

**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 AN)
ECONOMIC DEVELOPMENT RATE) PROCEEDING NO. 20A-XXXXE
PROPOSAL PURSUANT TO)
COLORADO HB 18-1271)

DIRECT TESTIMONY AND ATTACHMENTS OF HOLLIE VELASQUEZ HORVATH

ON

BEHALF OF

PUBLIC SERVICE COMPANY OF COLORADO

August 21, 2020

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Attachment HVH-2	Illustrative Standard EDR Customer Service Agreement
Attachment HVH-3	Summary Chart of Key Features of Other Utilities' EDRs

GLOSSARY OF ACRONYMS AND DEFINED TERMS

<u>Acronym/Defined Term</u>	<u>Meaning</u>
EDRs	Economic Development Rates
HB	House Bill
HB 18-1271	House Bill 18-1271
NSP-MN	Northern States Power - Minnesota
OEDIT	Office of Economic Development and International Trade
Public Service or Company	Public Service Company of Colorado

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1 **I. INTRODUCTION, QUALIFICATIONS, PURPOSE OF TESTIMONY,**
2 **RECOMMENDATIONS**

3 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

4 A. My name is Hollie Velasquez Horvath. My business address is 1800 Larimer,
5 Suite 1100, Denver, Colorado 80202.

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

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

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

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

11 **Q. PLEASE SUMMARIZE YOUR RESPONSIBILITIES AND QUALIFICATIONS.**

12 A. As the Senior Director, State Affairs and Community Relations, I am responsible
13 for local government affairs, social investments, and local economic development
14 in Colorado. I describe my qualifications more fully at the end of my Direct
15 Testimony in my Statement of Qualifications.

1 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?**

2 A. The purpose of my Direct Testimony is to introduce the Company's Economic
3 Development Rate ("EDR") proposal and explain how it is in the public interest
4 given the economic benefits it will provide. I explain how Public Service's
5 proposed EDR will promote economic development, capital investment, and job
6 creation within the Company's service territory and how it will deliver long-term
7 benefits to Public Service's customers. Given the current economic uncertainties
8 confronting the State, Public Service is submitting its EDR proposal as one tool
9 that will enhance Colorado's ability to compete regionally and nationally for new
10 business, while stimulating the local and statewide economy. As the lead policy
11 witness supporting the Company's EDR proposal, I introduce the other witnesses
12 submitting Direct Testimony in this proceeding; explain the history and legislative
13 purpose of House Bill ("HB") HB 18-1271 and explain how Public Service's EDR
14 proposal is consistent with HB 18-1271. I then explain the benefits of an EDR
15 offering and how Public Service's EDR proposal will enhance the State and
16 Company's ability to become more competitive in attracting new or expanded
17 large customers and offer a brief review of other states' EDR discounts. Finally, I
18 explain customer feedback we have received regarding our plan to move forward
19 with an EDR offering, how our proposal addresses this feedback, and expressed
20 and anticipated customer and community interest in EDR opportunities.

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

3 A. Yes, I am sponsoring the following attachments, which except for HB 18-1271,
 4 were prepared by me or under my direct supervision:

Attachment HVH-1	HB 18-1271
Attachment HVH-2	Illustrative Standard EDR Customer Service Agreement
Attachment HVH-3	Summary Chart of Key Features of Other Utilities' EDRs

5 **Q. PLEASE IDENTIFY THE OTHER WITNESSES SUBMITTING TESTIMONY IN**
 6 **THIS PROCEEDING AND SUMMARIZE THE TOPICS THEY COVER.**

7 A. In addition to my Direct Testimony, the Company is submitting the Direct
 8 Testimony of two additional witnesses: Mr. Steven W. Wishart, Director of Pricing
 9 and Planning, and Mr. R. Neil Cowan, Regulatory Policy Specialist. The Table
 10 below summarizes each of their Direct Testimony:

Witness	Summary of Direct Testimony
Steven W. Wishart, Director of Pricing and Planning	Mr. Wishart explains the mechanics of the Company's proposed EDR, including sponsoring Public Service's illustrative EDR tariff and other, proposed tariff modifications, and explains how the Company's proposal is consistent with Colorado House Bill 18-1271 ("HB 18-1271"). Mr. Wishart presents the Company's definition of marginal cost and explains how the Company will quantify these costs; describes various regulatory processes for implementing its proposed EDR and explains how customers will qualify for the rate. He explains how the Company has addressed issues identified by the Commission in Proceeding No. 18A-0791E, Black Hills Colorado Electric's recent EDR proceeding. Additionally, Mr. Wishart illustrates how an EDR customer's annual bills may compare under standard rates versus the

	proposed EDR.
R. Neil Cowan, Regulatory Policy Specialist	Mr. Cowan describes the voluntary renewable energy programs offered by Public Service and provides an overview of C.R.S. § 40-3-104.3, which addresses utility requests to expand voluntary renewable programs. Mr. Cowan explains how and why the Company plans to expand its voluntary renewable energy program offerings for EDR customers interested in expanding their clean energy footprint and describes why an expedited procedural framework for the Commission to address such expansions is consistent with HB 18-1271.

1 **Q. WHAT RECOMMENDATIONS ARE YOU MAKING IN YOUR DIRECT**
2 **TESTIMONY?**

3 A. The Colorado legislature has spoken clearly that approval of an EDR will
4 promote the “health, safety, and welfare of the people of our state,” through “the
5 continued development and expansion of opportunities for employment and
6 capital investment in Colorado.” Many stakeholders, including prospective and
7 existing customers, and state and local economic development organizations,
8 have expressed an interest in and enthusiasm for the Company’s plans to adopt
9 an EDR tariff. In these uncertain economic times, ensuring Colorado and Public
10 Service’s competitiveness with other states and utilities is paramount to the
11 State’s ability to attract and retain business investment, and in turn, spur job
12 growth. I therefore recommend that the Commission:

- 13 • Find that the terms and conditions set forth in the Company’s
14 illustrative EDR tariff, provided as Attachment SWW-1 to Mr. Steven
15 W. Wishart’s Direct Testimony, are reasonable, in the public interest,
16 and consistent with C.R.S. § 40-3-104.3, as supported by my and Mr.
17 Wishart’s Direct Testimony;

- 1 • Authorize Public Service’s proposed modifications to its Distribution
2 Extension Policy tariff, COLO. PUC No. 8 Electric, Sheet No. R207
3 and R227, as supported by Mr. Wishart and reflected in Attachments
4 SWW-2 and SWW-3, which contain the redline and clean Versions
5 respectively, to Mr. Wishart’s Direct Testimony;
- 6 • Authorize Public Service’s proposed modifications to its Electric
7 Commodity Adjustment (“ECA”) and Demand-Side Management
8 Cost Adjustment (“DSMCA”) tariffs, COLO. PUC No. 8 Electric, Sheet
9 No. 143 and 140, as supported by Mr. Wishart and reflected in
10 Attachment SWW-2 and SWW-3, which contain the Redline and
11 Clean Versions respectively, to Mr. Wishart’s Direct Testimony;
- 12 • Approve Public Service’s proposals to provide the Commission an
13 opportunity to review qualifying EDR customers’ eligibility to receive
14 an EDR discount for Standard EDR Contracts¹ under C.R.S. § 40-3-
15 104.3 (7)(a)(I)(B), as supported in Mr. Wishart’s Direct Testimony;
- 16 • Approve Public Service’s proposed expedited procedural process for
17 the Commission to address applications for Commission approval of
18 Non-Standard EDR Contracts² and for requested expansions of
19 voluntary renewable programs to accommodate EDR customers
20 pursuant to C.R.S. § 40-3-104.3(6)(d), as supported in my, Mr.
21 Wishart’s and Mr. Cowan’s Direct Testimony;
- 22 • Approve Public Service’s proposal concerning annual reporting of
23 EDR sales as supported by Mr. Wishart;
- 24 • Approve Public Service’s proposed treatment of EDR costs and
25 revenues in ratemaking proceedings, as supported by Mr. Wishart;

¹ I use the term “Standard EDR Contracts” in my Direct Testimony to refer to EDR contracts with qualifying customers adding load between three and 20 MW that take the EDR discounts provided in a Commission-approved EDR tariff that do not require Commission approval under HB 18-1271.

