVE THERE MAY BE AN INCREASE IN**
21 **TAX REVENUE IN THE PUEBLO AREA?**

22 A. While we have not yet received any bids associated with the implementation of
23 the Colorado Energy Plan Portfolio, we know that Pueblo is a good energy

1 resource zone and, by retiring Comanche 1 and Comanche 2, we will be freeing
2 up approximately 660 MW of transmission injection capacity into our system, and
3 the installation of the transmission switching station and any new solar, wind or
4 natural gas generation units in southern Colorado would provide new tax
5 revenues to the local taxation authorities. To the extent multiple generation units
6 are bid and awarded in the Pueblo area, the local authorities may benefit from a
7 significant increase in tax revenues over the next 25 to 40 years.

8 Moreover, the actions contemplated by the Stipulation demonstrate our
9 commitment to the state beyond our service territory. For example, earlier this
10 year, the City of Pueblo announced a goal to be 100% renewable energy
11 powered by 2035. While the Company does not provide electricity to the Pueblo
12 area, we recognize the City's intent to increase renewable generation and reduce
13 environmental impacts of power generation, and we see this plan as supportive
14 of their goals.

15 **B. CEP Portfolio Components and Related Approvals**

16 **Q. PLEASE DESCRIBE THE COLORADO ENERGY PLAN PORTFOLIO.**

17 A. The Colorado Energy Plan Portfolio consists of two primary components for
18 which we are seeking approval in this ERP Proceeding and, attendant to the
19 Colorado Energy Plan Portfolio, there are three additional approvals we plan to
20 seek in separate proceedings to allow for its implementation. Overall, there are
21 five elements of the Colorado Energy Plan Portfolio contemplated by the
22 Stipulation:

- 1 1. A proposal to voluntarily retire Comanche 1 and Comanche 2 if the
2 Colorado Energy Plan Portfolio is approved.
- 3 2. Satisfaction of utility ownership targets of: (1) 50 percent of the
4 nameplate capacity of all eligible energy resources; and (2) 75 percent
5 of the nameplate capacity of all dispatchable and semi-dispatchable
6 resources, as discussed in more detail below.
- 7 3. Acceleration of the depreciation expense for Comanche 1 and
8 Comanche 2 and establishment of a regulatory asset to collect the
9 incremental depreciation expense and related costs. Approval would
10 be sought in a separate proceeding.
- 11 4. A reduction in RESA collections from the current 2% down to 1%, likely
12 beginning in 2021 or 2022. Approval would also be sought in a
13 separate proceeding along with the accelerated depreciation and
14 related approvals.
- 15 5. The development of a new switching station on the southern
16 transmission system in Energy Resource Zone-5 (“ERZ-5”) remote
17 from the Comanche Substation. Approval would be sought in a
18 separate proceeding to obtain a Certificate of Public Convenience and
19 Necessity (“CPCN”) for the switching station. This would be a
20 standalone proceeding separate from the application seeking approval
21 of the accelerated depreciation and RESA reduction.

22 As stated in the Stipulation, these five elements of the Colorado Energy Plan
23 Portfolio work in concert with one another and are not severable. The Company’s

1 commitment to voluntarily retire Comanche 1 and Comanche 2 is conditioned
2 upon the approval of the Colorado Energy Plan Portfolio and approval of related
3 actions in separate proceedings. In addition, we will need to obtain CPCNs for
4 utility-owned generation resources and Commission approval of the actual
5 retirements to implement the Colorado Energy Plan Portfolio. This section of my
6 testimony will address these elements and approvals.

7 **C. Voluntary Retirements and Resource Need**

8 **Q. PLEASE SUMMARIZE THE VOLUNTARY RETIREMENTS PROPOSED AS**
9 **PART OF THE COLORADO ENERGY PLAN PORTFOLIO.**

10 A. The Colorado Energy Plan Portfolio will include the voluntary retirement of
11 Comanche 1 no later than the end of 2022 and Comanche 2 no later than the
12 end of 2025. Comanche 1 is a 325 MW unit while Comanche 2 is a 335 MW unit.

13 **Q. WILL THE COMPANY ACCELERATE THE RETIREMENT OF COMANCHE 1**
14 **AND COMANCHE 2 IF THE COLORADO ENERGY PLAN PORTFOLIO IS NOT**
15 **PRESENTED OR APPROVED?**

16 A. No. For these early retirements to occur, three things must happen. First, the
17 Commission must approve this Stipulation to allow us to present the Colorado
18 Energy Plan Portfolio in the Phase II 120-Day Report.

19 Second, we need to receive bids that allow us to retire these units and,
20 after considering the RESA reduction and accelerated depreciation costs
21 associated with the Colorado Energy Plan Portfolio, save money for customers or
22 keep them neutral on a present value basis. If we receive bids that allow us to do
23 this for customers, we will present the Colorado Energy Plan Portfolio (which will

1 consist of bids from the Phase II competitive solicitation) in the Company's 120-
2 Day Report for Commission approval. If we do not receive the types of bids we
3 anticipate and cannot save money for customers or hold them neutral on a
4 present value basis, then we will not develop a Colorado Energy Plan Portfolio
5 for Commission consideration. We will present the two scenarios required by the
6 Phase I Decision (i.e., the 0 MW and 450 MW scenarios) and that is all.

7 Third, if we present the Colorado Energy Plan Portfolio, then we would
8 need the Commission's approval of it in its Phase II decision in this proceeding. If
9 all three of these things happen, then we will move forward with the early
10 retirements. If all three of these things do not occur, we will not move forward
11 with the early retirements at this time.

12 **Q. HOW WOULD THIS AFFECT THE RESOURCE NEED TO BE FILLED IN THIS**
13 **PROCEEDING?**

14 A. The need resulting from the Company's updated demand forecast is
15 approximately 450 MW. If this Stipulation is approved, then the need in this ERP
16 for Colorado Energy Plan Portfolio purposes will be approximately 775 MW
17 inclusive of the Comanche 1 replacement capacity. The Stipulation also provides
18 flexibility if the Company receives the very competitive bids that benefit from the
19 PTC and ITC, which is what we anticipate and hope for through this process. The
20 Stipulation allows the Colorado Energy Plan Portfolio to fill all, some or none of
21 the Comanche 2 replacement capacity (335 MW). Accordingly, if the bids we
22 receive are a strong mix of PPAs and build-own-transfer bids that allow us to fill
23 more than 775 MW, all the way up to 1,110 MW (i.e., inclusive of 335 MW

1 Comanche 2 capacity), while still saving money or holding customers neutral on
2 a present value basis, we have the ability to build such a portfolio. This flexibility
3 is important given that there is significant uncertainty about the future of tax
4 credits, among other federal policies, heading into the 2019 ERP cycle.
5 Therefore, if we have the chance now to obtain wind and solar projects that
6 benefit from the PTC and ITC, along with competitive dispatchable and semi-
7 dispatchable resource proposals, we want the ability to do so for our customers.
8 The Stipulation provides the flexibility we need to be proactive about acquisitions
9 if the bids allow us to do so.

10 **Q. IS THE COMPANY SIMULTANEOUSLY FILING FOR CPCNS TO RETIRE**
11 **COMANCHE 1 AND COMANCHE 2 WITH THIS STIPULATION?**

12 A. No. Any such CPCN application would be premature because the Commission
13 must approve the Colorado Energy Plan Portfolio in this proceeding before the
14 Company will move forward with the retirements. Also, it is my understanding
15 that a CPCN is required to retire a generation resource only if the utility does not
16 procure equivalent replacement for the retired resource. Rule 3103(a) provides
17 as follows:

18 A utility seeking authority to do the following shall file an application
19 pursuant to this rule: amend a certificate of public convenience and
20 necessity in order to extend, to restrict, to curtail, or to abandon or
21 to discontinue *without equivalent replacement* any service, service
22 area, or facility. A utility shall not extend, restrict, curtail, or abandon
23 or discontinue *without equivalent replacement*, any service, service
24 area, or facility not in the ordinary course of business without
25 authority from the Commission.¹⁹
26

¹⁹ Rule 3103(a)(emphasis added).

1 Where a voluntary retirement is brought forward in the ERP process, the
2 resource planning process is used to procure equivalent replacement for the
3 retiring resource.

4 **Q. CAN YOU PROVIDE A RELEVANT EXAMPLE FROM A PAST ERP**
5 **PROCESS?**

6 A. Yes. In the 2007 ERP process, the Company retired the coal-fired Cameo Units 1
7 and 2 as part of the proceeding. The Commission found that the retirement of
8 Cameo was in the public interest, but required the Company to make a follow on
9 filing seeking authority to retire Cameo. Public Service filed an application but did
10 not seek a CPCN or a change to a CPCN. Rather, the Company filed an
11 application after the conclusion of the ERP simply seeking approval of a date
12 certain early retirement date for Cameo Units 1 and 2.

13 By Decision No. C10-0265, the Commission approved this request and
14 “consider[ed] this Application under our broad authority to regulate the activities
15 of public utilities.” The Commission further noted that “Public Service’s proposal
16 to retire Cameo early will result in a material change to its generation fleet and is
17 not an action occurring within the ordinary course of business of Public Service’s
18 business.” Under this rationale, the Commission required the filing of an
19 application but did not require a full CPCN.

20 **Q. ARE THERE OTHER APPROACHES THE COMMISSION COULD TAKE WITH**
21 **REGARD TO ADMINISTERING THE RETIREMENTS OF COMANCHE 1 AND**
22 **COMANCHE 2?**

1 A. Yes. The Stipulating Parties agree that no CPCN is required where equivalent
2 replacement is obtained through the ERP process. However, we also recognize
3 that the Commission could order “limited-scope” CPCNs, and the Stipulation
4 references Decision No. C10-1328 as providing an example of such an
5 approach. This was the approach used with the retirement CPCNs for facilities
6 retired pursuant to the Clean Air-Clean Jobs Act.

