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BEFORE THE PUBLIC UTILITIES COMMISSION OF COLORADO

DOCKET NO. 07S-521E

IN THE MATTER OF ADVICE NO. 1495 - PUBLIC SERVICE COMPANY OF COLORADO REVISION TO THE INTERRUPTIBLE SERVICE OPTION CREDIT (ISOC) TARIFF - ELECTRIC.

STATEMENT OF POSITION OF LESLIE GLUSTROM
MAY 23, 2008

Leslie Glustrom, a citizen intervener submits this Statement of Position in the above captioned Docket related to Public Service Company of Colorado's ("PSCo" or "Xcel") Interruptible Service Option Credit ("ISOC") Program.

Introduction

As the planet warms and the Arctic sea ice melts much faster than climate models predicted, it will become increasingly important to predict and meet the summer peak on Xcel's system in Colorado. Unfortunately, however, it does not appear that the ISOC program is likely to make a big impact on this critical need—and it appears to be both a very expensive and time consuming program. Given the critical nature of the summer peak problem and the need to protect ratepayers' interests and assure the best use of time and money, it is not clear at this point that the ISOC payments should be increased until the Commission and the parties have had a chance to do some more "comparison shopping."

In particular, it appears that ratepayers would be well served to postpone any significant increase in ISOC payments until after Xcel and the Commission learn more about the potential of third party demand response companies to help manage demand



during critical times. Once that information is gained, the Commission will be in a better position to decide what priority to put on the ISOC program and whether to approve an increase in the amount of ISOC credits paid.

The ISOC Program is Not Very Effective

According to Exhibits 22-25 in this Docket, Xcel only expects to add the following amount of ISOC load in the following years:

2009	33 MW
2010	44 MW
2011	26 MW
2012	5 MW
2013	6 MW
2014	1 MW
2015	2 MW

In contrast, Exhibit 26 shows the 2006 Load Duration Curve for the PSCo system and the sharp rise in demand that occurs less than 10% of the time. This peak demand in 2006 was over 1500 MW. With the ISOC program only expected to deliver 30-40 MW per year for the next couple of years and then only a few MW per year after that, it is not likely to have a significant impact on the sharp peak seen in Exhibit 26. There is over 2600 MW of potential interruptible load and yet Xcel is only planning on obtaining about 100 MW of additional interruptible load over the next dozen years. Moreover, Xcel is devoting substantial marketing efforts to this program¹ and it should be asked whether these efforts could not be better spent elsewhere. As discussed below, the ISOC program is expensive and time consuming and before approving an increase in ISOC credits at this time, it appears that ratepayers will be best served by some serious “comparison shopping.”

¹ See transcript of my cross examination of Xcel Witness Ms. Davis on Thursday May 8, 2008.

The ISOC Program is Expensive

According to Exhibit 32, PSCo calculated the cost of the 1-Hour ISOC program at \$575 per MWh (or 58 cents/kWh). In addition, Xcel witness Brockett testified under cross-examination on Thursday May 8, 2008² that the cost of the 10-minute program would be greater than this and Dr. Shiao's Answer Testimony notes that most of the ISOC load (approximately 107 MW of the 120 MW load) comes from the less than 10-minute notice participants.³ This means that the ISOC program costs more than \$575/MWH which is very expensive. Before the Commission approves an increase in the ISOC credits, it should examine other alternatives for meeting and managing the summer peak. These alternatives could include demand response, concentrating solar power and peaking gas turbines.

With respect to the potential benefits of the ISOC program, it is important to note that:

- 1) Benefits are modeled benefits and actual benefits could be very different than those modeled (e.g. see Attachment 1 to my Supplemental Answer Testimony and Exhibit 29.)
- 2) Benefits may not be obtained if interruptions are primarily taken for economic reasons rather than capacity reasons (e.g. see Exhibit 29)
- 3) If there are is not a large enough ISOC load developed to avoid building a gas turbine, then ratepayers may be paying for an ineffective ISOC program in addition to the gas turbines (See my Supplemental Testimony.) In short, while a bridge is a very useful thing, half a bridge is a waste of money. This is what I refer to as "the quantum nature" of

² Transcript May 8, 2008, page 61, lines 6-25 and page 62 lines 1-14.

³ PUC Staff witness Shiao's Answer Testimony page 5, lines 2-6.

the ISOC program. If the program does not attract enough load, it won't actually create true benefit for ratepayers.

Xcel's Position in the Fort St. Vrain and this ISOC Docket Do Not Appear to Be Consistent

In the Fort St. Vrain Docket, Xcel testified that building gas turbines would be cheaper the ISOC program. In this ISOC Docket, Xcel took the position that ISOC is cheaper than building gas turbines. Before approving an increase in the ISOC credits, the Commission should attempt to clear up this inconsistency—and compare ISOC to other options for meeting peak demand.

The Role of CF&I Steel in the Interruptible Program Has Not Been Well Explained or Justified

By reading between the lines, it became apparent that the largest customer of the ISOC program is CF&I Steel with an interruptible load that appears to be between 80 and 100 MW.⁴ While the size of the CF&I interruptible load may hold unique value to the PSCo system, to the best of my knowledge, no one—not Staff, not OCC, not PSCo and not even CF&I—entered any evidence into the record on the unique role of CF&I and its potential benefits. Until the record on this issue is well established, and until there is clear testimony on the role of CF&I Steel, the Commission should not approve an increase in the ISOC credits. As it is presently, it appears that most of the credits are being paid to CF&I⁵ and it is not clear that an increase is needed to keep CF&I on the program.

⁴ See the transcript of my cross-examination of Xcel witness Brockett on Monday May 5, 2008.

⁵ See the transcript of my cross-examination of Xcel witness Brockett on Monday May 5, 2008.

Conclusion

The ISOC program is not very effective and it is very expensive. Until the Commission gathers more information on the costs and potential of other alternatives for managing peak demand, it should not approve any increase in the ISOC credits.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that on this 23rd day of May 2008, the original and seven copies of this **STATEMENT OF POSITION OF LESLIE GLUSTROM** were served on the

Public Utilities Commission at
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