BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

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IN THE MATTER OF THE APPLICATION	**)**	
OF PUBLIC SERVICE COMPANY OF	**)**	
COLORADO FOR APPROVAL OF ITS	**)**	**PROCEEDING NO. 21A-_____E**
2021 ELECTRIC RESOURCE PLAN AND	**)**	
CLEAN ENERGY PLAN	**)**	

DIRECT TESTIMONY AND ATTACHMENT OF HOLLIE J. VELASQUEZ HORVATH

ON

BEHALF OF

PUBLIC SERVICE COMPANY OF COLORADO

March 31, 2021

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

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IN THE MATTER OF THE APPLICATION OF PUBLIC SERVICE COMPANY OF COLORADO FOR APPROVAL OF ITS 2021 ELECTRIC RESOURCE PLAN AND CLEAN ENERGY PLAN	**)** **)** **)** **)** **)**	**PROCEEDING NO. 21A-_____E**

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GLOSSARY OF ACRONYMS AND DEFINED TERMS

Acronym/Defined Term	Meaning
2021 ERP & CEP	2021 Electric Resource Plan and Clean Energy Plan
CPCN	Certificate of Public Convenience and Necessity
Commission	Colorado Public Utilities Commission
ERP	Electric Resource Plan
EVRAZ	CF&I Steel, L.P. d/b/a EVRAz Rocky Mountain Steel
LDC	Local Distribution Companies
MW	Megawatts
OJT	Office of Just Transition
Public Service or Company	Public Service Company of Colorado
RAP	Resource Acquisition Period
SB 19-236	Senate Bill 19-236
Tri-State	Tri-State Generation and Transmission Association
XES	Xcel Energy Services Inc.
Xcel Energy	Xcel Energy Inc.

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

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IN THE MATTER OF THE APPLICATION OF PUBLIC SERVICE COMPANY OF COLORADO FOR APPROVAL OF ITS 2021 ELECTRIC RESOURCE PLAN AND CLEAN ENERGY PLAN	**)** **)** **)** **)** **)**	**PROCEEDING NO. 21A-_____E**

DIRECT TESTIMONY AND ATTACHMENT OF HOLLIE J. VELASQUEZ HORVATH

I. INTRODUCTION, QUALIFICATIONS, PURPOSE OF TESTIMONY, AND RECOMMENDATIONS

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Hollie J. Velasquez Horvath. My business address is 1800 Larimer Street, Denver, Colorado 80202.

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

A. I am employed by Public Service Company of Colorado ("Public Service" or the "Company) as Senior Director, State Affairs and Community Relations.

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

A. I am testifying on behalf of Public Service.

Q. PLEASE SUMMARIZE YOUR RESPONSIBILITIES AND QUALIFICATIONS.

A. As Senior Director, State Affairs and Community Relations, I am responsible for state and local government affairs, social investments, and local economic development in Colorado. A description of my qualifications, duties, and

responsibilities is set forth in my Statement of Qualifications at the conclusion of my Direct Testimony.

Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?

A. The purpose of my Direct Testimony is to discuss the economic impact on the towns, cities, and counties affected by the coal action plan proposed as part of the Company's 2021 Electric Resource Plan and Clean Energy Plan ("2021 ERP & CEP"). Specifically, I discuss the affected communities' economic tie with coal action proposed for Hayden 1 and 2, Pawnee, and Comanche 3, respectively. Senate Bill 19-236 ("SB 19-236") contemplates the inclusion of a workforce transition plan and community assistance plan if the 2021 ERP & CEP proposes accelerated retirement of coal-fired generating units. In my Direct Testimony, I explain our community assistance plans and the ongoing work and community engagement that will be associated with such in the years to come. Company witness Ms. Holly L. Stanton discusses the Company's workforce transition plan in her Direct Testimony.

While our community assistance coordination and local engagement will continue to develop after this 2021 ERP & CEP, I support the cost of community assistance that has been modeled for purposes of this proceeding and how these costs have been considered in the evaluation of the Company's preferred coal action plan. Specifically, the Company has modeled community assistance costs as the property tax payments end *after* a unit retires. For modeling purposes, this represents a reasonable proxy for the impacts of community assistance payments resulting from early retirements and these costs have been incorporated into the

generic modeling as discussed by Company witness Mr. Jon T. Landrum in his Direct Testimony. I recommend the Colorado Public Utilities Commission ("Commission") approve these modeling inputs.

Q. ARE YOU SPONSORING ANY ATTACHMENTS AS PART OF YOUR DIRECT TESTIMONY?

A. Yes, I am sponsoring Attachment HVH-1, which is a Hayden Generating Station property tax impact schedule.

Q. CAN YOU PROVIDE A BRIEF OVERVIEW OF THE COMPANY'S COAL ACTION PLAN?

A. Yes. As discussed by Company witness Alice K. Jackson, together with our joint owners in Hayden 1 and 2 and Craig 2 (in which we are a minority owner), we have decided to pursue an acceleration of the scheduled retirements of these units. In addition, our coal action plan proposes conversion of Pawnee to natural gas in 2028 and acceleration of the retirement of Comanche 3 to 2040 from 2070, with Comanche 3 reducing operations in 2030.