7 **Q. DOES THE COMMISSION HAVE TO REQUIRE SOME FORM OF FILING TO**
8 **ADMINISTER THE RETIREMENTS OF COMANCHE 1 AND COMANCHE 2?**

9 A. No, as is recognized by the Stipulating Parties given the equivalent replacement
10 issue. It would be most efficient in my view to not require an additional filing for
11 the retirements if the Colorado Energy Plan Portfolio is approved by the
12 Commission. However, if the Commission wishes to see a filing regarding the
13 retirements after the Colorado Energy Plan is approved, it could follow the
14 approach embodied by either Decision No. C10-0265 (application and truncated
15 proceeding) or Decision No. C10-1328 (“limited-scope” CPCNs).

16 **D. Colorado Energy Portfolio Ownership Percentages**

17 **Q. PLEASE PROVIDE AN OVERVIEW OF THE OWNERSHIP PERCENTAGE**
18 **TARGETS INCLUDED AS PART OF THE STIPULATION FOR THE**
19 **COLORADO ENERGY PLAN PORTFOLIO.**

20 A. There are two sets of ownership percentage targets included in the Stipulation,
21 and resources owned by either the Company or an affiliate shall count towards
22 the utility ownership percentage targets. The utility ownership percentage targets
23 for the Colorado Energy Plan Portfolio are: (1) 50 percent of the total nameplate

1 capacity of eligible energy resources; and (2) 75 percent of the total nameplate
2 capacity of all dispatchable and semi-dispatchable resources.

3 **Q. DOES THE 50 PERCENT OWNERSHIP PERCENTAGE TARGET APPLY TO**
4 **ALL ELIGIBLE ENERGY RESOURCES OR DOES IT APPLY INDIVIDUALLY**
5 **TO TYPES OF ELIGIBLE ENERGY RESOURCES?**

6 A. The 50 percent ownership percentage target applies to all eligible energy
7 resources based upon nameplate capacity. It does not apply to specific types of
8 eligible energy resources on an individual basis. For example, if the Colorado
9 Energy Plan Portfolio includes 1,000 MW of nameplate wind and 600 MW of
10 nameplate solar, then the ownership percentage target would be 800 MW, or 50
11 percent of the *total* 1,600 MW of eligible energy resources (i.e., not specifically
12 500 MW of wind and 300 MW of solar).

13 **Q. IS THIS THE CASE FOR DISPATCHABLE AND SEMI-DISPATCHABLE**
14 **RESOURCES AS WELL?**

15 A. Yes. The 75 percent target applies to all dispatchable and semi-dispatchable
16 resources included as part of the Colorado Energy Plan Portfolio based upon
17 nameplate capacity.

18 **Q. ARE THESE OWNERSHIP PERCENTAGE TARGETS A FLOOR FOR UTILITY**
19 **OWNERSHIP IN THE COLORADO ENERGY PLAN PORTFOLIO?**

20 A. No, the ownership percentage targets are neither a floor nor a ceiling. The
21 Stipulating Parties agreed to targets because of the lumpy nature of generation
22 resource acquisitions: it will be difficult to hit a specific percentage on the nose
23 with regard to utility ownership versus IPP ownership. The actual make-up of the

1 portfolio will depend on the bids received and may ultimately be somewhat less
2 or more than 50 percent or 75 percent for respective resource types. However,
3 we will develop the portfolio with the goal of adhering as closely to the utility
4 ownership targets as we can based upon the proposals we receive from bidders.

5 **Q. WHY IS THE 75 PERCENT OWNERSHIP TARGET FOR BOTH**
6 **DISPATCHABLE AND SEMI-DISPATCHABLE RESOURCES?**

7 A. In negotiations around the Stipulation, some parties expressed concern that
8 making the 75 percent target for dispatchable units only could result in bias
9 towards gas-fired generation to fill this target. With the addition of semi-
10 dispatchable resources into the 75 percent target category, resources such as
11 solar with storage would also be considered. This addition alleviated the concern
12 that the 75 percent target, applied only to dispatchable resources, would
13 introduce some sort of gas bias into the evaluation process.

14 **Q. ARE THERE OTHER AGREEMENTS IN THE STIPULATION RELEVANT TO**
15 **THE OWNERSHIP PERCENTAGE TARGETS DEVELOPED BY THE**
16 **STIPULATING PARTIES?**

17 A. Yes. The Company will not propose any utility self-builds for resources in this
18 ERP other than for gas-fired resources. Accordingly, we will not offer any self-
19 build bids in this ERP for eligible energy resources, standalone storage, or
20 eligible energy resources with storage.

21 The utility ownership percentages are the product of compromise
22 between, among others, the Company and IPPs, and this was an important point
23 in reaching these agreements. The application of the ownership percentages

1 does not preclude IPP opportunities given that all eligible energy resources will
2 be acquired through either build-own-transfers or PPAs. Under the stipulated
3 approach, IPPs have business opportunities to both: (1) provide utility-owned
4 generation through build-own-transfer bids and sale of existing assets; and (2)
5 bid in PPAs to fill the resource need not covered by the utility ownership
6 percentages.

7 I want to emphasize, however, that with this agreement to not bid in any
8 self-builds except for gas-fired resources, our ability to bring forward a Colorado
9 Energy Plan Portfolio is heavily reliant on receiving competitive and low-cost
10 build-own-transfer bids for eligible energy resources from the IPP community. If
11 those bids do not materialize, we will not be in a position to develop a Colorado
12 Energy Plan Portfolio that can keep customers neutral or save money for
13 customers on a present value basis.

14 **Q. WHY IS IT REASONABLE TO INCLUDE OWNERSHIP PERCENTAGE**
15 **TARGETS AS A PART OF THE COLORADO ENERGY PLAN PORTFOLIO?**

16 A. I point to the Stipulation itself to explain why it is reasonable, under these
17 circumstances, to include utility ownership percentage targets as a condition of
18 the Colorado Energy Plan Portfolio:

19 The Stipulating Parties agree there are benefits associated with a
20 generation resource mix that includes a balance of utility-owned
21 and IPP-owned resources. Through this Stipulation, the Company
22 seeks the ability to propose to voluntarily retire existing utility-
23 owned generation resources and develop a portfolio of new
24 generation resources that will not increase costs to customers and
25 save customers money over the long-term. All eligible energy
26 resources and dispatchable and semi-dispatchable resources
27 acquired to fill the Colorado Energy Plan Portfolio resource need in

1 this ERP will be acquired through the ERP Phase II competitive
2 bidding process. Under these circumstances, it is appropriate to
3 provide for ownership percentage targets for the new resources to
4 fill the resource need and replace the retiring generation resources.
5 The Company anticipates that the market will provide bids for utility
6 ownership and IPP ownership that will allow for the development of
7 a Colorado Energy Plan Portfolio that meets the ownership
8 percentage targets and saves customers money over the long-
9 term.

10
11 This provision explains why the proposed approach to developing the Colorado
12 Energy Plan Portfolio is reasonable, and the notion of striking a balance between
13 utility and IPP ownership of generation resource is not new to this Commission.

14 **Q. HAS THE COMMISSION PREVIOUSLY RECOGNIZED THE BENEFITS OF**
15 **HAVING A BALANCE OF UTILITY AND IPP OWNERSHIP?**

16 A. Yes, I believe that finding balance between utility and IPP ownership is a well-
17 established proposition here in Colorado. As an example, in Decision No. C08-
18 0929, addressing our 2007 ERP, the Commission stated as follows:

19 We find that both utility and IPP ownership provide significant
20 benefits to ratepayers. Utilities have access to inexpensive capital,
21 and utility plants provide long-term benefits to customers. IPP
22 contracts insulate ratepayers from many risks, and IPPs provide a
23 wealth of experience in constructing and operating plants.
24 Together, a portfolio of utility-owned and IPP generation can
25 provide the best overall value to consumers. In fact, ratepayers are
26 at risk if either the IPP or utility ownership mechanisms are
27 impaired. It is important to maintain a vibrant environment for both
28 utility and IPP generation so that both can continue to advance
29 technological efficiencies, and so that they keep each other sharp
30 through competition.²⁰

31
32 The Colorado Energy Plan Portfolio parameters developed through this
33 Stipulation are consistent with and promote the development of a balanced

²⁰ Decision No. C08-0929, at ¶ 177, Proceeding No. 07A-0447E (mailed Sept. 19, 2008).

1 generation resource mix. Moreover, ownership percentage targets were used in
2 the 2007 ERP process to seek to maintain this balance.

3 **Q. HOW WERE OWNERSHIP PERCENTAGE TARGETS USED IN THE 2007 ERP**
4 **PROCESS?**

5 A. In the 2007 ERP, the Company proposed target ownership percentages of
6 between 40 and 60 percent of new incremental generation and 100 percent of
7 replacement capacity for coal-fired generation resources voluntarily proposed for
8 early retirement.²¹ The Commission approved the use of “soft targets” for
9 ownership, while ultimately deferring the decision to Phase II, noting “[w]e are
10 inclined to maintain a reasonable balance of utility and IPP ownership, and we
11 agree that the ownership percentages proposed by Public Service are clearly
12 intended to strike such a balance.”²² The Commission also provided:

13 [W]e are aware that Public Service proposed the Cameo and
14 Arapahoe plant retirements for carbon reduction purposes, well
15 before any federal or state mandates require such reductions. We
16 agree that, under these circumstances, it would be appropriate for
17 the utility to own the replacement capacity for the closed coal
18 plants. Although CIEA and CEC make a good point that many coal
19 plant retirements may be necessary in the future, we find that this
20 situation is unique as the plants are not retired for immediate
21 compliance purposes. This is an unusual case, and does not set a
22 precedent for future plant retirements.²³
23

²¹ Decision No. C08-0929, at ¶ 163, Proceeding No. 07A-0447E (mailed Sept. 19, 2008) (addressing Public Service advocacy regarding “a target ownership percentage of new incremental generation of between 40 and 60 percent plus utility ownership of 229 MW of replacement capacity for the early retirement of the Arapahoe and Cameo coal facilities.”)