² I use the term “Non-Standard EDR Contracts” in my Direct Testimony to refer to EDR contracts that require Commission approval under HB 18-1271. Non-Standard EDR Contracts include all EDR contracts with qualifying customers adding more than 20 MW of load, and EDR contracts with qualifying customers adding load between three and 20 MW that that provide for a discount other than the discount(s) provided in a Commission-approved EDR tariff.

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- Authorize Public Service to track, record, and defer all costs incurred to prepare and prosecute this Application in a non-interest bearing regulatory asset account until they are presented for review and recovery in a future Phase I electric rate case proceeding, as supported by Mr. Wishart; and
- Authorize Public Service to file a compliance advice letter within 20 days of the effective date of a final order in this proceeding, but on not less than two business days' notice, that includes all tariff sheets authorized as part of this proceeding, including the EDR tariff itself, and modifications to Public Service's Distribution Extension Policy, ECA, and DSMCA tariffs to reflect all terms and conditions that are approved as a result of this proceeding.

1 **II. BACKGROUND OF HB 18-1271**

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

3 A. In this section of my Direct Testimony, I explain the background of Colorado's
4 EDR legislation, HB 18-1271, describe the legislative purpose of HB 18-1271,
5 and summarize the requirements of HB 18-1271. Last, I provide an overview of
6 Public Service's illustrative EDR tariff and discuss how it comports with the
7 objectives and legislative purpose of HB 18-1271.

8 **Q. PLEASE PROVIDE A GENERAL OVERVIEW OF HB 18-1271.**

9 A. HB 18-1271, which amends C.R.S. § 40-3-104.3, was passed on June 1, 2018.
10 HB 18-1271 provides that an investor-owned electric utility "may offer economic
11 development rates to a qualifying commercial or industrial customer" under the
12 conditions specified by the statute, subject to Commission regulation and
13 approval. I have attached HB 18-1271 to my Direct Testimony as Attachment
14 HVH-1.

15 **Q. WHAT IS AN EDR?**

16 A. An EDR is a discount that a utility may offer to qualifying customers to encourage
17 customers to locate or expand operations within a particular state or utility
18 service territory to promote economic development. Notably, in the case of
19 Colorado's EDR legislation, HB 18-1271 expressly provides that the "commission
20 shall not impute to the utility revenues that would have been received from the
21 qualifying commercial or industrial customer."

1 **Q. WHAT ROLE DOES THE COMMISSION HAVE IN REGULATING AND**
2 **APPROVING EDRS AND RELATED CONTRACTS?**

3 A. While a utility may seek Commission approval for each individual EDR contract it
4 plans to enter into, C.R.S. § 40-3-104.3 (6)(b)(II)(A) also authorizes the
5 Commission to approve investor-owned utility tariffs that implement an EDR in
6 accordance with statutory requirements. Under C.R.S § 40-3-104.3 (6)(b)(II)(B),
7 the utility “may negotiate and enter into agreements related to economic
8 development rates with individual qualifying commercial or industrial customers
9 without commission approval so long as the agreed economic development rate
10 complies with the commission-approved tariff.” However, any “addition or
11 expansion of existing load at a single location that is greater than twenty
12 megawatts requires a separate commission approval.” Even when a utility enters
13 into EDR contracts without separate Commission approval pursuant to a
14 Commission-approved EDR tariff, such contracts are still regulated and subject
15 to Commission oversight.

16 For example, the Commission can review whether a customer has
17 sufficiently demonstrated that “the cost of electricity is a critical consideration” in
18 deciding whether to locate or expand in Colorado, and whether the EDR “is a
19 substantial factor” in the customer’s decision to expand or locate in Colorado, as
20 required by C.R.S. § 40-3-104.3 (7)(a)(I)(B).

21 In this proceeding, Public Service seeks Commission approval of an EDR
22 proposal that would include a generally applicable standardized base rate
23 discount to all qualifying EDR customers taking service under an approved EDR

1 tariff. The discount is a set percentage off of the qualifying customers' applicable
2 base rates and follows a tiered pricing structure that gradually steps down over a
3 maximum 10-year term. Consistent with the process set forth in C.R.S. § 40-3-
4 104.3(6), once its EDR is approved, Public Service will have the ability to enter
5 into contracts with individual qualifying commercial and industrial customers
6 without Commission approval so long as the agreed-upon rate for that customer
7 and other contractual terms comply with the EDR. We refer to these as Standard
8 EDR Contracts or Standard EDR Customer Service Agreements throughout this
9 Application filing. The Standard EDR Customer Service Agreement that would
10 be offered to these customers is provided as Attachment HVH-2 to my Direct
11 Testimony. This Standard EDR Customer Service Agreement reflects the
12 standard terms and conditions Public Service anticipates will apply to Standard
13 EDR Contracts. For customers seeking to add or expand more than 20 MW of
14 load, or customers who negotiate and enter EDR contracts with discounts that
15 differ from those approved in this proceeding – which we refer to as Non-
16 Standard EDR Contracts throughout this Application filing, the Company would
17 obtain separate Commission approval for such contracts through the expedited
18 process Public Service proposes in Mr. Wishart's Direct Testimony.

1 **A. Legislative Purpose of HB 18-1271**

2 **Q. PLEASE DESCRIBE YOUR INVOLVEMENT IN THE LEGISLATIVE PROCESS**
3 **CULMINATING IN THE PASSAGE OF HB 18-1271.**

4 A. HB 18-1271 reflects the culmination of years of interest and collaboration in
5 crafting a statutory solution that balances promoting economic development
6 through utility rates while ensuring fairness to non-participant customers. Many
7 local economic development organizations and industry stakeholders, including
8 the Company, offered their insights and expertise to advance the passage of HB
9 18-1271. During the 2018 legislative session, my team and I spent significant
10 time engaging with customers and stakeholders to understand their business and
11 practical needs and how the legislation would address those needs; educating
12 stakeholders on the legislation and getting feedback from them; and gaining
13 support for the passage of HB 18-1271.

14 **Q. WHAT IS THE LEGISLATIVE PURPOSE OF HB 18-1271?**

15 A. The Colorado legislature advanced and subsequently enacted HB 18-1271 to
16 add a tool to the State’s metaphorical toolbox to promote job-creating economic
17 growth by keeping Colorado electricity prices competitive with discounts utilities
18 in other states are permitted to offer. In its legislative declaration supporting HB
19 18-1271, the General Assembly explained that the “health, safety, and welfare of
20 the people of our state are dependent upon the continued development and
21 expansion of opportunities for employment in Colorado,” and the “cost of
22 electricity is an important consideration for private-sector businesses when
23 deciding to locate or expand operations in Colorado...” “[D]eclar[ing]...it in the

1 public interest to allow public utilities to offer economic development rates,” the
2 General Assembly concluded that electric “utilities should be able to offer rates
3 and programs that help attract these businesses and provide incentives for the
4 expansion of existing business operations, thus helping to stimulate further
5 economic development in Colorado.”

6 **Q. ASIDE FROM PROMOTING ECONOMIC DEVELOPMENT, DOES HB 18-1271**
7 **ADDRESS ANY OTHER LEGISLATIVE OBJECTIVES?**

8 A. Yes. In enacting HB 18-1271, the Colorado legislature was careful to protect
9 non-participant customers from being negatively impacted by EDR contracts
10 through a number of anti-subsidization provisions. For example, the statute
11 provides that an EDR “must not be lower than the utility’s marginal cost of
12 providing service to the qualifying commercial or industrial customer,” and that an
13 EDR must “include such terms and conditions as the Commission determines are
14 necessary to ensure that the economic development rates or charges assessed
15 to other customers do not subsidize the cost of providing service to qualifying
16 commercial or industrial customers” consistent with the marginal cost rate floor.

17 **B. Requirements for EDRs Under HB 18-1271**

18 **Q. WHO IS ELIGIBLE TO ENTER INTO EDR CONTRACTS UNDER HB 18-1271?**

19 A. A utility can only enter into an EDR contract with a “qualifying commercial or
20 industrial customer.” C.R.S. § 40-3-104.3 (7) defines a qualifying commercial or
21 industrial customer as a utility customer that agrees to locate new or expand
22 existing commercial or industrial operations in Colorado and add at least three
23 megawatts of new load at a single location. Because the qualifying commercial

1 or industrial customer must be establishing new or expanding existing operations
2 in Colorado, merely relocating existing operations within the State of Colorado to
3 another utility company's service territory does not satisfy this condition. Under
4 subsection (7)(a)(I)(B), the customer must also demonstrate that the "cost of
5 electricity is a critical consideration in deciding where to locate new or expand
6 existing operations; and the availability of economic development rates, either on
7 their own or in combination with other economic development incentives, is a
8 substantial factor in the customer's decision to locate new or expand existing
9 operations in Colorado."