Q. DO YOU HAVE ANY OPENING COMMENTS REGARDING COMMUNITY ASSISTANCE TO OPEN YOUR DIRECT TESTIMONY?

A. Yes, before I discuss the details of community assistance plans required by SB 19-236 and associated with our proposed coal action plan, I think it is important to level set on how the Company approaches working with our host communities when there are accelerated retirements of fossil-fired generation as part of the clean energy transition. Although the notion of community assistance plans was recently adopted in SB 19-236, the Company has a history long before that of

working closely with host communities who experience economic impacts from the accelerated retirement of fossil-fired generation. For example, the Company worked closely with Pueblo County and its stakeholders to develop a sustainable and long-term solution for the community as part of the Colorado Energy Plan approved in Proceeding No. 16A-0396E and I was part of that team. We believe that by proactively engaging with our communities, we learn what is important to their livelihood and the economic health and vitality of the community. Our host communities have built their unique economies around these coal-fired generation plants, and their reliance on the jobs and tax revenue is significant. In most instances we serve electric, gas, or both utility services to these communities. It is imperative that we listen to what is important to the community, that we work alongside the community to plan for long-term solutions, and that we continue to serve these communities for many years to come. Our community assistance plans reflect this philosophy.

II. LEGISLATIVE INTENT AND REQUIREMENTS OF SENATE BILL 19-236

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

A. SB 19-236 requires Public Service to evaluate, consider and in some instances provide community assistance to counties, towns, and cities who are transitioning from economic tie on a coal generation plant on an accelerated timeline. The purpose of this section of my Direct Testimony is to discuss generally how the Company will approach this requirement in the 2021 ERP & CEP.

Q. PLEASE SUMMARIZE THE COMMUNITY ASSISTANCE REQUIREMENTS OF SB 19-236 AS YOU UNDERSTAND THEM.

A. Generally speaking, where a statutory Clean Energy Plan like this one includes the accelerated retirement of a generation facility, the plan must address community assistance for the affected host community. Below, I lay out the Company's community assistance plans for Routt County, the Town of Hayden, and Pueblo County, recognizing that community assistance planning will be iterative and evolve over time as we work with our community partners and stakeholders to fashion concrete next steps.

Q. HAS PUBLIC SERVICE DEVELOPED A PLAN TO ADDRESS THE REQUIREMENTS OF SB 19-236 WITH RESPECT TO THE ACCELERATED RETIREMENT OF THE HAYDEN GENERATING STATION?

A. Yes. I discuss the Company's proposal in Section III of my Direct Testimony.

Q. HAS PUBLIC SERVICE DEVELOPED A PLAN TO ADDRESS THE ACCELERATED RETIREMENT OF THE CRAIG GENERATING STATION?

A. Public Service is a minority owner in the Craig Generating Station and as such defers to the majority owner, Tri-State Generation and Transmission Association ("Tri-State") regarding any community assistance requirements associated with the early retirement.[1] I discuss the Craig Generating Station in Section IV of my Direct Testimony.

Q. IS PUBLIC SERVICE PROPOSING ANY OTHER ACTION WITH REGARD TO ITS COAL FLEET?

A. In this 2021 ERP & CEP, the Company is proposing to make modifications to the two-remaining coal-fired stations, Pawnee and Comanche 3, although neither is proposed for retirement during this Resource Acquisition Period ("RAP"). Company witness Mr. James F. Hill discusses these transitions further in his Direct Testimony, and I discuss these issues in Section V of my Direct Testimony.

[1] *See* Proceeding No. 20A-0528E, Direct Testimony of Brad Nebergall, at 34 (discussing how Tri-State is supporting its affected communities) (filed Dec. 1, 2020).

III. COMMUNITY IMPACT – HAYDEN GENERATING STATION RETIREMENT

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

A. In this section of my Direct Testimony, I will discuss the Company's proposal for early retirement of Hayden Units 1 and 2, the impact of that decision on the local community, and the Company's community assistance plan which includes making long term, sustainable, and impactful investments in the local community.

Q. CAN YOU PLEASE SUMMARIZE THE ECONOMIC IMPACT OF THE RETIREMENT OF THE HAYDEN GENERATING STATION ON THE LOCAL COMMUNITY?

A. Public Service is the majority owner of Hayden Unit 1 and a minority owner in Unit 2 with an ownership stake of 75.5 and 37.4 percent, respectively. Public Service estimates that its total property tax reduction from early closure of both units is $21.2 million (see Attachment HVH-1).

For Hayden Unit 1, early retirement in 2028 (originally 2030) results in an estimated property tax reduction of $1,600,000 per year. Therefore, early retirement results in a total estimated property tax reduction to the local taxing jurisdictions of $3,200,000 over the two-year period from early retirement to the original retirement date.