²² Decision No. C08-0929, at ¶ 178, Proceeding No. 07A-0447E (mailed Sept. 19, 2008).

²³ Decision No. C08-0929, at ¶ 178, Proceeding No. 07A-0447E (mailed Sept. 19, 2008).

1 From that standpoint, the Stipulation and Colorado Energy Plan Portfolio present
2 a situation similar to that of the 2007 ERP, and the same policy rationale
3 supports the ownership percentage targets.

4 **Q. DID THE COMMISSION EXPRESS CONCERNS ABOUT THE OWNERSHIP**
5 **PERCENTAGE TARGETS IN DECISION NO. C08-0929?**

6 A. Yes. The Commission expressed concern that “a set-aside in Phase I could
7 have detrimental effects on the competitive spirit of the All-Source comparison,
8 and would complicate the economic evaluation in Phase II.”²⁴ Further, “any
9 determination on this issue in Phase I could also reduce the utility’s incentive to
10 provide the best proposal at the least cost.”²⁵

11 **Q. ARE THESE SAME CONCERNS RELEVANT HERE?**

12 A. No. The 2007 ERP did not involve a commitment by the Company to develop a
13 portfolio that will keep customers neutral or provide savings to customers on a
14 present value basis. We did not include that commitment because that is not the
15 typical standard of a review for an ERP Phase II portfolio. The Colorado Energy
16 Plan Portfolio is based on a voluntary proposal to retire coal-fired generation
17 early and a voluntary application of a standard of review that requires the
18 Colorado Energy Plan Portfolio to keep customers neutral or save customers
19 money on a present value basis. This standard is consistent with and derived
20 from the Executive Order, which discusses “maximiz[ing] [the utility’s] use of
21 renewable energy, while maintaining reliability and *without increasing costs to*

²⁴ Decision No. C08-0929, at ¶ 180, Proceeding No. 07A-0447E (mailed Sept. 19, 2008).

²⁵ Decision No. C08-0929, at ¶ 180, Proceeding No. 07A-0447E (mailed Sept. 19, 2008).

1 *customers.*²⁶ Stated differently, the Executive Order puts in place a more
2 stringent standard of review than the ERP Rules. The ERP Rules require a
3 resource plan to be “cost effective,”²⁷ which means the resources included in the
4 resource plan “can be acquired at a reasonable cost and rate impact.”²⁸ Our
5 more stringent standard alleviates the concerns expressed by the Commission in
6 Decision No. C08-0929. To the contrary, this difficult standard incents bidders to
7 sharpen their pencils and bring their very best proposals forward, which in turn
8 buttresses the “competitive spirit” of the Phase II process. This same rationale
9 applies to the Commission’s other concern as well. The Company’s gas-fired
10 self-build bids also must “provide the best proposal at the least cost” to be able to
11 compete in this highly competitive environment.

12 **Q. WHY DO THE OWNERSHIP PERCENTAGE TARGETS APPLY TO THE**
13 **ENTIRE RESOURCE NEED AS OPPOSED TO ONLY THE REPLACEMENT**
14 **CAPACITY?**

15 A. Like the 2007 ERP, the ownership percentage targets apply to both the new
16 incremental resource need (i.e., 450 MW) and the replacement capacity resource
17 need (i.e., 325 MW or 660 MW). Unlike the 2007 ERP, we do not have separate
18 ownership percentage targets for the new incremental resource need and
19 replacement capacity resource need, respectively. We combined them to avoid

²⁶ Attachment DLE-1, at 2.

²⁷ Rule 3601 (providing in part “[t]he purpose of these rules is to establish a process to determine the need for additional electric resources by electric utilities subject to the Commission’s jurisdiction and to develop cost-effective resource portfolios to meet such need reliably”).

²⁸ Rule 3602(c) (“Cost-effective resource plan’ means a designated combination of new resources that the Commission determines can be acquired at a reasonable cost and rate impact.”)

1 complications in the economic evaluation in the Phase II process. In developing
2 our approach, we shared the concerns of the Commission in the 2007 ERP that
3 these bifurcated ownership targets could lead to difficulties in the economic
4 evaluations of resources. It would lead to difficult questions like how to allocate
5 particular resources to the separate resource needs. In other words, does the
6 lowest cost wind build-own-transfer bid go to the new incremental resource need
7 or the replacement capacity resource need ownership target? There is no fair
8 way to make that decision. In addition, it prompted the question of whether only
9 the replacement capacity resources needed to not increase cost to customers
10 under the standard of the Executive Order.

11 Therefore, we decided with the Stipulating Parties that it was more
12 appropriate to apply the ownership percentages to the entire resource need,
13 inclusive of the replacement capacity resource need, and evaluate the portfolio to
14 fill the entire resource need to see if it could keep customers neutral or save
15 customers money on a present value basis. This is a tall order to be sure, but we
16 believe applying the ownership percentage targets to the entire resource need
17 addresses the Commission's past concerns with ownership percentage targets
18 complicating the economic evaluation of the Colorado Energy Plan Portfolio.

19 **Q. DO THE OWNERSHIP PERCENTAGE TARGETS APPLY IN THE 2019 ERP IF**
20 **ANY OF THE COMANCHE 2 REPLACEMENT CAPACITY IS FILLED**
21 **THROUGH THAT PROCESS?**

1 A. No. We did not think it was appropriate to try and export the ownership
2 percentages to the next ERP cycle. The Company does reserve its right to
3 propose self-build ownership options in the 2019 ERP process.

4 **E. Accelerated Depreciation of Comanche 1 and Comanche 2**

5 **Q. DOES THE COMPANY PROPOSE TO FILE A SEPARATE APPLICATION TO**
6 **ADDRESS DISCRETE COMPONENTS OF THE COST RECOVERY AND**
7 **REGULATORY ACCOUNTING TREATMENT RELATED TO THE COLORADO**
8 **ENERGY PLAN PORTFOLIO?**

9 A. Yes. As set forth in the Stipulation, the implementation of the Colorado Energy
10 Plan Portfolio, if approved, is dependent upon several additional approvals that
11 the Company will seek by separate application. One of these applications will be
12 filed within 60 days of filing the Stipulation and will lay out the Company's
13 proposed framework related to discrete cost recovery and regulatory accounting
14 elements of the Colorado Energy Plan Portfolio. The Company will file this
15 separate "Accelerated Depreciation/RESA Reduction Application" (referred to
16 throughout my testimony as the "AD/RR Application" to allow the Commission to
17 consider its requested relief and render a decision on the AD/RR Application at
18 the same time the Commission renders a Phase II decision in this proceeding.

19 As I will discuss in more detail below, this separate AD/RR Application will
20 seek Commission approval to:

- 21 • Modify the depreciation schedules for Comanche 1 and Comanche 2 to
22 accelerate the depreciation associated with these units to reflect the new
23 retirement dates;

- 1 • Create a regulatory asset to collect the incremental depreciation and
2 related costs from the early retirement of Comanche 1 and Comanche 2;
- 3 • Reduce the RESA collection to approximately one percent (1%) from the
4 current two percent (2%); and
- 5 • Revise the General Rate Schedule Adjustment (“GRSA”) to collect an
6 amount of revenue approximately equivalent to the one percent reduction
7 of the RESA through the GRSA until such time as the regulatory asset is
8 extinguished.

9 **Q. PLEASE DESCRIBE THE COMPANY’S PLAN TO ACCELERATE THE**
10 **DEPRECIATION OF COMANCHE 1 AND COMANCHE 2.**

11 A. The Company will request approval to accelerate the depreciation rates
12 associated with Comanche 1 and Comanche 2 and their associated common
13 assets. The Company will present new depreciation rates for Comanche 1 and 2
14 to align with a retirement date of 2022 and 2025, respectively (current respective
15 terminal retirement dates are 2033 and 2035).

16 **Q. IF THE COLORADO ENERGY PLAN PORTFOLIO IS APPROVED, WHEN**
17 **DOES THE COMPANY EXPECT TO IMPLEMENT THE NEW DEPRECIATION**
18 **RATES FOR COMANCHE 1 AND COMANCHE 2?**

19 A. Consistent with financial accounting standards, the new accelerated depreciation
20 would begin contingent upon and immediately following any final Phase II
21 decision in this proceeding approving the Colorado Energy Plan Portfolio as the
22 Commission’s approved portfolio. This decision is expected mid-year 2018.

1 **Q. HOW WILL THE COMPANY PROPOSE TO RECOVER THE INCREMENTAL**
2 **COST OF THE ACCELERATED DEPRECIATION OF THE EARLY RETIRED**
3 **COMANCHE 1 AND COMANCHE 2?**

4 A. In the same AD/RR Application, the Company will seek approval to create a
5 regulatory asset to accrue the accelerated depreciation costs beginning upon
6 commencement of the accelerated depreciation (estimated mid-year 2018). The
7 Company will have to accelerate depreciation costs associated with Comanche 1
8 and Comanche 2 under accounting standards prior to the date that the RESA
9 reduction begins (i.e., in mid-year 2018 while the RESA reduction will not occur
10 until 2021 or 2022). Accordingly, Public Service will utilize the regulatory asset to
11 accrue the accelerated depreciation costs until such time as the proposed RESA
12 reduction and equivalent cost recovery mechanism go into effect.