10 **Q. WHAT ARE THE REQUIREMENTS FOR EDRS UNDER HB 18-1271?**

11 A. EDRs authorized pursuant to HB 18-1271 must meet certain criteria, including:
12 (1) the rate must be lower than the rate that the qualifying customer would be or
13 currently is subject to, except the rate must not be lower than the utility's
14 marginal cost of providing service to the qualifying customer; (2) the rate may be
15 offered for up to 10 years; (3) the rate may not lead to situations where other
16 customers subsidize the cost of providing the EDR; (4) the rate may not cause an
17 increase to other utility rates; and (5) other customers on the utility's system may
18 not experience a rate increase due to the EDR. EDR tariffs must also specify a
19 minimum and maximum rate. Mr. Wishart, who sponsors the Company's
20 illustrative EDR tariff (Attachment SWW-1), details in his Direct Testimony how
21 Public Service's EDR proposal meets these requirements, and I recap some of
22 the key features below.

1 **C. Overview of How Public Service’s Proposed EDR Aligns with HB 18-**
2 **1271 and Senate Bill 19-236**

3 **Q. IS THE COMPANY’S PROPOSED EDR CONSISTENT WITH THE**
4 **LEGISLATIVE PURPOSE BEHIND HB 18-1271?**

5 A. Yes. The Company’s proposed EDR will allow it to effectively compete with the
6 electricity discounts utilities in other states are offering and attract job-creating
7 economic growth for the benefit of the Company’s customers and communities it
8 serves. As Mr. Wishart explains in his Direct Testimony, the Company has made
9 a concerted effort to ensure that its EDR proposal is well above its marginal costs
10 to protect the Company’s non-EDR customers from prohibited subsidization and
11 promote rate stability for EDR customers, consistent with legislative intent.

12 **Q. IS THE COMPANY’S PROPOSED EDR CONSISTENT WITH PUBLIC**
13 **SERVICE’S CARBON REDUCTION GOALS UNDER SENATE BILL 19-236?**

14 A. Yes. The Company’s EDR proposal is consistent with and will not compromise
15 its ability to meet its 80 percent carbon emission reduction target by 2030, from
16 2005 levels, as they stand today under Senate Bill 19-236. As described below,
17 Public Service expects that many EDR customers will want to participate in our
18 voluntary renewable energy programs and that our system will ultimately benefit
19 from the addition of incrementally new cost-effective renewables. Accordingly,
20 Public Service views its EDR proposal as another tool that will help the Company
21 advance the State’s and its own environmental and climate goals, while
22 simultaneously spurring economic growth.

1 **Q. HOW WILL PUBLIC SERVICE ACCOMMODATE FUTURE EDR CUSTOMERS’**
2 **CARBON REDUCTION GOALS?**

3 A. In the Company’s experience, many large load customers are concerned about
4 their carbon footprint and actively seek out affordable clean energy options to
5 complement new or expanded facilities as they pursue their energy goals. As
6 further described by Mr. Cowan in his Direct Testimony, consistent with HB 18-
7 1271, the Company is open to expanding its voluntary renewable energy
8 programs as needed to accommodate the renewable energy goals of customers
9 establishing new or expanding existing operations in Colorado. The Company
10 expects the availability of these renewable energy programs to be an important
11 factor in a customer’s decision-making process to choose Colorado. We expect
12 that some prospective EDR customers may have such a strong commitment to
13 their renewable energy goals that they may condition their EDR contract
14 commitments and willingness to move forward on the availability of such
15 programs. For this reason, the Company proposes an expedited procedural
16 framework for the Commission to determine requests to expand its voluntary
17 renewable energy programs if necessary to accommodate EDR customers. Mr.
18 Wishart discusses the Company’s proposed procedural process in more detail in
19 his Direct Testimony. As one example, our sister utility, Northern States Power -
20 MN (“NSP-MN”) recently entered into a contract to provide electric services at an
21 incentive discounted rate for the Google Becker Data Center. As a condition of
22 entering into the agreement, Google required that all of its incremental load be
23 served with carbon-free resources, and NSP-MN agreed to procure renewable

1 energy resources and retire associated renewable energy credits to match the
2 data center's consumption. Several prospective Public Service EDR customers
3 have expressed an interest in voluntary renewable energy programs. Depending
4 on the size of a qualifying EDR customer, our existing programs may not have
5 the capacity necessary to accommodate this anticipated demand; therefore, a
6 streamlined process to expand voluntary renewable energy programs to
7 accommodate these customers is appropriate and in the public interest.

1 **III. EDR TERMS AND CONDITIONS**

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

4 A. In this section of my Direct Testimony, I review the terms and conditions under
5 which Public Service plans to serve EDR customers. I address terms and
6 conditions provided in Public Service's illustrative EDR tariff as well as in the
7 Standard EDR Customer Service Agreement I have attached to my Direct
8 Testimony as Attachment HVH-2.

9 **Q. WHY ARE YOU PROVIDING THIS STANDARD EDR CUSTOMER SERVICE**
10 **AGREEMENT WITH YOUR DIRECT TESTIMONY?**

11 A. Because we are not bringing forward any particular EDR customer contract for
12 approval in connection with this proceeding, we thought it would be helpful to
13 provide the Commission with an example of how we plan to structure our
14 customer service agreements for Standard EDR Contracts. We anticipate many
15 of our EDR customer service agreements will include substantially similar terms,
16 though the ultimate terms agreed upon may differ somewhat depending on the
17 outcome of negotiations. As explained in Mr. Wishart's Direct Testimony, Public
18 Service plans to file all standard customer contracts with the Commission on a
19 confidential basis after they have been executed.

20 **Q. HOW DID PUBLIC SERVICE APPROACH DEVELOPING ITS STANDARD**
21 **EDR CUSTOMER SERVICE AGREEMENT?**

22 A. The Company's primary focus in developing the terms of this agreement and its
23 illustrative EDR tariff was ensuring compliance with HB 18-1271. In line with this

1 objective and consistent with HB 18-1271, our two overarching goals are to: (1)
2 make sure that customers receiving EDR discounts are in fact eligible to receive
3 them under the statute, and (2) ensure that non-EDR customers are not
4 subsidizing EDR discounts.

5 **Q. HOW WILL THE COMPANY ENSURE AN EDR CUSTOMER'S STATUTORY**
6 **ELIBILITY THROUGH THE STANDARD EDR CUSTOMER SERVICE**
7 **AGREEMENT?**

8 A. As explained in Mr. Wishart's Direct Testimony, before the Company executes a
9 Standard EDR Customer Service Agreement, we will require EDR customers to
10 demonstrate their statutory eligibility to the Company and sign a sworn affidavit
11 with the facts supporting such eligibility and attesting that the customer meets the
12 statutory eligibility criteria. In particular, the affidavit will provide specific facts
13 demonstrating that the cost of electricity is a critical consideration in deciding
14 where to locate new or expand existing operations, and the availability of EDRs,
15 either on their own or in combination with other incentives, is a substantial factor
16 in the customer's decision to locate new or expand existing business operations
17 in Colorado. While these facts will inherently be highly customer-specific, they
18 may include an explanation of other jurisdictions the customer considered, facts
19 reflecting the criticality of electricity supply on the customers' operations, facts
20 reflecting the potential electricity savings and/or other incentives the customer
21 might realize by locating or expanding in Colorado versus other jurisdictions, or
22 facts reflecting how the EDR alone or in combination with other incentives makes
23 Public Service's service territory a more appealing or competitive place to locate.