Closing Hayden Unit 2 nine years early in 2027 (originally 2036) results in an estimated property tax reduction of $2,000,000 per year. Therefore, early retirement results in a total estimated property tax reduction to the local taxing

jurisdictions of $18,000,000 over the entire period from early retirement to the original retirement date.

Q. PLEASE EXPLAIN HOW THE COMPANY DERIVED THE PROPERTY TAX REVENUE ESTIMATE.

A. When a plant is retired, the last payment to local taxing jurisdictions occurs in the year following retirement. Estimates of the economic impact of the retirements begin with the second year after retirement and extend through the year following the original end of plant life. For instance, if Hayden Unit 2 is retired in 2027, the property tax payment in 2028 would be the last property tax payment made for Unit 2. Therefore, estimated economic impacts occur in 2029 through 2037, reflecting original closing of 2036. Similarly, if Hayden Unit 1 is retired in 2028, the property tax payment in 2029 would be the last payment made for Unit 1. Estimated economic impacts occur in 2030 through 2031, reflecting original closing in 2030.

Future property tax payments are estimated by escalating 2019 actual payments at an inflationary rate of 2 percent per year through the year of early retirement. The economic impact estimate uses the estimated property tax payment in the year of early retirement and remains fixed through the original retirement date. The yearly estimates are not escalated after the early shutdown date. Retirement of assets in 2027 (Unit 2) and 2028 (Unit 1) will begin reducing tax payments in 2029 and 2030, respectively. The estimated impact may be less as certain assets, such as land, would remain taxable after plant retirement. Additional utility investments would offset estimated economic impacts of shutting the plant down early.

Q. ARE THE TAX REVENUES ASSOCIATED WITH HAYDEN PART OF ANY LOCAL GOVERNMENT OR SCHOOL DISTRICT DIRECT, VOTER-APPROVED PROJECT COSTS AS PROVIDED IN § 40-2-125.5(4)(A)(VII), C.R.S.?

A. No.

Q. PLEASE EXPLAIN WHY PUBLIC SERVICE IS PROPOSING TO PROVIDE COMMUNITY ASSISTANCE IF IT IS NOT REQUIRED BY STATUTE.

A. The Hayden Generation Station has been a significant part of the Town of Hayden and Routt County community since the mid-1960s, when Unit 1 first came online. For over 50 years, this plant has not only paid significant tax revenue to the town and county, but it has offered quality well-paying jobs for rural Coloradoans. There has been workforce at the station that crosses family generations. Neighbors and family members work at the plant. Public Service is proud to be an important part of this community. We believe that by working with the local community leaders and understanding what the true impact of early retirement means from a social and economic impact, we have a responsibility to partner with the them and work collaboratively to solve for the economic disruption the community faces from early retirement of the coal plant. For example, the local taxes associated with the Company's Hayden units represent nearly 70 percent of the Town of Hayden's local school budget. We believe that if we were to close the units and not participate in the long-term solution to keep the economic health and vitality of the community, we present financial impacts that could impair the future prosperity of this community.

While SB 19-236 does not require that we compensate the Hayden community, it does require the Company to submit a transition plan that is developed in collaboration with the community, the state, and our union partners.

Q. HOW DID PUBLIC SERVICE APPROACH CONSIDERATION REGARDING A COMMUNITY ASSISTANCE PLAN FOR HAYDEN?

A. When evaluating the options for Hayden redevelopment, we recognize that the location presents a conundrum for typical generation solutions being broadly considered in this proceeding. The geography of the location does not lend itself to large scale solar or wind resources, nor is there substantial gas pipeline infrastructure nearby to enable repowering or locating new gas fired generation at the site. Therefore, we turned to alternative carbon free technologies.

Q. WHAT OPPORTUNITIES DID PUBLIC SERVICE CONSIDER FOR POTENTIAL INCLUSION IN DEVELOPING ITS COMMUNITY ASSISTANCE PLAN FOR HAYDEN?

A. Prior to selecting specific technologies, Public Service first considered the long-term goals for the Hayden redevelopment. We solicited input from the community to influence what those focused goals would be. In addition to the goal of providing long-term sustainable investment for the community, Public Service also sought to advance the State's greenhouse gas goals in two phases. First was to identify technologies that can help decarbonize our electric generation system and second was to look at how to decarbonize non-electric systems in line with the intent of House Bill 19-1261.

With these goals in mind, Public Service considered several new innovative technologies such as molten salt storage, biomass, photovoltaic solar, solar electrolysis, workforce training, and parks and wildlife usage.

Q. ARE THERE SPECIFIC PROJECTS THAT PUBLIC SERVICE BELIEVES ARE MORE VIABLE OR BENEFICIAL FOR DEVELOPMENT?

A. Yes. Public Service has identified a "shortlist" of concepts that includes molten salt storage, biomass, solar powered electrolysis, and the development of a fish hatchery in conjunction with the Colorado Department of Parks and Wildlife.

