



P.O. Box 840  
 Denver, Colorado 80201-0840

November 1, 2018

Advice No. 1777 - Electric

Public Utilities Commission  
 of the State Of Colorado  
 1560 Broadway, Suite 250  
 Denver, Colorado 80202

The accompanying tariff sheets issued by Public Service Company of Colorado are sent to you for filing in accordance with the requirements of the Public Utilities Law:

COLORADO P.U.C. NO. 8 - ELECTRIC

and the following sheets are attached:

Colorado P.U.C. No. 8 Sheet No.		Title of Sheet	Cancels Colorado P.U.C. No. 8 Sheet No.	
Fourth Revised	144	Clean Air-Clean Jobs Act Rider	Third Revised	144
Third Revised	144A	Clean Air-Clean Jobs Act Rider	Second Revised	144A

The principal proposed change is to revise the Company’s Clean Air-Clean Jobs Act (“CACJA”) Rider, applicable to all electric sales rate schedules, in the Company’s Colorado P.U.C. No. 8 – Electric tariff, to become effective January 1, 2019. This revision is made pursuant to the terms and conditions described on Sheet Nos. 144B through 144F of the Company’s CACJA Rider tariff in P.U.C. No. 8 – Electric tariff, as approved by the Commission in Decision No. C15-0292, mailed March 31, 2015, in Proceeding No. 14AL-0660E.

With this Advice Letter, the CACJA Rider is revised for calendar year 2019 consistent with the formula set forth at Tariff Sheet Nos. 144D and 144E in the Company’s P.U.C. No. 8 Electric tariff.

The CACJA rates are designed to allow the Company to recover both the capital and operations and maintenance (“O&M”) costs associated with Eligible CACJA Projects in accordance with the Settlement Agreement approved by the Commission in Decision No. C15-0292. According to the Commission-approved Settlement Agreement, costs for eligible CACJA projects must be incurred and associated with an investment that went into service between August 1, 2014, and December 31, 2017.

The Public Utilities Commission  
of the State of Colorado

Advice No. 1777 – Electric

Page 2 of 6

The 2019 CACJA Costs consist of the revenue requirements associated with the following four projects include the following:

- Cherokee 5, 6, 7 – a natural gas combined cycle (“CC”) plant, including interconnection equipment;
- Pawnee selective catalytic reduction (“SCR”) and particulate scrubber project;
- Hayden 1 selective catalytic reduction project; and
- Hayden 2 selective catalytic reduction project.

As provided for in the CACJA tariff, the revenue requirement includes: (1) variable non-fuel O&M expenses, including chemical and water expenses;<sup>1</sup> (2) depreciation expense, calculated monthly; (3) state and federal current and deferred income tax expense, recognizing the impacts of depreciation expense and other tax deductions, including the Domestic Production Activities Tax Deduction – Section 199; (4) return on net plant for projects that have been placed into service, including the accumulated allowance for funds used during construction (“AFUDC”) for capital expenditures incurred before January 1, 2015; and (5) return on construction work in progress (“CWIP”) for capital expenditures incurred on or after January 1, 2015.

As provided for in the CACJA tariff, the CACJA Rider Amount will consist of the current year’s forecasted revenue requirement plus the CACJA Rider True-Up. The CACJA Rider True-Up is the over-recovery or under-recovery of CACJA costs and consists of three adjustments: (1) the difference between the forecasted revenue requirements and the prudently incurred actual revenue requirements from the two calendar years prior that are demonstrably tied to CACJA projects for which the Company has a Certificate of Public Convenience and Necessity (“CPCN”); (2) the difference between the revenues the CACJA Rider was designed to recover from customers and the actual dollars collected; and (3) interest expenses<sup>2</sup> on the monthly over- or under-recovery from two years prior. Consistent with the Settlement Agreement and tariff, the CACJA Rider true-up subject to this Advice Letter is designed to recover all CACJA costs incurred in calendar year 2017.