1 An illustrative Affidavit is attached to the Standard Customers Service Agreement
2 provided in Attachment HVH-2. As reflected in Attachment HVH-2, the Standard
3 EDR Customer Service Agreement incorporates additional layers of protection to
4 ensure compliance with the statutory eligibility criteria, along with other
5 protections for Public Service and its customers. Because the standard
6 discounts available under Schedule EDR increase with the selected term of EDR
7 contract, the Standard EDR Customer Service Agreement will require that EDR
8 customers who leave or terminate their contract before the end of the term must
9 pay back the difference between the cumulative discount received based on the
10 contract term reflected in the agreement and the cumulative discount the
11 customer would have received under a contract term matching the actual
12 duration of the agreement, calculated from the effective date to the early
13 termination date. When the early termination is due to an EDR customer's
14 intentional misrepresentation or fraud, there is a liquidated damages provision
15 requiring the EDR customer to pay back 200 percent of the full extent of the EDR
16 discount received. The Standard EDR Customer Service Agreement and EDR
17 tariff will also provide that if at any time, an EDR customer becomes ineligible for
18 the discount, the customer will immediately be placed on the customer's
19 applicable non-discounted rate schedule and will no longer receive an EDR
20 discount.

1 **Q. HB 18-1271 REQUIRES AN EDR CUSTOMER TO “AGREE TO” ADD AT**
2 **LEAST THREE MW OF NEW LOAD AT A SINGLE LOCATION TO BE**
3 **ELIGIBLE. HOW DOES THE COMPANY PLAN TO HOLD EDR CUSTOMERS**
4 **ACCOUNTABLE TO THAT AGREEMENT?**

5 A. Based on the conversations we have had with prospective EDR customers so
6 far, we understand that it can take time for a large commercial or industrial
7 customer to ramp up its operations to reach or exceed the three MW threshold.
8 Accordingly, Public Service will provide EDR customers one year to reach the
9 minimum three MW threshold at one point in time. Prior to entering the contract,
10 the qualifying customer will submit to the Company their plan to reach the three
11 MW threshold within that timeline. We will then require EDR customers to meet
12 the three MW of load minimum at least six out of 12 months for the second and
13 third contract years, and then we will only allow one exception month in each
14 subsequent year of the EDR contract. If an EDR customer has not reached or
15 maintained the required three MW of load threshold in keeping with these
16 parameters, the contract will terminate, and the EDR customer will be placed on
17 the customer’s applicable non-discounted rate schedule. We believe this
18 approach strikes an appropriate balance between ensuring an EDR customer’s
19 continued eligibility in accordance with HB 18-1271 and acknowledging that
20 customers need the flexibility for load to grow over time.

1 **Q. HB 18-1271 REQUIRES SEPARATE COMMISSION APPROVAL FOR**
2 **CUSTOMERS ADDING 20 MW OR MORE OF LOAD. WHAT WILL HAPPEN**
3 **IF A CUSTOMER PLANS TO ADD LESS THAN 20 MW OF LOAD BUT ENDS**
4 **UP ADDING 20 MW OR MORE OF LOAD?**

5 A. Public Service will regularly engage with large EDR customers and we anticipate
6 we will be able to identify in advance whether a customer's load will increase
7 over 20 MW, in which case we will work with the EDR customer to evaluate
8 whether to seek separate Commission approval so that the customer can be
9 eligible for the EDR discount for the full extent of its load. If a customer chooses
10 not to adjust the load reflected in its EDR contract to the load served so that the
11 Company can pursue the additional Commission approval required, the EDR
12 customer would be charged the full applicable retail rate for any load at or above
13 20 MW.

14 **Q. HOW WILL THE COMPANY ENSURE THAT NON-EDR CUSTOMERS WILL**
15 **NOT SUBSIDIZE EDR CUSTOMERS?**

16 A. As explained by Mr. Wishart Direct Testimony, for customers taking service
17 under the EDR tariff, the base rate discounts provide ample headroom above
18 Public Service's marginal cost to serve these customers. Pursuant to the
19 Company's EDR tariff provisions and the Standard EDR Customer Service
20 Agreement, EDR customers will be required to cover their other categories of
21 incremental costs not addressed in base rates. Non-Standard EDR Customer
22 Service Contracts will be subject to separate Commission approval, and the
23 Company will be required to demonstrate to the Commission that such EDR

1 customers fully cover their marginal costs and that there is no prohibited
2 subsidization. Mr. Wishart discusses Public Service's proposed process for the
3 Commission to address Non-Standard EDR Contracts. Mr. Wishart also
4 discusses the Company's calculation of marginal costs in detail, and how its
5 EDR proposal ensures non-EDR customers will not subsidize EDR customers.

1 **IV. PUBLIC SERVICE'S PROPOSAL WILL ENHANCE THE STATE AND PUBLIC**
2 **SERVICE'S ABILITY TO ATTRACT AND RETAIN NEW BUSINESS IN**
3 **COLORADO**

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

6 A. In this section of my Direct Testimony, I explain the overarching policy objectives
7 of Colorado's EDR legislation and how the Company's EDR proposal comports
8 with those policy objectives by enhancing the State of Colorado and Public
9 Service's ability to attract and retain new business in Colorado.

10 **Q. WHY IS THE COMPANY SUBMITTING ITS EDR PROPOSAL AT THIS TIME?**

11 A. The Company is pursuing Commission approval of its EDR proposal to carry out
12 the State's clear policy objective to promote economic development and to help
13 Public Service become more competitive at attracting new load. A number of
14 prospective and existing customers have expressed interest in establishing new
15 or expanded operations in Colorado but are actively considering other
16 jurisdictions given favorable pricing and discounts utilities in other states are able
17 and willing to offer them. A Commission-approved EDR offering will enable the
18 Company to offer qualifying businesses more competitively priced electricity
19 without the need for protracted individualized proceedings, thereby making
20 Colorado a more attractive place to do business.

1 **Q. HOW DO CURRENT ECONOMIC CONDITIONS DUE TO THE CURRENT**
2 **PANDEMIC INFLUENCE THE CONTEXT IN WHICH THE COMPANY'S**
3 **PROPOSAL SHOULD BE VIEWED?**

4 A. The Company has long been interested in pursuing pricing strategies that
5 enhance its ability to attract large load growth, and we are very pleased that the
6 General Assembly took steps during the 2018 legislative session that reflect the
7 State's shared desire to allow Public Service to promote statewide economic
8 development through an EDR. Unfortunately, the public at large, along with
9 federal, state, and local governments, and small and large businesses across the
10 globe are now confronted with the unexpected and tragic consequences of the
11 COVID-19 pandemic – a global crisis no one could have anticipated in 2018 or in
12 the early stages of developing our EDR proposal. While it is too early to know or
13 even predict the full economic and societal consequences of the pandemic, there
14 is no doubt the pandemic has wrought havoc on local and national economies,
15 and economic recovery will not occur overnight. Importantly, though, the
16 Company's EDR proposal will elevate the State and Company's ability to
17 compete long-term in both good and bad economic times; we are also hopeful
18 that it will support the State's ability to recover from the economic fallout of the
19 pandemic. Having an EDR in place will enhance our opportunity to attract
20 companies and new jobs and support the economic recovery efforts that are
21 underway in response to the pandemic.

1 **Q. PLEASE EXPLAIN HOW THE COMPANY'S EDR PROPOSAL WILL**
2 **ENHANCE THE STATE AND COMPANY'S ABILITY TO COMPETE FOR NEW**
3 **BUSINESS REGIONALLY AND LOCALLY.**

4 A. As a regulated monopoly, Public Service has far more limited latitude than
5 unregulated, non-monopoly businesses in setting the pricing and rates it charges
6 for the services it renders. For instance, while a manufacturing company
7 typically has the ability to freely raise and lower its pricing based on market
8 conditions and competitor pricing, regulated utilities are far more constrained in
9 their abilities to offer new or varied pricing structures to customers. In states that
10 are eager to promote business development and job growth, a trend that has
11 emerged over the years is development of policies that allow utilities to offer
12 EDRs to large customers (often commercial and industrial) where the utility
13 provides discounted electricity pricing. Because the cost of electricity is often a
14 sizable input to a commercial or industrial customer's operational costs, EDRs
15 are intended to provide large customers with a financial incentive to locate their
16 new or expanded business operations in a particular state or service territory. In
17 exchange, the public benefits from the job creation, economic stimulation, and
18 increased tax base that comes with adding new business to the state.

19 **Q. IN YOUR EXPERIENCE, HOW IMPORTANT IS ELECTRICITY PRICE, AND IN**
20 **TURN, AN EDR, TO LARGE CUSTOMERS IN CONSIDERING WHERE TO**
21 **LOCATE NEW OR EXPANDED OPERATIONS?**

22 A. For large load customers, electricity pricing is often an extremely important
23 consideration because it often comprises a large operational cost for those

1 businesses. With more and more utilities offering EDRs, large customers now
2 have more choices on where they locate or expand their business, and therefore
3 the ability to price shop.