Q. WHY DID PUBLIC SERVICE EXCLUDE SOME PROJECTS FROM ITS "SHORTLIST?"

A. Projects were excluded from the short list primarily due to geographic barriers, the feasibility and maturity of the technology under consideration, the footprint and subsequent tax benefit to Routt County, and finally project timing in relation to Hayden retirement dates.

Q. IF PROJECTS ARE NOT ON THE "SHORTLIST" WILL PUBLIC SERVICE CONTINUE DEVELOPING THOSE PROJECT CONCEPTS?

A. Yes, the Company will continue to monitor innovative technologies, including those we've previously considered, and work through project concepts which did not make the Hayden Station shortlist. Most of the project concepts are in the early stages of technological maturity with limited operational data; however, as these projects progress, Public Service will continue to review the various technologies appropriate for the Hayden site and also consider other redevelopment opportunities that can have a positive economic impact on the community.

Q. DID PUBLIC SERVICE HAVE CONVERSATIONS WITH LOCAL STAKEHOLDERS REGARDING THE LIST OF CONSIDERED CONCEPTS AND THE FINAL "SHORTLIST?"

A. Public Service started conversations with local stakeholders in November 2020. We discussed our process at a high level as we investigated the considered concepts and how we came up with the final shortlist of proposed projects. Since the initial conversations with stakeholders in November, we have had follow-up meetings to better explain the projects and how they meet the community's priorities. We meet bi-weekly with community leaders to inform their understanding of these proposed technologies and keep an open ear to their ongoing feedback as we work through this process.

Q. PLEASE DESCRIBE THE CONCEPT OF MOLTEN SALT STORAGE.

A. I am not a technical expert on the technologies we have identified in the shortlist; however, I have participated on the exploratory team to achieve the shortlisted options. My understanding is that molten salt storage is based upon the principles of electric resistance heating which is a known and proven technology used in many applications across different industries. The efficiencies of these technologies, such as heat pump alternatives to electric resistance heating, are advancing, and we expect future research to lead to efficiency levels in the mid-40 to mid-50 percent range. Molten salts are a heat storage medium that retain thermal energy very efficiently over time, thus allowing them to be used as a storage method when combined with a traditional steam turbine and other plant

systems. This system provides the benefit of longer-term storage capability and allows for retaining some plant labor at the facility.

In the case of molten salt storage, salts are heated in order to liquify them, thus storing energy in the form of heat. These salts can be run through a heat exchanger (steam generator) to generate steam which then goes to a steam turbine to generate power.

Typically, these systems use nitrate salts, which are capable of temperatures greater than 1,000 degrees Fahrenheit without any degradation of the salts. This would mean that the salts should ideally last for the lifetime of the unit without having to be replaced. Current development is being done in order to increase these temperatures up to 1,300 degrees Fahrenheit, which would allow for more storage, but advancements in tank materials and the salts must be made to achieve these temperatures.

I also note that retrofitting the Hayden facility to accommodate molten salt storage allows for the reuse of existing equipment, which could reduce the construction cost for such a technology relative to a greenfield site.

Q. PLEASE DESCRIBE THE POTENTIAL BIOMASS PROJECT.

A. Biomass in this case refers to forestry products or residues, including but not limited to beetle kill pine. These forestry resources are delivered to the site, refined for use as a fuel, and then fed to a fluidized gasifier that would produce a mixture of hydrogen and carbon monoxide to create synthetic gas. The synthetic gas would be cleaned to remove tars and other contaminants and then sent to a water-gas-shift reactor to produce additional hydrogen. Absorbers or special membranes

separate the hydrogen from the gas stream. The final product would contain approximately 90-plus percent hydrogen.

Alternatively, these forestry resources are delivered to the site, refined into a fuel, and fed into a digestor that would produce renewable natural gas. The Company continues to explore both options.

Q. PLEASE DESCRIBE THE PROCESS OF SOLAR POWERED ELECTROLYSIS.

A. Hydrogen production using solar energy is through a process called electrolysis. This process, in its most basic form, uses an anode, cathode, and electrolyte. This process splits water into its constituent pieces, gaseous oxygen and hydrogen. By using solar energy to power the facility, the process is carbon free.

Q. HAS PUBLIC SERVICE ESTIMATED THE COST OF CONSTRUCTION FOR A BIOMASS PROJECT OR SOLAR ELECTROLYSIS FACILITY?

A. Preliminary research suggests a biomass project similar to what we are investigating is in the $25 - $30 million range at a size of approximately 2 megawatts ("MW"). A system this size will process approximately 50 tons of beetle-killed trees per day. This cost estimate does not include getting the tree feedstock to Hayden Station.

Solar electrolysis to produce hydrogen is estimated to be in the $5.0 to $10.0 million range for an approximate 5 MW facility. A system of this size will produce approximately 200,000-750,000 kilograms of hydrogen per year depending on the type of electric service (*i.e.*, solar or grid interconnected).