13 **Q. WILL ALL OF THE COMANCHE 1 AND COMANCHE 2 DEPRECIATION**
14 **EXPENSE BE HELD IN THE REGULATORY ASSET?**

15 A. No. As discussed above, only the incremental depreciation will be held in the
16 regulatory asset. By incremental depreciation, I mean the difference between
17 accelerated depreciation and the current depreciation. We will continue to
18 recover depreciation expense at the currently approved depreciation rate.

19 **F. RESA Reduction to 1%**

20 **Q. PLEASE DESCRIBE THE REDUCTION TO THE RESA AS CONTEMPLATED**
21 **BY THE STIPULATION.**

22 A. The Stipulating Parties agree it is appropriate for the Company to propose to
23 reduce the RESA collections to approximately one percent (1%) from the current

1 two percent (2%). Credit for the reduction in RESA collections and the
2 incremental cost of the accelerated depreciation and related costs of Comanche
3 1 and Comanche 2 would be included as components in the evaluation of the
4 cost effectiveness of the Colorado Energy Plan Portfolio.

5 **Q. WHEN DOES THE COMPANY ESTIMATE THE RESA REDUCTION WOULD**
6 **BEGIN AND HOW LONG IS THE RESA REDUCTION ESTIMATED TO BE IN**
7 **PLACE?**

8 A. The Company anticipates that it would request the RESA reduction begin when
9 the RESA balance becomes consistently positive for the expected duration of the
10 amortization period of the regulatory asset. Based on current RESA projections,
11 the reduction is estimated to occur in 2021 or 2022. The RESA reduction would
12 remain in place until the regulatory asset is extinguished, which is estimated to
13 be in 2026 or 2027. In its AD/RR Application seeking approval to reduce the
14 RESA and create a regulatory asset, the Company will provide RESA balance
15 projections relative to the incremental accelerated depreciation costs.

16 **Q. WOULD THE RESA REDUCTION RESULT IN ANY CHANGE TO**
17 **PREVIOUSLY-AGREED COMMITMENTS FOR SOLAR PROGRAMS?**

18 A. RESA dollars will be available to continue to support solar Distributed Generation
19 ("DG") and Community Solar Garden ("CSG") resources. As stated in the
20 Stipulation, the RESA reduction would not result in any change in previously-
21 agreed commitments for these solar programs, nor would it result in any
22 suspension of such existing programs. RESA projections included in the AD/RR
23 Application filing will reflect these already committed RESA dollars. Further, the

1 Stipulation provides a forum to discuss the future of RESA expenditures. The
2 Company will use the existing Future Voluntary Renewable Programs
3 Stakeholder Group for this purpose.

4 **Q. IS THE PROPOSED RESA REDUCTION CONSISTENT WITH THE**
5 **RENEWABLE ENERGY STANDARD STATUTE?**

6 A. Yes. § 40-2-124(g), C.R.S., as implemented by Rule 3661, establishes a retail
7 rate impact limit that shall not exceed two percent of a customer's total electric
8 bill. Said another way, the statute sets a *maximum* collection of two percent on
9 customer bills, but neither the statute nor the implementing rule prohibit the
10 Company from collecting *less than* two percent.

11 **Q. WOULD THE RESA BE USED TO PAY FOR THE PROPOSED REGULATORY**
12 **ASSET CREATED FOR THE INCREMENTAL COSTS ASSOCIATED WITH**
13 **THE ACCELERATED DEPRECIATION OF COMANCHE 1 AND 2?**

14 A. No. Doing so would be inconsistent with Colorado law, as only the incremental
15 costs of eligible energy resources incurred by the Company are paid through the
16 RESA account. Rather, as part of its separate AD/RR Application requesting
17 approval of the one percent RESA reduction, the Company will seek approval of
18 a equivalent cost recovery mechanism that will allow us to recover an equivalent
19 amount through other means. Accordingly, RESA dollars will not be used to pay
20 for any accelerated depreciation expense or other non-eligible cost.

21 Moreover, going forward we anticipate the costs of eligible energy
22 resources will continue to decline. As these costs decline, it diminishes the need
23 for RESA funds to cover incremental costs of eligible energy resources. This

1 provides further support from a policy perspective to reduce the RESA to one
2 percent (1%) and will be set out in more detail in our AD/RR Application.

3 **G. Accelerated Depreciation and RESA Reduction Interaction**

4 **Q. PLEASE DISCUSS THE INTERACTION OF THE ACCELERATED**
5 **DEPRECIATION AND THE RESA REDUCTION THAT YOU DESCRIBED**
6 **ABOVE.**

7 A. In its AD/RR Application to seek approval for the one percent (1%) RESA
8 reduction, the Company will also seek approval for a cost recovery mechanism,
9 likely a GRSA, to collect an equivalent amount of revenue approximately equal to
10 the one percent reduction of the RESA. This cost recovery mechanism will be in
11 effect during the period that the RESA is reduced and will recover amortization of
12 the regulatory asset established to defer accelerated depreciation costs
13 associated with the proposed early retirement of Comanche 1 and Comanche 2.
14 This approximately equivalent rate recovery mechanism would be in place until
15 such time that the regulatory asset holding the accelerated depreciation costs is
16 extinguished (estimated 2021 or 2022 through 2026 or 2027). For example, if the
17 one percent RESA reduction is projected to be approximately \$30 million
18 annually, the GRSA would be adjusted to collect an additional approximately \$30
19 million of accelerated depreciation annually until the balance of the regulatory
20 asset is zero. By structuring the RESA reduction and GRSA (or other cost
21 recovery mechanism) in this way, customers are kept neutral because the new
22 GRSA collection is approximately equivalent to the RESA reduction. In our

1 separate AD/RR Application filing, we will provide detailed analysis to
2 demonstrate the mechanics of this proposed rate recovery framework.

3 **Q. DOES THE STIPULATION RESTRICT THE ADVOCACY OF STIPULATING**
4 **PARTIES IN ANY WAY IN THIS SEPARATE APPLICATION PROCEEDING?**

5 A. No. The Stipulating Parties agree it is appropriate for the Company to propose to
6 reduce the RESA from two percent to approximately – but not less than – one
7 percent. In addition, the Stipulating Parties agree it is appropriate for the
8 Company to propose to accelerate the depreciation expense for Comanche 1
9 and Comanche 2. The parties are free, however, to take any position on the
10 content of this separate AD/RR Application.

11 **H. Switching Station Proposal**

12 **Q. PLEASE DESCRIBE THE NEW SWITCHING STATION REFERENCED IN THE**
13 **STIPULATION.**

14 A. The retirement of Comanche 1 and Comanche 2 will make available transmission
15 network capability for new generation resources on the Company's transmission
16 system. To facilitate interconnection access for potential new replacement
17 generation resources to be located in the vicinity of Comanche Station, the
18 Company proposes to construct a new switching station.²⁹ This new switching
19 station would alleviate existing constraints that currently limit the ability to
20 interconnect new generation directly to the Comanche Substation given the

²⁹ The term "switching station" is used synonymously with "substation" for purposes of transmission planning. This new switching station/substation would be similar to the Company's Missile Site Substation (Proceeding No. 10A-240E). Since the Missile Site Substation went into service, over 850 MW of wind generation has been interconnected there, and another 600 MW will be interconnected as a result of the Company's Rush Creek Wind Project.

1 congested layout of the existing substation equipment and the inability to obtain
2 adequate rights-of-way for new transmission lines. The new switching station
3 would be located to the east of Comanche Station along the corridor where
4 existing 345 kV and 230 kV transmission lines are located.

5 **Q. WHAT BENEFITS COULD THE PROPOSED SWITCHING STATION PROVIDE**
6 **TO THE COLORADO ENERGY PLAN PORTFOLIO?**

7 A. The proposed new switching station could provide significant flexibility to
8 interconnect new cost effective eligible energy resources included as part of the
9 Colorado Energy Plan Portfolio, including wind and solar, in the south central part
10 of the state. The proposed switching station is supported by the policy intent of
11 Senate Bill 07-100 (“SB07-100”) in that it would bring new transmission facilities
12 into what has been identified as an ERZ, including the designated solar
13 Generation Development Area (“GDA”) of ERZ-5.³⁰ SB07-100 requires rate-
14 regulated Colorado electric utilities to designate ERZs, which are defined by the
15 statute as “a geographic area in which transmission constraints hinder the
16 delivery of electricity to Colorado consumers, the development of new electric
17 generation facilities to serve Colorado consumers, or both.”

18 The approximate location of this switching station will be provided in the
19 Company’s 2017 Phase II solicitation documents. Providing this information in
20 the Request for Proposal (“RFP”) documents will signal the availability of this
21 interconnection access to potential bidders and encourage bids for the

³⁰ See Figure 2.5-3 Energy Resource Zones with Generation Development Areas, of 2016 ERP Volume 2.

1 development of new replacement generation resources located in ERZ-5, which
2 furthers the public policy intent of SB07-100.

3 **Q. IS THE COMPANY REQUESTING APPROVAL OF THE NEW SWITCHING**
4 **STATION AS PART OF THIS STIPULATION FILING?**

5 A. No. As agreed to by the Stipulating Parties, the Company will file a separate
6 CPCN application to seek Commission approval to construct the new switching
7 station contingent on the Commission's approval of the Colorado Energy Plan
8 Portfolio in the Phase II competitive solicitation as the Commission's approved
9 portfolio.

10 **Q. WOULD TRANSMISSION PLANNING STUDIES BE PERFORMED TO**
11 **EVALUATE THE NEW SWITCHING STATION?**

12 A. Yes. The Company intends to work through the Colorado Coordinated Planning
13 Group ("CCPG") process to evaluate the new switching station, as well as other
14 transmission impacts as the Phase II process moves forward. The CCPG
15 process promotes stakeholder involvement in the planning studies.