4 **Q. WHAT OTHER FACTORS MIGHT POTENTIAL EDR CUSTOMERS ALSO**
5 **CONSIDER IN LOCATING THEIR BUSINESS?**

6 A. It entirely depends on the nature of the business, however, other key factors that
7 I would expect potential EDR customers to consider include:

- 8 • Availability of a qualified and skilled workforce,
- 9 • Local and state economic/tax benefits,
- 10 • Competitive wage marketplace,
- 11 • Robust infrastructure,
- 12 • Supportive communities seeking additional capital investment,
- 13 • Availability of competitively priced commercial/industrial real estate,
- 14 • Stable climate with low risk of natural disaster (particularly for data
15 centers),
- 16 • Access to an international airport, and
- 17 • Quality of life for employees.

18 Colorado, and in particular Public Service's service territory, rank well on
19 these other factors. We therefore believe that coupled with our proposed EDR,
20 Public Service will be well-positioned to carry out the legislative purpose of HB
21 18-1271 of attracting new business to the State.

22 **Q. HAS PUBLIC SERVICE EVALUATED APPROACHES ADOPTED BY OTHER**
23 **STATES AND UTILITIES?**

24 A. Yes. Public Service considered the EDRs offered by several utilities in other
25 jurisdictions, including Pacific Gas and Electric Company, Public Service

1 Company of New Mexico, Kansas City Power & Light Company, Florida Power &
2 Light Company, and Entergy Arkansas, Inc., among several others. I have
3 attached a summary of key provisions and features of EDRs offered by other
4 utilities as Attachment HVH-3. It is important to consider the current landscape
5 of EDRs in designing our own because Public Service will likely be competing
6 with the EDRs of utilities in other jurisdictions to attract qualifying EDR
7 customers.

8 **Q. WHAT HAS PUBLIC SERVICE LEARNED FROM REVIEWING THESE**
9 **EXAMPLES IN DEVELOPING ITS OWN EDR?**

10 A. It appears that these utilities in other jurisdictions tend to offer EDR customers
11 simple, percentage-off discounts that are predictable over time. It is also
12 common for the percentage discount to decrease over time so customers can
13 gradually transition to the full retail rate at the end of the EDR term. For
14 example, Florida Power & Light Co. offers a starting discount of 20 percent that
15 steps down by five percent each year for four years; Entergy Arkansas offers a
16 50 percent discount that steps down 10 percent each year until the end of the
17 fifth year; Evergy (formerly Westar and Kansas City Power & Light Company)
18 offers a 30 percent discount the first year, which steps down by five percent each
19 successive year until the end of the fifth contract year with a potential 10 percent
20 discount in the sixth contract year if beneficial to load; and Public Service
21 Company of New Mexico's EDR starts at a 50 percent discount for the first year,
22 which steps down to 35 percent in the second year and then down to 20 percent
23 for the third and fourth years. To compete with what these other utilities have to

1 offer and comply with HB 18-1271, Public Service also needs to be able to offer
2 EDR customers a simple discount with plenty of headroom over its marginal cost
3 to offer the rate stability and predictability that EDR customers seek before
4 making the critical decision to build or expand in Colorado.

5 **Q. ARE THERE ANY OTHER REASONS PUBLIC SERVICE IS PROPOSING**
6 **STANDARD PERCENTAGE BASED DISCOUNTS IN ITS PROPOSED EDR**
7 **TARIFF INSTEAD OF A RANGE OF POTENTIAL DISCOUNTS?**

8 A. Yes. From my experience with negotiating contracts on behalf of the Company
9 and as a general business reality, a party negotiating a contract is always going
10 to pursue the best possible deal from that party's perspective. If Public Service's
11 EDR identifies both the ceiling and floor for potential discounts, prospective EDR
12 customers would always request the highest possible discount, negating the
13 purpose of a range. For example, if you were to go to the grocery store and the
14 price for a gallon of milk was listed as anywhere from \$3.50 to \$4.00, you as the
15 consumer would demand the lowest price. Public Service also believes that
16 having a generally applicable EDR discount available will reduce the scope, and
17 therefore the expense, of negotiations with prospective EDR customers, which
18 benefits the Company and customers.

19 **Q. OVERALL, DO YOU BELIEVE THAT PUBLIC SERVICE'S PROPOSED EDR**
20 **WILL ALLOW IT TO REASONABLY COMPETE WITH OTHER UTILITIES FOR**
21 **NEW OR EXPANDING LARGE CUSTOMERS?**

22 A. On the whole, yes. Public Service's EDR proposal is competitive with EDRs
23 offered by other utilities regionally and nationally. Moreover, Public Service's

1 service territory delivers on many of the other factors that large customers look
2 for when deciding where to locate. Taken together, I believe we are well-
3 positioned to compete for new large customers if our proposed EDR is approved.

1 **V. CONTRACTING APPROACH**

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

4 A. The purpose of this Section of my Direct Testimony is to describe how the
5 Company plans to approach contracting with EDR customers in view of our long-
6 term goals for our EDR proposal. While much of my Direct Testimony focuses
7 on attracting prospective EDR customers and taking them on as new customers
8 through our EDR proposal, one of our key goals in implementing our EDR
9 proposal is to cultivate enduring and mutually beneficial relationships with EDR
10 customers that will in many cases last beyond the term of the EDR contract. We
11 plan to approach contracting with EDR customers with that goal in mind.

12 **Q. HOW WILL PUBLIC SERVICE APPROACH CONTRACTING WITH EDR**
13 **CUSTOMERS IN VIEW OF THIS LONG-TERM GOAL?**

14 A. First, we have designed our standard base rate discount schedule, and would
15 look to also approach any customized discounts, with the goal of customer
16 retention in mind. For example, for the standard base rate discount schedule, to
17 incentivize EDR customers to remain on the system long-term, Public Service
18 proposes to offer the largest base rate discounts to customers that sign on for the
19 maximum 10-year term. In light of our goal to keep EDR customers as valued
20 customers after EDR contracts have ended, we want to attract EDR customers
21 with long-term staying power.

22 Second, as described in more detail above, our Standard EDR Contracts
23 will have provisions to help ensure EDR customers are positioned to remain on

1 our system throughout the duration of the EDR contract, including liquidated
2 damages clauses that apply to early terminations.

3 Finally, and perhaps most importantly, we will focus on providing excellent
4 customer service to our prospective and enrolled EDR customers, which will
5 continue from recruitment to enrollment, throughout the EDR contract term, and
6 following the EDR contract term. While this is a key focus for all of our
7 customers, we will need to guide our EDR customers through the negotiation,
8 contracting, and Commission approval process, in an easy-to-understand,
9 streamlined, and predictable manner. Then, we will need to ensure continued
10 customer satisfaction throughout our relationship with EDR customers as they
11 maintain eligibility for the EDR discount, then guide them through the gradual
12 transition to non-discounted rates at the end of the contract term.

13 **Q. DOES PUBLIC SERVICE EXPECT EDR CUSTOMERS WILL REMAIN PUBLIC**
14 **SERVICE CUSTOMERS AFTER THE END OF THEIR EDR CONTRACT**
15 **TERM?**

16 **A.** Yes. We expect that most EDR customers will remain after the end of their
17 contract term. From our experience, customers with three or more MW of load
18 tend to remain our customers for a long duration. On average, Public Service
19 customers with at least three MW of load have been our system for
20 approximately 40 years. We do not expect that EDR customers will be any
21 different.

1 **Q. ARE YOU CONCERNED EDR CUSTOMERS MIGHT LEAVE AT THE END OF**
2 **THE CONTRACT TERM TO PURSUE DISCOUNTED ELECTRICITY**
3 **ELSEWHERE?**

4 A. No. Locating, expanding, and relocating large load businesses is expensive and
5 time consuming. We expect that locating new operations or expanding existing
6 operations at the magnitude of three MW of load will entail sizable investment for
7 EDR customers and that they will not change course on these decisions lightly.
8 One reason EDRs are often focused on attracting new or expanded load, as
9 opposed to retaining existing load, is to help defray initial start-up costs, which
10 are typically significant. While we believe the availability of discounted electricity
11 can be an important motivating factor in a business's decision on where to locate
12 new operations or expand existing operations, we do not expect that potential
13 electricity discounts offered elsewhere would prompt an EDR customer to
14 abruptly leave our system at the end of their contract term absent other
15 extenuating circumstances.