Q. WHAT IS THE LEVEL OF TECHNOLOGICAL AND MARKET MATURITY FOR THESE TYPES OF PROJECTS?

A. Gasification of biomass and organic material is widely deployed but a clear consensus on technology has not been reached. The technology readiness level for hydrogen via biomass gasification is very high and companies currently exist that will provide the engineering design of a system. Hydrogen production from electrolysis, using energy from solar or any other electric generation is a well understood and mature process. The process faces higher cost than alternative methods such as steam methane reformation, but it can be 100 percent carbon free if the energy is procured from renewable sources.

Q. DO THESE PROJECTS ADVANCE THE STATE'S GOALS OF REDUCING CARBON EMISSIONS BY 80 PERCENT BY 2030 AND 100 PERCENT BY 2050?

A. Yes. Molten salt is a promising storage technology that can offer longer-duration storage capability as compared to today's options for storage. This capability, in conjunction with the renewable energy that is growing on our system, can create a zero-carbon dispatchable resource with longer duration that will be foundational to our efforts to make the system reliable for our customers and carbon-free. Biomass technologies can offer a lower- or zero-carbon option for producing biogas for gas system usage or dispatchable generation. Solar-to-hydrogen technology is another way to provide either zero-carbon gas service to the gas system, or a dispatchable zero-carbon electricity generation source. These three technologies, in somewhat different ways, offer potential solutions to two fundamental challenges to achieving a low carbon economy: (1) in the gas local

distribution company sector, providing service in a lower carbon way; and (2) in the electric generation sector, providing a zero-carbon dispatchable generation resource with longer energy duration. The proposed fish hatchery addresses local ecological goals but does not address the state's GHG goals.

Q. HAS PUBLIC SERVICE ENGAGED WITH ANY LOCAL DISTRIBUTION COMPANIES ("LDCS") ABOUT UTILIZING THE HYDROGEN IN THEIR NATURAL GAS DISTRIBUTION SYSTEMS?

A. Yes, the Company met with another LDC regarding our plans for the redevelopment of Hayden, including the potential use of hydrogen at a blend percentage up to 5 percent. We will continue to seek to collaborate with other LDCs going forward to advance a successful project.

Q. HAS HYDROGEN AS A SUPPLEMENT TO THE NATURAL GAS SYSTEM BEEN TESTED IN NATURAL GAS DISTRIBUTION SYSTEMS?

A. Hydrogen blending in gas distribution systems has been demonstrated in Europe and Hawaii but has not yet been demonstrated at utility scale in North America. Multiple North American utilities have considered blending hydrogen into their gas distribution systems in the coming years.

Research in this area is progressing rapidly with utilities and research institutes evaluating the safety and integrity of hydrogen blends in gas infrastructure and customer appliances. The industry expects to broaden its understanding of hydrogen impact to systems and customers over the next few years.

Q. PLEASE DESCRIBE THE CONCEPT OF A FISH HATCHERY AT THE HAYDEN SITE.

A. Much of the region's economy is based on outdoor activities and thus the concept of a fish hatchery when paired with the other technological options for the Hayden site provides the community with additional value and economic diversity Furthermore, the Company has had initial conversations with Colorado Parks and Wildlife, and they are very supportive of the idea.

Q. WHAT IS THE EXPECTED ECONOMIC IMPACT OF THESE PROJECTS ON THE LOCAL COMMUNITY?

A. These redevelopment proposals are expected to maintain a commensurate level of property tax payments to the local communities as they would have received without the early plant shutdowns. They are also estimated to result in numerous well-paying jobs.

Q. COMPANY WITNESS MR. RICHARD L. BELT DISCUSSES THE COMPANY'S WATER RIGHTS WITH RESPECT TO THE RETIREMENT OF HAYDEN. HOW DOES THE PROPOSED REDEVELOPMENT OF THE HAYDEN FACILITY IMPACT THOSE WATER RIGHTS?

A. As Mr. Belt states, the water rights should be retained as they can support future redevelopment projects. For example, if the Company's proposed shortlist of projects are implemented, we expect that water resources will be needed to support the proposed projects. The amount of water necessary is still to be determined; however, forgoing those rights as part of the Hayden retirement would

require Public Service or third parties to secure new rights in the future, likely at a significant cost.

Q. IS PUBLIC SERVICE REQUESTING SPECIFIC APPROVAL OF ANY CONCEPTS IDENTIFIED IN YOUR TESTIMONY?

A. No. At this time, there is additional research that must be done to confirm the cost estimates, potential benefits, and scope of each project concept. We will continue to explore the non-replacement generation aspects of our plan concurrent with this 2021 ERP & CEP and continue to work closely with the community. We expect to bring firm cost estimates, benefits, and scopes forward through the appropriate regulatory avenues for project approval in a post-Electric Resource Plan ("ERP") filing addressing community assistance plans once our coal action plan is finalized through this Phase I process.