Pursuant to the CACJA Rider at Tariff Sheet No. 144F, the revisions to the CACJA Rider will be accomplished through an advice letter filing no later than November 1 of each year to take effect on the next January 1. This is consistent with Exhibit B of the Commission Decision No. C15-0292 approving the Settlement Agreement in Proceeding No. 14AL-0660E, Sections 4 and 5 (pp. 13-16), which details the CACJA Rider review process includes a November annual filing supporting the forecasted revenue requirement to be recovered the following calendar year, an April annual filing reporting CACJA expenditures and comparing forecasted costs and actual incurred costs, and a true-up provision for any over- or under-recovery of CACJA costs.

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<sup>1</sup> CACJA Rider revenue requirements reflect the variable O&M savings from Cherokee 3’s retirement.

<sup>2</sup> For each month the interest component shall be the after-tax Weighted Average Cost of Capital (“WACC”) applied to the monthly over- or under-collection from the mid-point of the month to the date on which the Company will begin crediting or collecting the over- or under-collection through the CACJA Rider True-up.

The Public Utilities Commission  
of the State of Colorado

Advice No. 1777 – Electric

Page 3 of 6

Affected parties may object to the April annual filing and request a hearing. If such a request for hearing is filed, the Commission will set the April filing for a prudency review hearing. This November filing is intended to go into effect without hearing, absent extraordinary circumstances.

Issues pertaining to CACJA cost recovery and the underlying prudence or reasonableness of any particular cost are to be raised in the context of the April filing. The next April filing will be submitted on or before April 15, 2019, and will address 2018 CACJA costs.

Submitted with this Advice Letter are the following exhibits:

- Exhibit 1: Rate Calculation and Bill Impacts
- Exhibit 2: 2019 Revenue Requirement Calculation
- Exhibit 3: Overall Project Summary
- Exhibit 4: Summary of Cherokee 2x1, Combined Cycle (Units 5, 6, 7) Project
- Exhibit 5: Summary of Pawnee Selective Catalytic Reduction (“SCR”) and Scrubber Project
- Exhibit 6: Summary of Hayden 1 and 2 Selective Catalytic Reduction (SCR) Project
- Exhibit 7: Summary of Variable Non-Fuel Operation and Maintenance (O&M) Costs

Exhibits 1 and 2 provide derivations of the CACJA O&M expenses and capital costs by project, the CACJA Rider True-Up, and the resulting rates and customer bill impacts. The derivation of the total 2019 CACJA Revenue Requirement by project is as follows:

Cherokee 2x1 Combined Cycle (Units 5, 6, 7)	\$46,827,062
Pawnee (“SCR”) and Scrubber	\$22,880,683
Hayden 1 and 2 (“SCR”)	\$ 6,195,249
Total 2019 Revenue Requirement	\$75,902,993
Plus: 2017 Revenue Requirement True-Up	\$(2,352,534)
Plus: 2017 Revenue True-Up	\$(1,838,897)
Plus: Interest on 2017 True-Up	\$ 10,232
Plus: 2016 Revenue Adjustment <sup>3</sup>	\$ (40,526)
Plus: Interest on 2016 Revenue Adjustment <sup>4</sup>	\$ (6,999)
Total Costs	\$71,674,270

<sup>3</sup> The 2016 Revenue Adjustment reflects revenues that were inadvertently omitted from the 2016 revenue true-up in last year’s November 1 filing.

<sup>4</sup> The Interest on 2016 Revenue Adjustment is the related interest calculated back to 2016 when the revenues were collected.

The Public Utilities Commission  
of the State of Colorado

Advice No. 1777 – Electric

Page 4 of 6

The estimated 2019 CACJA revenue requirement of \$75.9 million represents a decrease of \$3.2 million from the 2018 estimated revenue requirement of \$79.1 million<sup>5</sup> including the estimated 2018 Tax Cuts and Jobs Act (“TCJA”)<sup>6</sup> revenue requirement adjustment.