16 **Q. WHY IS IT IN PUBLIC SERVICE'S INTEREST TO CONTRACT WITH EDR**
17 **CUSTOMERS WHO WILL REMAIN CUSTOMERS AFTER THEIR EDR**
18 **CONTRACT HAS ENDED?**

19 A. We are in the business of selling electricity, and the longer an EDR customer
20 remains on our system, the more revenues we will have the opportunity to
21 receive from that customer. Our revenue stream from an EDR customer will
22 increase even further once the EDR customer starts paying the full price for

1 electricity, as opposed to a discounted price. We therefore have every incentive
2 to encourage EDR customers to remain on the system long-term.

3 **Q. HAVE ANY OTHER XCEL ENERGY OPERATING COMPANIES**
4 **SUCCESSFULLY IMPLEMENTED AN EDR OR SIMILAR DISCOUNT**
5 **PROGRAM?**

6 A. Yes. NSP-MN has successfully implemented their Competitive Response Rider
7 (NSP-MN's version of the EDR) since 2012.

8 **Q. WHAT HAS BEEN NSP-MN'S EXPERIENCE IN CONTRACTING WITH EDR**
9 **CUSTOMERS?**

10 A. NSP-MN has had nine customers, with loads over three MW, since the inception
11 of their EDR in 2012. NSP-MN has not lost any of these customers.
12 Furthermore, they have had two existing EDR customers take advantage of the
13 EDR to expand their business further.

14 **Q. HAS NSP-MN HAD ANY ISSUES WITH PARTICIPATING CUSTOMERS**
15 **DEFAULTING ON THEIR CONTRACTUAL OBLIGATIONS OR TERMINATING**
16 **CONTRACTS EARLY?**

17 A. No, as explained above, NSP-MN has retained all nine of their EDR customers
18 since executing their EDR contracts with NSP-MN.

1 **VI. CUSTOMER INTEREST IN THE COMPANY'S EDR PROPOSAL**

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

4 A. In this section of my Direct Testimony, I discuss feedback the Company has
5 received from existing and potential customers surrounding its EDR proposal. I
6 also discuss interest and rationale behind the Company's proposed process for
7 customers seeking to locate or expand more than 20 MW of load in Public
8 Service's service territory.

9 **Q. HOW DO YOU ANTICIPATE THE COMPANY WILL LEARN ABOUT**
10 **PROSPECTIVE CUSTOMERS THAT MAY BE INTERESTED IN BECOMING**
11 **EDR CUSTOMERS?**

12 A. There are a few ways we learn about prospective customers. Public Service has
13 strong relationships at the local and state levels with organizations, agencies,
14 and trade groups that are focused on economic development, particularly with
15 the State's Office of Economic Development and International Trade ("OEDIT").
16 Most often, we receive a Request for Information or Request for Proposal from
17 economic development organizations across the State, including the OEDIT,
18 from a company seeking to relocate or expand its operations into Colorado.
19 Also, as part of our efforts to help Colorado communities grow jobs and capital
20 investment, we've developed relationships with national site consultants and
21 attend conferences, trade shows and other events where we meet prospective
22 companies interested in learning more about Colorado's strong value proposition
23 for businesses. Once we learn about a prospective business, we work with our

1 economic development partners to respond to the businesses interest, by
2 highlighting our various energy services programs including energy efficiency,
3 demand response, renewable energy and applicable rate information. We
4 anticipate pursuing similar channels and continuing to leverage these
5 relationships in connecting with customers who are interested in and qualify for
6 our EDR offering.

7 **Q. WITHOUT REVEALING CUSTOMER IDENTITIES, CAN YOU PLEASE**
8 **DESCRIBE THE FEEDBACK THE COMPANY HAS RECEIVED FROM**
9 **PROSPECTIVE AND EXISTING CUSTOMERS REGARDING EDR?**

10 A. Customers have expressed interest in having access to the EDR through a
11 streamlined process as opposed to having to individually apply to the
12 Commission for a negotiated rate through a potentially protracted and litigated
13 regulatory proceeding. For customers looking to locate or expand their
14 operations, speed to market and business climate predictability is essential.
15 Customers have emphasized that many other national utilities already offer some
16 version of a negotiated electric power rate, so the EDR is essential in helping
17 them compete with businesses in jurisdictions outside of Public Service's service
18 territory, and a critical factor they will consider in locating or expanding new
19 business. Customers have communicated that rate stability is extremely
20 important. Thus, they have asked that the EDR be streamlined, predictable and
21 easy to understand; otherwise, they will not be interested in talking with Public
22 Service about an EDR and may not go through the application process.

1 **Q. HAVE ANY PROSPECTIVE OR EXISTING CUSTOMERS CONVEYED TO THE**
2 **COMPANY PLANS TO LOCATE NEW OR EXPANDED OPERATIONS IN**
3 **COLORADO IF THE COMPANY WERE TO OFFER AN EDR?**

4 A. Yes. Several customers have expressed that they would like to locate new or
5 expand existing operations in Colorado if the Company offered an EDR that
6 could compete with what other jurisdictions are offering. These customers have
7 expressed that the cost of electricity is a critical deciding factor in whether to
8 choose Colorado. In several instances, Colorado is in the prospective
9 customer's top three states for relocation or expansion, and the Company's
10 proposed EDR would give Colorado a competitive advantage. While these
11 customers are excited about the opportunities HB 18-1271 is designed to
12 provide, they want to see a Commission-approved EDR that confirms Public
13 Service can in fact provide them the discount and rate stability utilities in other
14 states can offer them before making any commitments.

15 **Q. DO YOU ANTICIPATE THE COMPANY WILL GARNER EVEN MORE**
16 **INTEREST FROM PROSPECTIVE AND EXISTING CUSTOMERS IF THE**
17 **COMMISSION APPROVES THE COMPANY'S EDR PROPOSAL?**

18 A. Yes. Because Public Service does not yet have a Commission-approved EDR
19 offering, and Black Hills was not able to secure Commission approval of a
20 generally applicable EDR tariff when it attempted to do so, prospective and
21 existing customers are currently unsure of what opportunities may exist for them
22 to secure an economic development discount for electricity if they choose to
23 locate in Colorado. Once Public Service has a Commission-approved EDR in

1 place, it will make this opportunity much more tangible and attractive for
2 prospective EDR customers.

3 **Q. DOES THE COMPANY ANTICIPATE APPLYING FOR COMMISSION**
4 **APPROVAL OF SPECIFIC EDR CONTRACTS ADDING 20 MEGAWATTS OR**
5 **MORE OF LOAD IN A FUTURE PROCEEDING?**

6 A. Yes. Several prospective EDR customers have already approached Public
7 Service and expressed interest in pursuing an EDR discount for load over 20
8 MW. Public Service believes it is well-positioned to accommodate large-load
9 customers and that such customers could bring many jobs and increased taxable
10 revenue to Colorado consistent with the legislative objectives of HB 18-1271. In
11 his Direct Testimony, Mr. Wishart presents a proposed procedural framework for
12 the Commission to address these Non-Standard EDR Contracts in a streamlined
13 and predictable manner.

14 **Q. WHY IS PUBLIC SERVICE REQUESTING COMMISSION APPROVAL OF A**
15 **PROCEDURAL FRAMEWORK FOR EDR CONTRACTS REQUIRING**
16 **SEPARATE COMMISSION APPROVAL AS PART OF THIS PROCEEDING?**

17 A. While we need to seek separate Commission approval for Non-Standard EDR
18 Contracts that would add 20 MW or more of load, the Company believes that
19 having an approved procedural framework in place for addressing such requests
20 as a result of this proceeding will enable Public Service to determine its
21 negotiating parameters, meaning the range of potential discounts it can offer
22 these prospective EDR customers, in a streamlined manner and offer these
23 prospective EDR customers more predictability in the path to Commission

1 approval than would otherwise be possible. We are concerned that without
2 advance Commission approval of a procedural framework that will apply to these
3 larger, Non-Standard EDR Contracts, it will be challenging to negotiate with
4 confidence and ensure the predictability prospective EDR customers demand to
5 be willing to move forward.