For replacement generation solutions, *e.g.*, molten salt storage, we recognize that these projects would need to be successfully bid into the Phase II competitive solicitation. The Company will continue to take steps to advance these projects so that they can be bid in. Given the potential just transition benefits of these replacement generation projects, we believe these projects merit strong consideration for inclusion in Phase II bid portfolios.

Q. WHAT OTHER PROCEEDINGS AND REQUESTS RELATED TO THESE CONCEPTS DOES PUBLIC SERVICE ENVISION BRINGING TO THE COMMISSION?

A. Many of the concepts considered or "shortlisted" by Public Service do not fit neatly within the ERP Rules and will require different regulatory pathways for approval.

Public Service envisions that a community assistance plan will evolve to include concepts bid in through the competitive solicitation issued as part of the Phase II ERP, post-ERP Certificates of Public Convenience and Necessity ("CPCNs"), and standalone applications. This applies not only to efforts at Hayden, but to efforts at any location where we will take coal actions to accelerate the retirement of a unit.

IV. COMMUNITY IMPACT – CRAIG GENERATING STATION RETIREMENT

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

A. In this section, I will discuss the Company's response to the announced retirement of Craig 2.

Q. WHAT IS THE STATUS OF CRAIG 2?

A. On July 8, 2020, Tri-State announced that an agreement had been reached between the owners of Craig 2 to retire the unit on September 30, 2028 (originally slated for retirement in 2038). Tri-State reached this agreement with its partners – Public Service, Salt River Project, Platte River Power Authority, and PacifiCorp.

Q. WHAT IS PUBLIC SERVICE'S OWNERSHIP STAKE IN CRAIG 2?

A. Public Service has a minor stake in Craig 2 of approximately 10 percent.

Q. IS PUBLIC SERVICE PROPOSING A REINVESTMENT OR TRANSITION PLAN FOR THE CRAIG COMMUNITY?

A. No. Public Service maintains open communication with the other owners regarding potential redevelopment plans; however, as a minority owner in the facility, Public Service is deferring to Tri-State on the appropriate transition plan for the community.

V. COMMUNITY IMPACT – PAWNEE AND COMANCHE 3 GENERATING STATIONS

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

A. In this section of my Direct Testimony, I will summarize the Company's proposals for the Pawnee and Comanche 3 stations and our engagement with those communities regarding the future of these generating stations.

Q. IS PUBLIC SERVICE PROPOSING TO RETIRE EITHER THE PAWNEE OR COMANCHE 3 STATIONS AS PART OF THIS RAP?

A. No. The Company is proposing to convert Pawnee Station to a natural gas combustion turbine and maintain its current retirement date of 2041. Accordingly, there is no accelerated retirement of this facility. The Company's preferred coal action plan for Comanche 3 involves an accelerated retirement from its current date of 2070 to 2040. Beginning in 2030, the Company would reduce Comanche 3 operations by limiting it to a 33 percent annual capacity factor. This balanced proposal would have the unit stay online and avoids the significant local property tax impact that would result from an even earlier retirement.

Q. WHY IS THE COMPANY PROPOSING THIS APPROACH FOR COMANCHE 3?

A. Company witness Ms. Alice K. Jackson explains this in more detail, but the approach for Comanche 3 has two key benefits. First, it provides the Company with option value as it positions itself on a trajectory towards a carbon-free future. As Ms. Jackson and Company witness Mr. James F. Hill explain, it may seem counterintuitive, but leaving Comanche 3 online to 2040 avoids a tranche of new additional investment in other dispatchable generation now (*e.g.*, natural gas

combustion turbines) and provides a 24/7 fuel source as we work to integrate significant amounts of variable energy generation to meet the clean energy target from SB 19-236 for 2030 and make progress toward 2050. Second, a 2040 retirement date for Comanche 3 provides a runway for the Pueblo community, some in partnership with us, to find alternative long-term economic solutions for the community while reducing emissions and providing long-term carbon abatement option value for our customers. It is a win-win proposal.

Q. PLEASE DESCRIBE THE COMMUNITY ASSISTANCE PLAN FOR COMANCHE 3.

A. Community assistance planning for Pueblo is needed given the accelerated retirement of Comanche 3 proposed as part of our preferred coal action plan. Thus far, our planning efforts have including the initiation of conversations with Pueblo County, City of Pueblo, and other impacted stakeholders on our proposed plans. Public Service will work with local governments and key community stakeholders going forward to develop robust community assistance; however, it is difficult to have specific contours for such community assistance at this time as the proposed retirement date for Comanche 3 is nearly 20 years from now. Our plan recognizes the need to start now through initial conversations with local partners, and the potential securitization of Comanche 3 also offers the potential for community assistance that we will need to consider as part of our future ongoing planning efforts. Importantly, we have a strong baseline in the Pueblo area to start from.

Q. WHAT DO YOU MEAN ABOUT A STRONG BASELINE IN THE PUEBLO AREA?

A. I explained earlier in my testimony that the Company's community assistance and engagement approach when accelerated retirements occur is grounded in trying to find sustainable, long-term, and impactful solutions that make the community whole over time. We have done that once already in Pueblo with the Colorado Energy Plan, and I am confident we will do it again here. With the Colorado Energy Plan, we were fortunate that some of the most cost-effective solar projects bid into the Phase II competitive solicitation and they were located in Pueblo County due to the strong solar resources in southern Colorado.