16 **I. Interplay of All Associated Approvals**

17 **Q. PLEASE EXPLAIN HOW THE VARIOUS APPROVALS SOUGHT IN THE**
18 **SEPARATE PROCEEDINGS DESCRIBED ABOVE RELATE TO THE**
19 **COLORADO ENERGY PLAN PORTFOLIO AND THE TIMING OF THE PHASE**
20 **II ERP PROCESS.**

21 A. The approvals requested in the separate, related proceedings described above,
22 include: (1) the AD/RR Application for select cost recovery and regulatory
23 accounting treatment necessary for the implementation of the Colorado Energy

1 Plan Portfolio, and (2) the CPCN application for the new switching station. These
2 requested approvals will be contingent upon the selection of the Colorado Energy
3 Plan Portfolio in the Phase II competitive solicitation as the Commission's
4 approved portfolio. The estimated timing of these separate applications relative
5 to the ERP Phase II process is shown on the revised indicative timeline provided
6 as Attachment DLE-2 to my testimony.

7 The AD/RR Application will be filed shortly after the Stipulation filing (within 60
8 days). Assuming the Colorado Energy Plan Portfolio is presented in the 120-Day
9 Report, the Company will update information in the AD/RR Application following
10 the 120-Day Report, including RESA balance projections and any additional
11 adjustments to the accelerated depreciation rates, to give the Commission a full
12 look at how the proposed RESA reduction/GRSA cost recovery mechanism
13 would work based on actual costs of the Colorado Energy Plan Portfolio. The
14 timing of the filing of this separate AD/RR Application is such that the
15 Commission's decision on the Colorado Energy Plan Portfolio in Phase II of the
16 ERP proceeding could sync with a contemporaneous decision on the AD/RR
17 Application.

18 If the Colorado Energy Plan Portfolio is approved in the Phase II competitive
19 solicitation as the Commission's approved portfolio, and the approved portfolio
20 includes new generation resources that would interconnect at the proposed new
21 switching station, the Company would file a CPCN application for the new
22 switching station immediately following issuance of the Commission's Phase II
23 decision. Based on an estimated six month approval process for the CPCN

1 application, the Company estimates it could achieve a September 2020 in-
2 service date.

1 **IV. RESOURCE PLANNING CONSIDERATIONS**

2 **Q. WHAT IS THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY?**

3 A. The purpose of this section of my testimony is to address: (1) the Phase II
4 evaluation approach agreed to by the Stipulating Parties; (2) the need for CPCNs
5 for new utility-owned generation resources included in the Colorado Energy Plan
6 Portfolio; (3) Company commitments with regard to these CPCN proceedings
7 and the interplay of the Phase I Decision with these same proceedings; and (4)
8 select issues in the Stipulation related to § 40-2-124(1)(f)(I), C.R.S. and Rule
9 3660(h).

10 **A. Colorado Energy Plan Evaluation Approach**

11 **Q. WHY DID THE STIPULATING PARTIES DEVELOP AN EVALUATION**
12 **APPROACH FOR THE COLORADO ENERGY PLAN PORTFOLIO?**

13 A. The Colorado Energy Plan Portfolio is unique in the ERP context and the
14 Stipulating Parties, through our discussions and negotiations on the Stipulation,
15 recognize that. In recognition of the unique nature of the Colorado Energy Plan
16 Portfolio, we worked to develop an evaluation approach that ensures parties will
17 have an opportunity to evaluate the Colorado Energy Plan Portfolio and compare
18 it with portfolios developed for the 0 MW and 450 MW need scenarios. At the
19 same time, the approach we developed accounts for the fact that the Colorado
20 Energy Plan Portfolio, and the voluntary early retirement proposal underlying it, is
21 conditioned upon the satisfaction of certain ownership percentage targets. Our
22 approach allows for a robust review and evaluation of the Colorado Energy Plan

1 Portfolio while not requiring development of numerous portfolios that would not
2 satisfy the parameters of the Colorado Energy Plan Portfolio.

3 There are several key points that drive the evaluation approach and what
4 will be presented in the 120-Day Report. I look at it as a series of three decision
5 points that culminates in the presentation.

6 **Q. WHAT IS THE FIRST DECISION POINT?**

7 A. Upon receipt of bids, the Company will evaluate whether it can develop a
8 Colorado Energy Plan Portfolio that satisfies the ownership percentage targets
9 for both eligible energy resources and dispatchable and semi-dispatchable
10 resources, respectively, and keeps customers neutral or saves money on a
11 present value basis. If we can, and we are hopeful that the bids we receive will
12 allow us to do so, then we move to the second decision point. If we cannot
13 develop such a portfolio, then we would not move to the second decision point.

14 **Q. WHAT IS THE SECOND DECISION POINT?**

15 A. We then evaluate whether the bids received allow for the development of a
16 second portfolio to fill the same level of resource need covered by the Colorado
17 Energy Plan Portfolio. The parameters for this second portfolio are as follows: (1)
18 it provides between 40 percent and 60 percent utility ownership of eligible energy
19 resources; (2) it provides between 60 and 75 percent utility ownership of
20 dispatchable or semi-dispatchable resources; and (3) it is materially less
21 expensive (i.e., more than \$50 million on a present value basis estimated
22 savings) than the Colorado Energy Plan Portfolio. We call this the “materially less
23 expensive portfolio,” or “MLEP,” in the Stipulation.

1 **Q. WILL THE COMPANY DEFINITELY DEVELOP AND PRESENT A MLEP?**

2 A. No. Based on the bids received we may not be able to create a portfolio that
3 satisfies each of the MLEP criteria.

4 **Q. WHAT IS THE THIRD DECISION POINT?**

5 A. The third decision point relates to our analysis of the projected savings of the
6 Colorado Energy Plan Portfolio. The presentation approach differs depending
7 upon whether the Colorado Energy Plan Portfolio is projected to result in material
8 savings, which is defined as \$50 million or more (and is consistent with the
9 materiality threshold for the MLEP). Accordingly, the third decision point is
10 whether the Colorado Energy Plan Portfolio will result in projected savings of \$50
11 million or more.

12 **Q. HOW DO THESE THREE DECISION POINTS LEAD TO AN EVALUATION**
13 **APPROACH?**

14 A. If a Colorado Energy Plan Portfolio is presented in the 120-Day Report, the
15 Stipulating Parties are free to advocate for approval or denial of the Colorado
16 Energy Plan Portfolio based on the information contained in and underlying the
17 Company's 120-Day Report. The presentation of portfolios, however, is
18 determined by the three decision points above.

19 If the Colorado Energy Plan Portfolio is projected to result in material
20 savings (\$50 million or more) on a present value basis, the Company will present
21 the Colorado Energy Plan Portfolio in the 120-Day Report as follows: (1) the
22 Colorado Energy Plan Portfolio, and (2) the MLEP. Stipulating Parties will not
23 advocate for an alternate mix of retirements or replacement resources in the

1 Colorado Energy Plan Portfolio or the MLEP, but Stipulating Parties may
2 advocate for the denial of the Colorado Energy Plan Portfolio. If a Stipulating
3 Party argues for denial of the Colorado Energy Plan Portfolio and advocates for
4 approval of a different portfolio, the Stipulating Party may advocate for: (1) the
5 MLEP presented to the Commission that satisfies each of the three MLEP
6 requirements; or (2) one of the portfolios presented to fill either the 0 MW or 450
7 MW case portfolios.

8 **Q. WHAT HAPPENS IF THE COLORADO ENERGY PLAN PORTFOLIO IS**
9 **PROJECTED TO RESULT IN PRESENT VALUE SAVINGS OF LESS THAN**
10 **\$50 MILLION ON A PRESENT VALUE BASIS?**

11 A. If the Colorado Energy Plan Portfolio is projected to result in savings of less than
12 \$50 million on a present value basis, we will also make available the least-cost
13 portfolio, without application of any ownership percentage targets, that meets the
14 Colorado Energy Plan Portfolio need to assist parties in determining whether to
15 advocate for the approval or disapproval of the Colorado Energy Plan Portfolio.
16 This advocacy remains subject to the same process I just discussed, *i.e.*, if a
17 Stipulating Party advocates for disapproval, it may advocate for: (1) the MLEP
18 presented to the Commission that satisfies each of the three MLEP
19 requirements; or (2) one of the portfolios presented to fill either the 0 MW or 450
20 MW case.

1 **Q. WHY IS THE LEAST-COST PORTFOLIO WITHOUT APPLICATION OF ANY**
2 **OWNERSHIP PERCENTAGE TARGETS ONLY PROVIDED IF THE**
3 **COLORADO ENERGY PLAN PORTFOLIO IS PROJECTED TO RESULT IN**
4 **PRESENT VALUE SAVINGS OF LESS THAN \$50 MILLION?**

5 A. The Stipulating Parties have agreed that given the voluntary nature of the
6 Colorado Energy Plan Portfolio proposal, it is appropriate to have an up or down
7 vote on it as opposed to advocating for modifications. Stipulating Parties
8 expressed concern, however, that it would be difficult to advocate for or against
9 the Colorado Energy Plan Portfolio if: (1) the projected savings on a present
10 value basis were not material; and (2) they did not have the data point of what
11 the least cost portfolio, absent the ownership targets, looked like (to the extent
12 such a portfolio exists). Therefore, we agreed to make that information available
13 to assist parties in their advocacy for or against the Colorado Energy Plan
14 Portfolio if the projected savings on a present value basis were not material.

15 **Q. HOW WILL THE COMPANY EVALUATE AND ANALYZE WHETHER THE**
16 **COLORADO ENERGY PLAN PORTFOLIO RESULTS IN SAVINGS ON A**
17 **PRESENT VALUE BASIS?**

18 A. As indicated in the Stipulation, the Company will evaluate the projected present
19 value savings of the Colorado Energy Plan Portfolio using Phase II base
20 modeling assumptions consistent with the Phase I Decision. This decision
21 requires the Company to present two scenarios for presenting portfolios in its
22 120-Day Report: (1) a scenario that corresponds to a 0 MW need in 2023, and
23 (2) a scenario based on the Company's updated demand forecast but unadjusted

1 (i.e., without the adjustments set forth in Table JFH -4 in the rebuttal testimony of
2 Company witness Mr. Hill in this proceeding).