6 **Q. FOR NON-STANDARD EDR CONTRACTS FOR 20-PLUS MW WHERE**
7 **SEPARATE COMMISSION APPROVAL IS NEEDED, YOU INDICATED THAT**
8 **CUSTOMERS MAY HAVE CONCERNS ABOUT UNCERTAINTY**
9 **ASSOCIATED WITH THE COMMISSION APPROVAL PROCESS. PLEASE**
10 **ELABORATE ON THESE CONCERNS AND EXPLAIN HOW PUBLIC**
11 **SERVICE RECOMMENDS ADDRESSING THEM.**

12 A. Prospective EDR customers have multiple concerns about navigating the
13 Commission approval process. From our experience negotiating contracts under
14 our flexible pricing tariff and our discussions with prospective EDR customers, we
15 expect that prospective EDR customers will be concerned about confidentiality
16 and protecting competitively sensitive business plans and specifications,
17 individually negotiated contract terms, and being able to protect their energy
18 usage data as proprietary, trade secret, and/or confidential. Related to this
19 concern, we expect that prospective EDR customers will be reluctant to
20 participate in individual EDR contract approval proceedings and believe that the
21 prospect of such participation and the potential expense and publicity associated
22 with such participation could seriously undermine our ability to attract prospective
23 EDR customers. Another element of uncertainty in Commission application

1 proceedings is the amount of time it can take to obtain final Commission
2 approval. We are concerned that if prospective EDR customers have to wait 280
3 days or more before their EDR contract can be approved, this will be a significant
4 deterrent, particularly when other jurisdictions may offer more streamlined
5 processes. Public Service is hopeful that having an established procedural
6 framework for Non-Standard EDR Contracts requiring separate Commission
7 approval can help address prospective EDR customers' concerns about the
8 Commission approval process and more effectively attract job-creating economic
9 growth to Colorado. For this reason, I am fully supportive of Mr. Wishart's
10 recommended procedural framework for these proceedings.

VII. PUBLIC INTEREST

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

A. In this section of my Direct Testimony, I discuss and reiterate why the Company's EDR proposal is in the public interest. Specifically, I discuss the positive community impacts that the EDR will provide, and specific community support we have received for the EDR.

A. Community Impact

Q. HOW DO YOU ANTICIPATE THE COMPANY'S EDR PROPOSAL WILL IMPACT THE COMMUNITIES SERVED BY PUBLIC SERVICE?

A. Consistent with the Colorado legislature's intent in passing HB 18-1271, we predict that similar to other jurisdictions where utilities are permitted to offer economic development rates or discount programs, an approved EDR offering will keep Colorado competitive in attracting increased employment opportunities for Colorado residents and increased tax revenues to the State through corporate investment dollars.

Q. HOW MANY ADDITIONAL EMPLOYMENT OPPORTUNITIES DO YOU EXPECT WILL RESULT FROM AN APPROVED EDR OFFERING?

A. It is difficult to estimate with any precision how many Colorado jobs a Commission-approved EDR will generate, but it may be instructive to consider the job growth outcomes from similar electricity discounting programs in other states. For example in 2017, the Tennessee Valley Authority's economic development program brought an estimated 70,076 jobs to the Tennessee

1 Valley, and in 2018, it brought an estimated 65,000 additional jobs.³ Similarly in
2 2018, Duke Energy's economic development program brought nearly 14,000 new
3 jobs in the six states it serves.⁴ As I have explained above, if we can establish a
4 marginal cost methodology and procedural framework to address large load (20
5 MW+) EDR contracts in a streamlined manner through this proceeding, this
6 would help promote and accelerate job creation even further. There are several
7 well-publicized examples of large load businesses bringing many job
8 opportunities with them when they establish or expand in a new state. For
9 example, when Amazon recently established its second headquarters in
10 Arlington, Virginia, it projected creation of 25,000 new full-time jobs.⁵ Google's
11 data centers are also known to spur significant job growth. In April 2018, Oxford
12 Economics prepared a report that analyzed the economic benefits of Google data
13 centers throughout the United States, and the report found that in 2016 alone,
14 Google's U.S. data centers generated \$750 million in new income and more than
15 11,000 new jobs.⁶

³ See Times Free Press, *Business Investment in Tennessee Tops \$11 Billion in Record Setting Year for TVA*, <https://www.timesfreepress.com/news/business/aroundregion/story/2018/nov/14/business-investment-valley-tops-11-billion/483054/> (last visited Aug. 20, 2020).

⁴ See Duke Energy, *Economic Development: Jobs and Major Investment*, <https://sustainabilityreport.duke-energy.com/2018/growth/economic-development-jobs-and-major-investment/> (last visited Aug. 20, 2020)

⁵ Amazon, *New Headquarters: Arlington*, <https://www.amazon.jobs/en/locations/arlington> (last visited Aug. 20, 2020).

⁶ Oxford Economics, *Google Data Centers: Economic Impact and Community Benefit* (April 2018).

1 **Q. HOW MUCH CORPORATE INVESTMENT DO YOU ESTIMATE THESE NEW**
2 **OR EXPANDED OPERATIONS WILL CONTRIBUTE TO THE COLORADO**
3 **ECONOMY?**

4 A. It is similarly difficult to predict how many investment dollars might flow into
5 Colorado as a result of an approved EDR offering, but again, the examples from
6 my response above provide some helpful insights. In 2017, the Tennessee
7 Valley Authority's economic development program brought \$8.2 billion in
8 corporate investment to the Tennessee Valley and \$11 billion through capital
9 investments in 2018.⁷ Duke Energy's service territory similarly benefitted from
10 \$5.3 billion in private sector investments in 2018 as a result of its economic
11 development discounts.⁸ Similar to my point above regarding the job growth that
12 could result from entering larger load EDR customer contracts, landing a contract
13 with one of these customers could bring an impressive level of corporate
14 investment to the benefit of all Coloradans. Under the Amazon example above,
15 Amazon projected it would invest \$2.5 billion in establishing its Arlington, Virginia
16 headquarters.⁹ The Oxford Economics analysis reported that as of April 2018,
17 Google has invested approximately \$10.5 billion in its six U.S. data centers.¹⁰

⁷ See Times Free Press, *Business Investment in Tennessee Tops \$11 Billion in Record Setting Year for TVA*, <https://www.timesfreepress.com/news/business/aroundregion/story/2018/nov/14/business-investment-valley-tops-11-billion/483054/> (last visited Aug. 20, 2020).

⁸ See Duke Energy, *Economic Development: Jobs and Major Investment*, <https://sustainabilityreport.duke-energy.com/2018/growth/economic-development-jobs-and-major-investment/> (last visited Aug. 20, 2020).

⁹ Amazon, *New Headquarters: Arlington*, <https://www.amazon.jobs/en/locations/arlington> (last visited Aug. 20, 2020).

¹⁰ Oxford Economics, *Google Data Centers: Economic Impact and Community Benefit* (April 2018).

1 **Q. HOW WILL OFFERING AN EDR IMPACT NON-PARTICIPANT CUSTOMERS**
2 **IN THE COMMUNITIES THE COMPANY SERVES?**

3 A. As required by HB 18-1271 and explained in more detail by Mr. Wishart in his
4 Direct Testimony, non-participant customers' bills cannot increase as a result of
5 any EDR contracts the Company enters pursuant to its EDR proposal. As Mr.
6 Wishart explains, the Company has carefully evaluated all components of its
7 base rates and each applicable rider to ensure EDR customers cover their full
8 incremental costs and that non-participant customers do not subsidize EDR
9 customers. We expect all customers to ultimately benefit from EDR customers
10 coming onto the system. In addition to lowering costs, Mr. Wishart explains that
11 increasing revenues can help keep bills low. All customers can benefit from
12 stimulating sales and load growth as this creates an opportunity to meet our
13 revenue requirements without raising rates.