Additionally, as discussed by Ms. Jackson, the Company worked closely with CF&I Steel, L.P. d/b/a EVRAZ Rocky Mountain Steel ("EVRAZ"), an employer of approximately 1,000 people in Pueblo, to develop a unique solution to enable their continued presence in the Pueblo community. We remain steadfast in our commitment to work hand in hand with customers and communities to develop solutions that work for them.

Q. WHAT ARE THE NEXT STEPS FROM A COMMUNITY ASSISTANCE PERSPECTIVE IN PUEBLO?

A. Because the 2040 timeframe is well beyond this RAP period and almost two decades away, it is not reasonable to present a comprehensive community assistance proposal at this time. Our plan is to continue discussions with our local partners and also analyze potential replacement generation options at the Comanche site similar to what we have done in Routt County to be presented in

an iterative way in future ERPs. With the Colorado Energy Plan, Pueblo began its transition away from being a host for coal-fired power to being a clean energy and energy innovation hub. A solar-powered steel mill is indicative of that transition for the community. We will be looking for ways to complete that transformation with this community assistance effort, and I am excited as to what the future holds for the Pueblo community.

Q. IN THE COMPANY'S COMMUNITY ASSISTANT PLANNING EFFORTS, HAS THE COMPANY MODELED COSTS FOR COMMUNITY ASSISTANCE AS PART OF ANY PORTFOLIO THAT INCLUDES AN ACCELERATED RETIREMENT OF COMANCHE 3?

A. Yes. The way we have treated this is to continue to assign the property tax revenue stream for Comanche 3 to portfolios through the planning period (*i.e.*, 2055), even where Comanche 3 retires in 2030 or 2040. By doing this, we have built in a proxy for potential community assistance costs in the future. Company witness Mr. Jon T. Landrum describes the modeling process in his Direct Testimony.

Q. DOES THE COMPANY ANTICIPATE FUTURE FILINGS RELATED TO THESE COMMUNITY ASSISTANCE PLANS?

A. Yes. As explained by Ms. Jackson, if the preferred coal action plan is approved, we will continue the work already underway in our host communities and with the Office of Just Transition ("OJT") established by the General Assembly to identify and execute on win-win solutions for these communities and our broader customer base. SB 19-236 provides for separate cost recovery for workforce and community

transition, and the Company anticipates a post-ERP filing to start to lay out how these activities and cost recovery can be addressed by the Commission. We are not in a position now to bring these requests forward as we do not yet know the coal action plan that will be approved by the Commission. The Company also intends to securitize Comanche 3 in 2040, as explained in more detail by Company witnesses Ms. Brooke A. Trammell and Mr. Scott A. Watson. Therefore, it is also possible that we could seek to securitize workforce and community transition costs as part of a future financing order application for the securitization of Comanche 3, and that is a relevant consideration as we evaluate future strategies as well.

Community engagement is underway, and we intend to effectuate a robust community transition in northwestern Colorado and southern Colorado. I think our track record speaks for itself on host community transitions, and we will live up to our reputations as committed, connected, trusted and constructive partners with our host communities as we take the next steps in the clean energy transition.

Q. WHAT WOULD THE COMPANY DO FROM A COMMUNITY ASSISTANCE PERSPECTIVE IF THE COMMISSION ORDERS AN ACCELERATED RETIREMENT OF COMANCHE 3 IN 2030 OR AN ACCELERATED RETIREMENT OF PAWNEE?

A. We would expedite our community assistance efforts in Pueblo and move quickly to craft a community assistance plan for the Town of Brush and Morgan County, respectively. We have begun discussions with local partners in Brush and Morgan County about the future of the facility and would need to pivot those discussions if an accelerated retirement of Pawnee resulted from the 2021 ERP & CEP. In such

an instance, we would use the same modeling approach that we have used for scenarios where Pawnee retires early, *i.e.*, by continuing to include the property tax revenue stream in the model even where the unit retires to reflect a proxy for community assistance costs. In addition, and as discussed above, we will likely make a future filing with more details around community assistance and workforce transition, as well as proposing a cost recovery mechanism, where a plan for Brush and Morgan County could be addressed. However, under our preferred Clean Energy Plan and preferred approach to the coal fleet, we want to take advantage of the relatively low conversion cost of Pawnee and keep it online until the end of its book life in 2041.

Q. IN THE COMPANY'S COMMUNITY ASSISTANCE PLAN EFFORTS, HAS IT ESTIMATED THE TAX IMPACTS ASSOCIATED WITH COMANCHE 3?

A. Yes. The Company has estimated the tax revenue impacts from an accelerated retirement of Comanche 3; it has also done so with Pawnee. For Comanche 3, the accelerated retirement tax impact is approximately $605 million between 2040 and 2070— and an earlier retirement would increase this amount. For Pawnee, the Company has not estimated an accelerated retirement tax impact because the Company has not proposed an accelerated retirement date; however, the annual tax revenue is approximately $11 million.