3 **Q. AGAINST WHICH OF THE TWO SCENARIOS WILL THE COLORADO**
4 **ENERGY PLAN PORTFOLIO BE EVALUATED?**

5 A. The Colorado Energy Plan Portfolio will be compared against the portfolios in the
6 updated but unadjusted demand forecast scenario. The targeted need of 775
7 MW in 2023 for the Colorado Energy Plan Portfolio is based on the unadjusted
8 need (approximately 450 MW) plus the retirement of Comanche 1 (325 MW),
9 which makes the unadjusted need scenario a suitable benchmark. Also, both the
10 unadjusted portfolio and the Colorado Energy Plan Portfolio will fill targeted
11 needs based on a system reliability, loss of load probability target of 1 day in 10
12 years, which also makes the unadjusted need scenario a suitable benchmark.

13 **Q. WILL THE COLORADO ENERGY PLAN PORTFOLIO BE EVALUATED IN A**
14 **MANNER CONSISTENT WITH THE COMMISSION'S PHASE I DECISION**
15 **REQUIRING CERTAIN SENSITIVITY CASES TO THE BASE MODELING**
16 **ASSUMPTIONS?**

17 A. Yes. In its Phase I Decision, the Commission directed the Company to evaluate
18 portfolios of resources based on alternative values for selected assumptions and
19 to re-price the portfolios for these sensitivity analyses. Consistent with Rule
20 3604(k), these sensitivity analyses are to aid the Commission in testing the
21 robustness of alternative portfolios. The Colorado Energy Plan Portfolio will
22 therefore also be subject to evaluation under the sensitivity analyses required by
23 the Phase I Decision, including carbon cost sensitivities, which will provide

1 additional information regarding the potential savings associated with the
2 Colorado Energy Plan Portfolio.

3 **Q. HAS THE COMPANY MADE ANY OTHER COMMITMENTS WITH REGARD**
4 **TO THE MODELING OF THE COLORADO ENERGY PLAN PORTFOLIO?**

5 A. Yes, we have made one additional commitment that applies after the modeling is
6 conducted and we issue the 120-Day Report. We have agreed to work with the
7 existing Future Program Stakeholder Working Group to understand the modeling
8 of the Colorado Energy Plan Portfolio, including estimated avoided cost effects.

9 **B. CPCNs and Cost Recovery for Generation Facilities**

10 **Q. IS THE COMPANY REQUIRED TO SEEK CPCNs FOR UTILITY-OWNED**
11 **GENERATION RESOURCES FOLLOWING ANY APPROVAL OF SUCH**
12 **RESOURCES IN A PHASE II DECISION?**

13 A. Yes. Both Rule 3613(h) and Rule 3617(d)(II) contemplate a post-Phase II
14 Decision filing for CPCNs for utility-owned generation. Rule 3613(h) provides that
15 “[t]he utility shall pursue the final cost-effective resource plan either with a due
16 diligence review and contract negotiations, or with applications for CPCNs (other
17 than those CPCNs provided in paragraph 3611(e)), as necessary.”³¹ The
18 Commission has also prescribed specific protocols for CPCN proceedings
19 following an ERP Phase II decision. Specifically:

20 In a proceeding concerning the utility's request for a CPCN to meet
21 customer need specifically approved by the Commission in its
22 decision on the final cost-effective resource plan, the Commission
23 shall take administrative notice of its decision on the plan. Any party
24 challenging the Commission's decision regarding need for

³¹ Rule 3613(h).

1 additional resources has the burden of proving that, due to a
2 change in circumstances, the Commission's decision on need is no
3 longer valid.³²

4 Accordingly, the Commission shifts the burden with regard to need in these
5 follow-on CPCN proceedings.

6 **Q. HAVE THE STIPULATING PARTIES AGREED TO OTHER TERMS RELATED**
7 **TO THESE FOLLOW-ON CPCN PROCEEDINGS?**

8 A. Yes, and all of the agreements are ultimately directed at making these
9 proceedings as efficient as possible and avoiding protracted litigation
10 surrounding the CPCN requests. This is an important part of the Stipulation given
11 the impending deadlines to garner the benefits of the PTC and ITC for utility-
12 owned wind and solar resources.

13 **Q. WHAT HAS THE COMPANY AGREED TO DO TO EXPEDITE THESE CPCN**
14 **PROCEEDINGS?**

15 A. We agreed to voluntarily bring forward a performance metric for any utility-owned
16 wind generation. The Stipulating Parties have agreed that, so long as the
17 proposed performance metric is substantially similar to the performance metric
18 for the Rush Creek Wind Project, the Stipulating Parties agree not to advocate
19 for other performance-based or cost recovery conditions on the CPCNs.
20 Moreover, any performance metric shall be no more stringent than the Rush
21 Creek Wind Project performance metric.

³² Rule 3617(d)(II).

1 This is an important part of the Stipulation and a significant concession
2 from the Company. It takes advantage of the hard work that parties, and
3 particularly Public Service and Staff, undertook in Proceeding No. 16A-0117E to
4 develop and present that performance metric for Commission approval. Through
5 negotiations on the Stipulation agreed we should continue to use this metric as
6 opposed to reinventing the wheel and litigating brand new performance metrics in
7 these time-constrained CPCN proceedings.

8 **Q. DOES THIS INCLUDE THE HARD CAPITAL COST CAP AND**
9 **CONSTRUCTION SAVINGS SHARING MECHANISM INCLUDED AS PART OF**
10 **THE RUSH CREEK WIND PROJECT SETTLEMENT AGREEMENT?**

11 A. No. The hard capital cost cap and savings sharing mechanism specific to the
12 Rush Creek Wind Project settlement agreement would not apply to utility-owned
13 wind projects approved as part of any Colorado Energy Plan Portfolio.

14 **Q. WILL THE COMPANY DEFINITELY USE THE RUSH CREEK WIND**
15 **PROJECT-LIKE PERFORMANCE METRIC FOR ALL UTILITY-OWNED WIND**
16 **PROJECTS IN THE COLORADO ENERGY PLAN PORTFOLIO?**

17 A. It is highly likely that we will do so. However, in the event that we identify another
18 performance metric that is an improvement upon the performance metric used in
19 Proceeding No. 16A-0117E, then the Company is not restricted from bringing it
20 forward. In this instance, we would meet with the Stipulating Parties ahead of
21 filing the CPCN to explain the new performance metric. There would be no
22 restrictions on advocacy surrounding any new performance metric. Such
23 restrictions would not be appropriate given this hypothetical performance metric

1 would not have been subject to all of the work and collaboration that went into
2 the performance metric for the Rush Creek Wind Project.

3 **Q. IS THE COMPANY REQUIRED BY THE STIPULATION TO PROPOSE A**
4 **PERFORMANCE METRIC FOR UTILITY-OWNED SOLAR RESOURCES?**

5 A. No, and the Stipulating Parties agree that performance metrics for solar
6 resources are unnecessary and agree not to advocate for them in future CPCN
7 proceedings for any utility-owned solar resources. Hypothetically speaking, the
8 Company could voluntarily propose a performance metric for solar resources,
9 and if it did so, parties to the CPCN proceeding could take any position they like
10 on such a performance metric.

11 **Q. ARE OTHER COST RECOVERY CONDITIONS IN THESE FUTURE CPCN**
12 **PROCEEDINGS ADDRESSED IN THE STIPULATION?**

13 A. Yes. Capital cost recovery is addressed in the Stipulation. Put simply, the
14 Stipulating Parties agree that the Phase I Decision applies to any utility-owned
15 projects acquired if the Colorado Energy Plan Portfolio is approved by the
16 Commission. In Paragraph 117 of the Phase I Decision, the Commission states
17 as follows:

18 With respect to capital costs, we adopt Public Service's position in
19 Rebuttal Testimony that the Company will provide a point cost for
20 its utility proposals, without a 20 percent variance, consistent with
21 past ERP practice. Public Service reserves the right to make a
22 request with the Commission to recover costs that exceed this point
23 level under extraordinary circumstances.³³
24

³³ Decision No. C17-0316, at ¶ 117 (mailed Apr. 28, 2017).

1 The Commission therefore established an approach with regard to future capital
2 cost recovery for any utility-owned bids approved in the Phase II process.
3 Because the utility will not bid in any self-build resources with the exception of
4 gas-fired resources as part of the Stipulation, all build-own-transfer bids and any
5 utility self-build bids for gas fired resources will be evaluated based on a point
6 cost for capital costs. This point cost is then relevant in future rate cases when a
7 resource is placed into base rates. The Company bears the burden for
8 establishing the existence of extraordinary circumstances to recover capital costs
9 in excess of the point cost used for bid evaluation purposes.

10 This capital cost recovery structure put in place by the Phase I Decision
11 obviates the need for hard capital cost caps, and the Stipulating Parties have
12 agreed in turn to not advocate for hard capital cost caps in follow-on CPCN
13 proceedings.