14 **B. Community Support**

15 **Q. PLEASE DESCRIBE FEEDBACK THE COMPANY HAS RECEIVED FROM**
16 **THE COMMUNITIES IT SERVES ABOUT ITS EDR PROPOSAL.**

17 A. The communities we serve have expressed enthusiasm about the possibility of
18 incentivizing more businesses to choose Colorado, and the increased
19 employment opportunities and taxable revenue that are expected to follow.
20 Many of our communities and economic development partners have direct
21 experience in knowing that Colorado continues to be a top competitor for
22 companies to relocate and expand. They believe that an EDR will only
23 strengthen our chances in landing a large commercial or industrial company that

1 will pay a substantial amount in taxes and create new jobs. Our communities
2 value our partnership in all aspects and we are confident the EDR will strengthen
3 this partnership. As I talk with communities and economic development partners
4 there is a sense of uncertainty about our economy and available jobs. With the
5 recent pandemic, many Coloradans are concerned about decreased employment
6 opportunities and the potential for economic stagnation. The communities we
7 serve appreciate that during this economically challenging time, businesses
8 worldwide are becoming increasingly conscientious and circumspect in choosing
9 whether to expand existing operations or establish new operations and are
10 thoughtfully considering how to minimize initial startup costs until economic
11 conditions can normalize and rebound. We are hopeful that our EDR can help
12 move the needle toward overcoming these obstacles to the continued economic
13 wellbeing of Colorado and Coloradans.

14 **Q. OVERALL, DO YOU CONCLUDE THAT THE COMPANY'S EDR PROPOSAL**
15 **HAS THE SUPPORT OF THE COMMUNITIES THE COMPANY SERVES?**

16 A. Yes. As I explained above, overall feedback has been positive, and our plan to
17 implement an EDR has the overall support of the communities we serve.

1 **VIII. CONCLUSION**

2 **Q. COULD YOU PLEASE SUMMARIZE PUBLIC SERVICE'S REQUESTS TO THE**
3 **COMMISSION?**

4 **A.** Through the Application, Public Service requests that the Commission:

- 5 • Find that the terms and conditions set forth in the Company's
6 illustrative EDR tariff, provided as Attachment SWW-1 to Mr.
7 Steven W. Wishart's Direct Testimony, are reasonable, in the public
8 interest, and consistent with C.R.S. § 40-3-104.3;
- 9 • Authorize Public Service's proposed modifications to its Distribution
10 Extension Policy, COLO. PUC No. 8 Electric, Sheet No. R207 and
11 R227, as reflected in Attachment SWW-2 and SWW-3, the Redline
12 and Clean Versions respectively, to Mr. Wishart's Direct Testimony;
- 13 • Authorize Public Service's proposed modifications to its Electric
14 Commodity Adjustment ("ECA") and Demand-Side Management
15 Cost Adjustment ("DSMCA") tariffs, COLO. PUC No. 8 Electric,
16 Sheet No. 143 and 140, as reflected in Attachment SWW-2 and
17 SWW-3, the Redline and Clean Versions respectively, to Mr.
18 Wishart's Direct Testimony;
- 19 • Approve Public Service's proposal to provide the Commission an
20 opportunity to review qualifying EDR customers' eligibility to receive
21 an EDR discount for Standard EDR Contracts under C.R.S. § 40-3-
22 104.3 (7)(a)(I)(B);
- 23 • Approve Public Service's proposed expedited procedural process
24 for the Commission to address applications for Commission
25 approval of Non-Standard EDR Contracts and for requested
26 expansions of voluntary renewable programs to accommodate EDR
27 customers pursuant to C.R.S. § 40-3-104.3(6)(d);
- 28 • Approve Public Service's proposal concerning annual reporting of
29 EDR sales;

- 1 • Approve Public Service’s proposed treatment of EDR costs and
2 revenues in ratemaking proceedings;
- 3 • Authorize Public Service to track, record, and defer all costs
4 incurred to prepare and prosecute this Application in a non-interest
5 bearing regulatory asset account until they are presented for review
6 and recovery in a future Phase I electric rate case proceeding; and
- 7 • Authorize Public Service to file a compliance advice letter within 20
8 days of the effective date of a final order in this proceeding, but on
9 not less than two business days’ notice, that includes all tariff
10 sheets authorized as part of this proceeding, including the EDR
11 tariff itself, and modifications to Public Service’s Distribution
12 Extension Policy, ECA, and DSMCA tariffs to reflect all terms and
13 conditions that are approved as a result of this proceeding.

14 I recommend that the Commission approve these requests and allow
15 Public Service to implement its EDR proposal.

16 **Q. WHY DO YOU RECOMMEND THAT THE COMMISSION APPROVE THESE**
17 **REQUESTS?**

18 A. I recommend that the Commission approve these requests for multiple reasons:
19 First, Public Service’s EDR proposal carries out the State’s clear policy objective
20 to promote economic development through making electricity discounts available
21 to attract large load customers and the capital investment and job growth for the
22 State of Colorado these customers will bring with them, while ensuring Public
23 Service’s other customers will not subsidize these discounts consistent with HB
24 18-1271. Second, we are confident our EDR proposal will allow us to effectively
25 compete with the electricity discounts utilities in other states are offering and
26 allow Public Service to efficiently unlock the benefits of HB 18-1271 by being

1 able to offer competitive EDR discounts and voluntary renewable energy
2 program participation in a streamlined and predictable manner. Finally, we
3 believe that our comprehensive EDR proposal presented in our Application will
4 contribute to the continued economic well-being of Colorado and Coloradans as
5 we recover from the COVID-19 global pandemic and for many years to come.

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

7 A. Yes, it does.

Statement of Qualifications

Hollie Velasquez Horvath

1 Hollie Velasquez Horvath currently holds the role of Senior Director, State Affairs
2 and Community Relations. Previously, she held the role of Director of Community
3 Relations for five years. She has worked for Xcel Energy for 9 years. In her current
4 role, she leads a team of state and local government affairs managers who are
5 responsible for managing the state, city, and county government affairs business and
6 community relationships on behalf of the company. Her team is also in charge of
7 managing the local economic development activities and work closely with state and
8 local chambers and economic development organizations. This work entails daily
9 interactions and work with cities and towns honoring our commitments the company has
10 within the franchise agreements. Other activities include advocating for timely service
11 meters for residential and commercial customers, local government approval of siting
12 electric and gas infrastructure to meet new load requirements, construction projects that
13 cities are working on within their communities, meeting with cities and towns to help
14 them meet their renewable energy goals and partnering on local economic growth
15 plans. Her team also works closely with industry partners who are expanding business
16 or needing a new service from Xcel Energy.

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

20 Hollie currently sits on the board of Downtown Denver Partnership which is the leading
21 economic development organization for the City of Denver. She is also Chairman of the

1 Board for Great Outdoors Colorado and is a board member to the Latino Community
2 Foundation of Colorado. Hollie has received several community recognitions and
3 awards for her leadership in the community. They include Downtown Denver
4 Partnership 2020 Champion award, Denver Business Journal 40 Under 40, Colorado
5 Women's Chamber Top 25 Most Powerful Women, Denver Business Journal Top
6 Women in Energy, Denver Metro Chamber Civic DNA Fellowship, Urban Peak Urban
7 Nights Celebrity Model, and Cleo Parker Robinson Dancing with the Denver Stars.

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

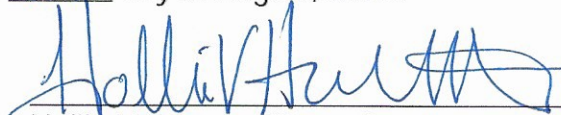
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IN THE MATTER OF THE APPLICATION)
OF PUBLIC SERVICE COMPANY OF)
COLORADO FOR APPROVAL OF AN)
ECONOMIC DEVELOPMENT RATE) PROCEEDING NO. 20A-XXXXE
PROPOSAL PURSUANT TO)
COLORADO HB 18-1271)

AFFIDAVIT OF HOLLIE VELASQUEZ-HORVATH
ON BEHALF OF
PUBLIC SERVICE COMPANY OF COLORADO

I, Hollie Velasquez-Horvath, being duly sworn, state that the Direct Testimony and attachments were prepared by me or under my supervision, control, and direction; that the Direct Testimony and attachments are true and correct to the best of my information, knowledge and belief; and that I would give the same testimony orally and would present the same attachments if asked under oath.

Dated at Denver, Colorado, this 21 day of August, 2020.



Hollie Velasquez-Horvath

Senior Director, State Affairs and Community Relations

Subscribed and sworn to before me this 21st day of August, 2020.



Notary Public

My Commission expires 4.22.2024

DAWN MOFFIT
NOTARY PUBLIC
STATE OF COLORADO
NOTARY ID 20084013859
MY COMMISSION EXPIRES APRIL 22, 2024