Exhibit 3 provides an overview of the 2019 CACJA filing projects and revenue requirements.

Exhibits 4, 5, and 6 summarize the CACJA projects’ status and the primary activities anticipated in 2019.

Exhibit 7 summarizes the CACJA projects’ variable non-fuel O&M costs estimated for 2019.

The effect of the revised CACJA rider on the Company’s annual revenue will be a decrease of \$2,630,775<sup>7</sup>.

The impact of the change in the CACJA rates on the typical residential customer will be an increase of \$0.00014 per kilowatt-hour (“kWh”), from \$0.00287 per kWh to \$0.00301 per kWh, or \$0.09 per month based upon typical customer usage of 627 kWh.

The impact of the change in the CACJA rates on the typical commercial customer will be an increase of \$0.0001 per kWh, from \$0.00261 per kWh to \$0.00271 per kWh, or \$0.10 per month, based upon typical customer usage of 995 kWh.

Pursuant to the Motion for Alternative Form of Notice filed with the Commission contemporaneously herewith, the Company plans to provide notice of this filing by:

- a. Filing of the tariff change with the Commission and keeping open for public inspection the filing;

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<sup>5</sup> The 2018 revenue requirement estimate of \$88.1 million was based on Advice No. 1751-Electric filed November 1, 2017 to be effective January 1, 2018. Subsequent to the filing of the 2018 estimated revenue requirement, the Company filed Advice No. 1764 – Electric on March 29, 2018 to decrease the CACJA rider to reflect the estimated TCJA revenue requirement impact for the entire 2018 calendar year of \$9,040,398 effective May 1, 2018. As a result, the 2018 estimated revenue requirement that is currently being collected through the CACJA rider is \$79.1 million.

<sup>6</sup> On December 22, 2017, the TCJA was signed, which enacts a material reduction in the United States federal corporate income tax rate from 35 percent to 21 percent. For regulated electric utilities, the TCJA also requires the reevaluation of federal deferred tax assets and liabilities and bonus depreciation due to the lower tax rate. The Company filed Advice No. 1764 – Electric on March 29, 2018 to decrease the CACJA rider to reflect the estimated TCJA revenue requirement impact.

<sup>7</sup> Although there is a decrease in revenues, most of the rate classes will see an increase in rates in 2019 compared to currently effective rates because the TCJA refund for 2018 was applied to only 7 months, May-December 2018.

The Public Utilities Commission  
of the State of Colorado

Advice No. 1777 – Electric

Page 5 of 6

- b. Publishing a legal notice in *The Denver Post* for two consecutive Sundays, on December 2 and December 9, 2018, and a copy of the notice is attached to the Motion for Alternative Form of Notice as Exhibit 1;
- c. Providing information regarding the January 1, 2019, CACJA rate change to all Public Service electric customers through a bill onsert included with customer bills to be delivered over the course of approximately five weeks commencing approximately two weeks after this filing;
- d. Providing the bill onsert to Public Service electric e-bill customers via email to be delivered over the course of approximately five weeks commencing approximately two weeks after this filing; and
- e. Posting a copy of this filing on our website, [xcelenergy.com](http://xcelenergy.com).

It is requested that the tariff changes accompanying this advice letter become effective on January 1, 2019.

Copies of this advice letter and exhibits and accompanying tariff sheet will be provided electronically to all parties in Proceeding No. 14AL-0660E<sup>8</sup>.

Please send copies of all notices, pleadings, correspondence, and other documents regarding this filing to:

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and

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<sup>8</sup> Parties in Proceeding No. 14AL-0660E who will be served are: Commission Staff, OCC, CEC, City of Boulder, SWEEP, Kroger, CCOD, Climax-CFI, FEA, CEA, CHECC, TASC, WRA, and Walmart.

The Public Utilities Commission  
of the State of Colorado

Advice No. 1777 – Electric

Page 6 of 6

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Enclosures