14 **Q. PLEASE DESCRIBE THE OTHER STIPULATION PROVISIONS RELEVANT**
15 **TO COST RECOVERY FOR UTILITY-OWNED RESOURCES.**

16 A. There are two agreements surrounding cost recovery for utility-owned resources
17 – one is general and one is specific. First, the more general agreement is that the
18 Company may present cost recovery proposals for utility-owned resources in the
19 120-Day Report and the Commission may evaluate and approve them as part of
20 that process. This agreement is consistent with Rule 3611(f). While this rule
21 initially addresses self-build bids, the last sentence is more generally applicable
22 to utility-owned resources selected in the Phase II process:

1 The utility may participate in a competitive resource acquisition
2 process by proposing the development of a new utility resource that
3 the utility shall own as a rate base investment. The utility shall
4 provide sufficient cost information in support of its proposal such
5 that the Commission can reasonably compare the utility's proposal
6 to alternative bids. In the event a utility proposes a rate base
7 investment, the utility shall also propose how it intends to compare
8 the utility rate based proposal(s) with non-utility bids. *The*
9 *Commission may also address the regulatory treatment of such*
10 *costs with respect to future recovery.*³⁴

11
12 This rule provides that the Commission may evaluate regulatory treatment for
13 rate-based proposals, and both build-own-transfer bids and utility self-build bids
14 are rate-based proposals as these resources will ultimately be put in rate base in
15 future rate cases. The Company therefore may bring forward proposals in the
16 120-Day Report for the regulatory treatment of utility-owned resources included
17 as part of the Colorado Energy Plan Portfolio, whether the resource is an eligible
18 energy resource or a non-eligible energy resource.

19 **Q. HAVE THE STIPULATING PARTIES AGREED TO SUPPORT ANY SPECIFIC**
20 **TYPES OF REGULATORY TREATMENT OF COSTS ASSOCIATED WITH**
21 **UTILITY-OWNED RESOURCES?**

22 A. Yes. The Stipulating Parties agree that, to the extent the cost recovery approach
23 described below is proposed by the Company, it is reasonable and appropriate.
24 This is the same approach used for the two other build-own-transfer eligible
25 energy resources online in Colorado, which are the Peak View Wind Project
26 (approved in consolidated Proceeding No. 15A-0502E) and the Rush Creek Wind

³⁴ Rule 3611(f) (emphasis added).

1 Project (approved in consolidated Proceeding No. 16A-0117E). There are two
2 components to this agreement in the Stipulation.

3 First, the Company will not seek to recover construction work in progress
4 (“CWIP”) and a current return on CWIP at the most recently authorized weighted
5 average cost of capital (“WACC”) through the RESA during construction of any
6 utility-owned eligible energy resource approved as part of the Colorado Energy
7 Plan Portfolio. The Company is permitted to seek such recovery pursuant to §
8 40-2-124(1)(f)(IV), C.R.S. and Rule 3660(i); however, Public Service will forgo
9 the right to seek this cost recovery treatment as part of the Stipulation. The
10 Company will instead accrue interest at the allowance for funds used during
11 construction (“AFUDC”) rate during the construction period for any utility-owned
12 eligible energy resource.

13 Second, the Company may recover costs for any utility-owned eligible
14 energy resource approved as part of the Colorado Energy Plan Portfolio from the
15 commercial operation date (“COD”) until the resource is placed in base rates
16 through a combination of the RESA and ECA. This regulatory treatment during
17 the period between COD and placing the resource in base rates is provided for
18 by § 40-2-124(1)(f)(IV), C.R.S. and Rule 3660(i).

19 This cost recovery approach mirrors that used in prior Commission
20 proceedings, as discussed above. Given its use in the prior proceedings, the
21 Stipulating Parties decided to agree on the front-end that any cost recovery
22 proposal pursuant to Rule 3611(f) that takes this structure should be agreed
23 upon in advance.

1 **C. Rule 3660(h) Issues**

2 **Q. IS THE COMPANY PROPOSING TO OWN ANY RESOURCES IN THE**
3 **COLORADO ENERGY PLAN PORTFOLIO PURSUANT TO RULE 3660(h)?**

4 A. No. However, there are several terms related to Rule 3660(h) in the Stipulation.
5 The Stipulation contains provisions clarifying that any utility-owned eligible
6 energy resources acquired through the Phase II competitive bidding process are
7 not subject to the standards in § 40-2-124(1)(f)(I), C.R.S., and Rule 3660(h). In
8 addition, the Stipulation addresses: (1) Rule 3660(h) calculation issues; (2) future
9 Rule 3660(h) applications (including an agreement by the Company to not file
10 any Rule 3660(h) applications for a period of time); and (3) the process around
11 any Rule 3660(h) applications filed during the pendency of the 2019 ERP.

12 **Q. PLEASE EXPLAIN WHAT YOU MEAN WHEN YOU SAY THAT THE**
13 **STANDARDS IN § 40-2-124(1)(f)(I), C.R.S., AND RULE 3660(h) DO NOT**
14 **APPLY.**

15 A. These standards do not apply because the Company is not seeking to acquire
16 resources through a standalone Rule 3660(h) application. Rather, any utility-
17 owned eligible energy resources will be acquired through competitive bidding.
18 The Company therefore does not need to show that any of these eligible energy
19 resources either: (1) “can be constructed at a reasonable cost compared to the
20 cost of similar eligible energy resources available in the market” pursuant to Rule
21 3660(h)(I) for total eligible energy resource ownership amounts up to 25%; or (2)
22 “can be constructed at a reasonable cost compared to the cost of similar eligible
23 energy resources available in the market and ... would provide significant

1 economic development, employment, energy security, or other benefits to the
2 state of Colorado” pursuant to Rule 3660(h)(I) for total eligible energy resource
3 ownership amounts up to 50%. Utility-owned eligible energy resources included
4 as part of any Colorado Energy Plan Portfolio have been “selected as the
5 winning bidder” in a competitive solicitation, as contemplated by § 40-2-
6 124(1)(f)(I), C.R.S. and Rule 3660(h)(III). Accordingly, the standards of review
7 should not apply and the Stipulating Parties have agreed on that.

8 **Q. HOW DOES THE STIPULATION RESOLVE RULE 3660(h) CALCULATION**
9 **ISSUES?**

10 A. After discussion among the Stipulating Parties, we were able to resolve
11 differences and issues surrounding how utility-owned resources acquired through
12 this Phase II ERP will be accounted for in future Rule 3660(h) calculations.
13 These calculations, and the agreement around how to do it, are important and
14 should avoid disputes around this issue in the future if the Company chooses to
15 bring forward another Rule 3660(h) application.

16 Pursuant to the Stipulation, any utility-owned eligible energy resources
17 acquired as a result of the approval of its Colorado Energy Plan Portfolio will be
18 included in both the numerator and denominator for purposes of calculating utility
19 ownership levels under Rule 3660(h). Moreover, all eligible energy resource
20 acquisitions shall count in the denominator for purposes of such calculations
21 regardless of whether the resource is owned by an IPP or the Company.

1 **Q. HAS THE COMPANY AGREED TO A TEMPORARY RULE 3660(h)**
2 **STAYOUT?**

3 A. Yes. As part of the Stipulation, we will not file any Rule 3660(h) applications to
4 acquire eligible energy resources between now and the filing date for the 2019
5 ERP (on or before October 31, 2019).

6 **Q. WILL THE COMPANY FILE ANOTHER RULE 3660(h) APPLICATION WITH**
7 **ITS 2019 ERP?**

8 A. I do not know. That decision is highly dependent upon the facts and
9 circumstances two years from now and our ability to identify a strong project we
10 can bring forward to the benefit of our customers. Through negotiations on the
11 Stipulation, however, we have put in place some parameters on any Rule
12 3660(h) application filed during the pendency of the 2019 ERP.

13 If we file a Rule 3660(h) application during this time, then the Company
14 first agrees to move to consolidate the application proceeding with the 2019 ERP
15 proceeding. Further, for purposes of evaluating the reasonable cost prong of the
16 standard set forth in § 40-2-124(1)(f)(I), C.R.S. and Rule 3660(h)(I)-(II), Public
17 Service would use the bid pool from the Phase II competitive solicitation to
18 identify “similar eligible energy resources available in the market” for comparative
19 purposes.³⁵

20 **Q. WHY ARE THESE PARAMETERS APPROPRIATE?**

21 A. These stipulated parameters for any Rule 3660(h) applications filed during the
22 2019 ERP process are responsive to what we heard from the Commission and

³⁵ § 40-2-124(1)(f)(I), C.R.S.

1 parties in Proceeding No. 16A-0117E. The consolidation of any Rule 3660(h)
2 application proceeding with the 2019 ERP proceeding is consistent with the
3 Commission's desire to evaluate resource acquisitions in the ERP context.³⁶ The
4 use of recent competitive bids to compare the proposed Rule 3660(h) resource
5 with is responsive to concerns about the comparative process and projects used
6 for that purpose in the Rush Creek Wind Project analysis. To be clear, we stand
7 behind our Rush Creek Wind Project reasonable cost analysis and believe it was
8 robust and appropriate. The Stipulation, however, represents agreement around
9 how the reasonable cost comparison should be conducted for any Rule 3660(h)
10 application filed during the pendency of the 2019 ERP.

³⁶ See, e.g., Decision No. C17-0316, at ¶ 47 (mailed Apr. 28, 2017) (providing in part "it is the Commission's preference to consider resource acquisitions in an ERP context")

1 **V. OTHER COLORADO ENERGY PLAN PORTFOLIO ISSUES**

2 **Q. WHAT IS THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY?**

3 A. The purpose of this section of my testimony is to briefly address transmission
4 and reliability issues associated with the potential early retirement of Comanche
5 1 and Comanche 2. In addition, I address labor-related issues and impacts on
6 the co-owners of Comanche 3 from these retirements.

7 **A. Transmission System Performance Issues**

8 **Q. HAS THE COMPANY EVALUATED POTENTIAL IMPACTS TO THE**
9 **TRANSMISSION SYSTEM THAT COULD OCCUR IF THE COLORADO**
10 **ENERGY PLAN PORTFOLIO IS APPROVED?**

11 A. Yes. The Company's Transmission Planning and Transmission Operations
12 groups have performed a preliminary analysis of the potential transmission
13 system performance impacts that could result from retiring Comanche 1 and
14 Comanche 2.