Q. AT THIS TIME, HAVE THE COMPANY'S COMMUNITY ASSISTANCE PLAN EFFORTS IDENTIFIED SPECIFIC POTENTIAL REDEVELOPMENT OPPORTUNITIES FOR COMANCHE 3?

A. Some of the concepts considered as part of the Hayden redevelopment plan could translate to a redevelopment plan for the Comanche community; however, the Company has not initiated a detailed investigation of the opportunities given the number of years out the Company's proposal is to retire Comanche 3 (20 years) and the pending Commission decision on the coal action plan. Furthermore, as I note above, the tax impacts are significantly larger relative to the Hayden impact and would likely necessitate a more wide-ranging future redevelopment plan. I would note the same holds true for Pawnee as well—the potential to translate redevelopment and the tax impact of the facility. I anticipate a post-ERP filing to address community assistance in more detail, and as discussed above, the securitization of Comanche 3 and community assistance under that statutory pathway must be evaluated in parallel with all of these other considerations.

VI. CONCLUSION

Q. PLEASE SUMMARIZE YOUR RECOMMENDATIONS.

A. Consistent with the discussion in my Direct Testimony, I support the recommendation of Company witness Ms. Alice K. Jackson that the Commission approve Public Service's Phase I 2021 ERP & CEP.

Accordingly, I recommend that the Commission approve our approach to modeling the cost of the tax impacts of community assistance as part of its approval of our preferred coal action plan and the accelerated retirements proposed as part of the 2021 ERP & CEP. Again, we have modeled community assistance plan tax revenue impacts—recognizing these plans are iterative, based on ground work with partners, and dependent on the siting of replacement generation—by continuing to include the property tax payments *after* the unit retires as a proxy for community assistance costs. We believe this represents a reasonable proxy for the impacts of community assistance payments on portfolios in northwestern and southern Colorado, respectively.

I also request that the Commission find our community assistance plans are reasonable, at this time, recognizing it will be iterative and we will continue to refine it over the course of future ERP cycles after our path is determined in this proceeding by the Commission. After approval of the preferred coal action plan, we will continue to work with our host communities and the OJT to execute on win-win solutions for these communities and our broader customer base. I ultimately anticipate a post-ERP filing to start to lay out how these activities and the cost recovery can be addressed by the Commission, but the first step is seeing what

coal action plan is approved here so we can have a firm sense of what we need to do at the community level.

Finally, while I am not asking for Commission action here with regard to replacement generation—that is a discussion for the Phase II process—I do want to underscore the importance of innovative replacement generation in these community assistance plans for consideration when evaluating portfolios in the Phase II process. As we take the next step in the clean energy transition, it is imperative to the State of Colorado, our customers, and our host communities that we bring our impacted communities with us and that they have an opportunity for economic prosperity in this new energy economy that lasts beyond a planned coal plant retirement date.

Q. DOES THIS CONCLUDE YOU DIRECT TESTIMONY?

A. Yes, it does.

Statement of Qualifications

Hollie J. Velasquez Horvath

Hollie J. Velasquez Horvath currently holds the role of Senior Director, State Affairs and Community Relations. Previously, she held the role of Director of Community Relations for five years. She has worked for Xcel Energy for 10 years. In her current role, she leads a team of state and local government affairs managers who are responsible for managing the state, city, and county government affairs business and community relationships on behalf of the company. Her team is also in charge of managing the local economic development activities and work closely with state and local chambers and economic development organizations. This work entails daily interactions and work with state legislators and state agencies on energy and economic policy. Working with cities and towns honoring our commitments the Company has within the franchise agreements. Other activities include advocating for timely service meters for residential and commercial customers, local government approval of siting electric and gas infrastructure to meet new load requirements, construction projects that cities are working on within their communities, meeting with cities and towns to help them meet their renewable energy goals and partnering on local economic growth plans. Her team also works closely with industry partners who are expanding business or needing a new service from Xcel Energy.

Hollie also manages the philanthropic arm of the Company in Colorado to support Colorado communities and non-profit organizations with foundation grants, employee volunteerism and corporate sponsorships.

Hollie currently sits on the board of Downtown Denver Partnership which is the leading economic development organization for the City of Denver. She also sits on the boards of Latino Community Foundation of Colorado, Visit Denver, Aurora Economic Development, and Denver Health Authority Board. She recently served as Chairman of the Board for Great Outdoors Colorado where she completed 2 terms of board service. Hollie has received several community recognitions and awards for her leadership in the community. They include Downtown Denver Partnership 2020 Champion award, Denver Business Journal 40 Under 40, Colorado Women's Chamber Top 25 Most Powerful Women, Denver Business Journal Top Women in Energy, and Downtown Denver Partnership Champion in 2020.