15 **Q. WHAT ARE THE RESULTS OF THE PRELIMINARY TRANSMISSION**
16 **SYSTEM PERFORMANCE ANALYSIS?**

17 A. The results of this preliminary analysis indicate that there would be no significant
18 adverse impacts to the reliability of the transmission system as a result of retiring
19 Comanche Units 1 and 2. The preliminary analysis showed that the system
20 exhibited acceptable stability and acceptable voltages during potential
21 disturbances.

22 Because the remaining unit, Comanche 3, is also taken out of service for
23 maintenance periodically and is subject to unplanned outages, the transmission

1 system must also be evaluated for loss of all of the existing generation at
2 Comanche. While the preliminary analysis does not indicate any major system
3 performance impacts with the retirement of Comanche 1 and Comanche 2,
4 detailed studies may reveal potential reliability issues associated with the
5 scenario in which both Comanche 1 and Comanche 2 are retired and the
6 remaining Comanche 3 is out of service during an unplanned outage or for
7 planned maintenance.

8 **Q. IF DETAILED STUDIES DO RESULT IN POTENTIAL RELIABILITY ISSUES**
9 **UNDER THE SCENARIO YOU DESCRIBE ABOVE, COULD THE**
10 **TRANSMISSION SYSTEM PERFORMANCE IMPACT BE MITIGATED?**

11 A. Yes, there are a variety of mitigation measures that could be implemented if
12 necessary. Potential options include: a gas-fired generation facility, power
13 electronic devices referred to as Flexible AC Transmission System (“FACTS”)
14 devices (such as a Static VAR Compensator (“SVC”) or Static Synchronous
15 Compensator (“STATCOM”)), or modifying Comanche 1 or 2 to become a
16 synchronous condenser.³⁷ We will be conducting further detailed transmission
17 system performance analysis as we move forward with Phase II of the ERP
18 proceeding, which will evaluate reliability and performance issues related to the
19 retirement of the Comanche units, and determine any appropriate mitigation
20 measures.

³⁷ This would be similar to the conversion of Cherokee Station Unit 2 to a synchronous condenser (Proceeding No. 11A-209E).

1 **Q. DOES THE COMPANY PLAN TO ENGAGE TRANSMISSION**
2 **STAKEHOLDERS IN THE DISCUSSION OF ANY PROPOSED NEW**
3 **TRANSMISSION FACILITIES OR UPGRADES TO TRANSMISSION**
4 **FACILITIES ASSOCIATED WITH THE IMPLEMENTATION OF THE**
5 **COLORADO ENERGY PLAN PORTFOLIO?**

6 A. Yes. As I mentioned earlier in my testimony with regard to the proposed new
7 switching station, the Company is committed to working through the well-
8 established CCPG process to consider stakeholder input, including comments
9 and study requests, as we move forward with Phase II of the ERP.

10 **B. Labor Issues**

11 **Q. PLEASE DESCRIBE THE PROVISIONS OF THE STIPULATION THAT**
12 **RELATE TO LABOR ISSUES.**

13 A. We engaged in a series of discussions with RMELC/CBCTC as part of
14 Stipulation negotiations. Through these discussions, we looked at the
15 opportunities presented by the development of a Colorado Energy Plan Portfolio
16 and looked for opportunities to try and collaborate with RMELC/CBCTC. We
17 identified three areas of potential work associated with the Colorado Energy Plan
18 Portfolio and developed a Stipulation provision around each of them. First, there
19 is construction opportunity if a new utility self-build gas resource is included as
20 part of the Colorado Energy Plan Portfolio. Second, there will eventually be
21 demolition work for Comanche 1 and Comanche 2 if the Colorado Energy Plan
22 Portfolio is approved. Third, as discussed earlier in my testimony, it is possible

1 that we will convert the generators at either Comanche 1 or Comanche 2 to
2 synchronous condensers for transmission reliability purposes.

3 **Q. HOW DOES THE STIPULATION ADDRESS THE FIRST AREA?**

4 A. As part of the Stipulation, the Company commits to the use of a PLA for labor for
5 the construction of any new utility-owned self-build gas resource included as part
6 of the approved Colorado Energy Plan Portfolio. This does not mean that any
7 and all utility self-build gas bids will contemplate the use of a PLA, but for any
8 such bid to be eligible for inclusion in the Colorado Energy Plan Portfolio, it must
9 account for the use of a PLA. This is a significant agreement by the Company
10 and certainly does not set a precedent that we will use a PLA for all utility self-
11 build gas units in the future. However, we felt it was appropriate to do so here
12 after discussions with RMELC/CBCTC. It gives their members a sizeable
13 business opportunity if the Colorado Energy Plan Portfolio is approved by the
14 Commission and includes a new utility self-build gas unit.

15 **Q. HOW DOES THE STIPULATION ADDRESS THE SECOND AREA?**

16 A. We also committed to the use of a PLA for any demolition work for Comanche 1
17 and Comanche 2. It is unclear when that work will occur as we would likely leave
18 the Comanche 1 and Comanche 2 structures in place for some time following
19 any approved early retirement. However, when we do go forward with this
20 demolition work for Comanche 1 and Comanche 2, it will be pursuant to a PLA.

1 **Q. HOW DOES THE STIPULATION ADDRESS THE THIRD AREA?**

2 A. If a conversion to synchronous condensers is deemed necessary through further
3 studies, we commit to the use of union labor for any labor involved in the
4 conversion to synchronous condensers.

5 **Q. DO YOU HAVE ANY OTHER COMMENTS ON THE PROVISIONS RELATED**
6 **TO LABOR ISSUES?**

7 A. There is no guarantee of work for RMELC/CBCTC members, and both
8 RMELC/CBCTC and the Company are on the same page with regard to this
9 point. Our agreements, however, reflect the fact that there are opportunities to
10 collaborate under our approach and through a Colorado Energy Plan Portfolio.
11 We are hopeful that use of a PLA for new utility self-build gas resources included
12 in any Colorado Energy Plan Portfolio can provide a cost-effective option and
13 allow us to meet the stringent requirements we have placed on this portfolio from
14 a cost standpoint.

15 **C. Co-Owners and Wholesale Customers**

16 **Q. IS THE COMPANY WORKING WITH CO-OWNERS OF COMANCHE 3 TO**
17 **ADDRESS POTENTIAL ISSUES RELATED TO THE EARLY RETIREMENT OF**
18 **COMANCHE 1 AND COMANCHE 2?**

19 A. Yes. We have engaged with our two co-owners, IREA and HCE, and will work
20 through the potential impacts of an early retirement of Comanche 1 and
21 Comanche 2 on them as co-owners of the remaining coal-fired generating unit at
22 the site (Comanche 3). We are continuing to work through these impacts with
23 them and will continue to do so as this Stipulation is pending before the

1 Commission and throughout the Phase II process if it does result in the
2 presentation of a Colorado Energy Plan Portfolio for Commission approval. Both
3 IREA and HCE are intervenors in this proceeding and have taken no position on
4 the Stipulation pending these further discussions.

5 **Q. IS THE COMPANY ENGAGING IN A SIMILAR WAY WITH OTHER**
6 **WHOLESALE CUSTOMERS?**

7 A. Yes. Both IREA and HCE are wholesale customers of the Company in addition to
8 being our co-owners at Comanche 3. Moreover, two other intervenors in this
9 proceeding, Yampa Valley Electric Association, Inc., (“YVEA”) and Grand Valley
10 Rural Power Lines, Inc. (“Grand Valley”), are also wholesale customers of Public
11 Service. We are working through production rate impacts from our proposal with
12 these customers. As with the Comanche 3 co-ownership issues, we will continue
13 to do so going forward toward the possible presentation of a Colorado Energy
14 Plan Portfolio if this Stipulation is approved by the Commission. YVEA and Grand
15 Valley have also taken no position on the Stipulation pending further discussions
16 and analyses regarding production rate impacts.

1 **VI. CONCLUSION**

2 **Q. DO YOU HAVE ANY CLOSING COMMENTS?**

3 A. Given the currently available federal tax credits for wind and solar, the recently
4 issued Executive Order, and the upcoming Phase II competitive solicitation
5 process, this is the right time for the Commission to allow for the opportunity to
6 develop and present the Colorado Energy Plan Portfolio. It is supported by
7 Stipulating Parties representing 15 discrete and distinct interests, all of whom
8 have come together on this Stipulation because they believe the development
9 and presentation of a Colorado Energy Plan Portfolio is in the public interest. We
10 have voluntarily imposed a standard of review on the Colorado Energy Plan
11 Portfolio in the name of customer protection and must keep customers neutral or
12 save customers money on a present value basis. These factors add up and
13 coalesce into a good plan we should be looking at for Colorado. I therefore
14 request that the Commission find the Stipulation to be in the public interest and
15 approve it.

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

17 A. Yes, it does.

Statement of Qualifications

David L. Eves

David Eves is president of Xcel Energy – Colorado. He also serves as a director of Public Service Company of Colorado. Previously he served as president and CEO of Southwestern Public Service Company. He also has served as vice president of Resource Planning and Acquisition for Xcel Energy, where he had responsibility for resource planning, wholesale power supply, transmission rights, and gas transportation and storage services for all of Xcel Energy's operations in eight states.

David Eves received a Bachelor of Science degree in mechanical engineering from Kansas State University in 1981.

He currently serves on the board of trustees for Mile High United Way and he is on the board of directors of the Denver Metro Chamber of Commerce, Boys and Girls Clubs of Metro Denver, and the Mountain States Employers Council. He is a member of the Colorado Forum and Colorado Concern. Eves has served as a past executive committee and operating committee member at Western Systems Power Pool.