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Denver, Colorado 80201-0840

August 27, 2013

Advice No. 1649 - 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 ("Public Service" or "Company") are sent to you for filing in accordance with the requirements of the Public Utilities Law:

COLORADO P.U.C. NO. 7 - ELECTRIC

and the following sheets are attached:

<u>Colorado P.U.C. Sheet No.</u>	<u>Title of Sheet</u>	<u>Colorado P.U.C. Sheet No.</u>
Twenty-seventh Revised 4	Table of Contents	2 <sup>nd</sup> Sub. Twenty-sixth Revised 4
Twenty-third Revised 15B	RESERVED FOR FUTURE FILING INDEX	2 <sup>nd</sup> Sub. Twenty-second Revised 15B
Sub. Second Revised P1	Index	First Revised P1
Second Revised P2	ELECTRIC PURCHASE	First Revised P2
Sub. Second Revised P3	ELECTRIC PURCHASE	First Revised P3
Third Revised P4	ELECTRIC PURCHASE	Sub. Second Revised P4
Third Revised P5	ELECTRIC PURCHASE	Sub. Second Revised P5
Third Revised P6	ELECTRIC PURCHASE	Sub. Second Revised P6
Sub. Second Revised P7	ELECTRIC PURCHASE	First Revised P7
Sub. Second Revised P8	ELECTRIC PURCHASE	First Revised P8
Third Revised P9	ELECTRIC PURCHASE	Sub. Second Revised P9
Twentieth Revised P10	Purchase Payment Amount Table	Nineteenth Revised P10

The principal proposed change is to implement a new methodology to derive payment rates applicable to Qualifying Facilities ("QFs") with a design capacity between 10 and 100 kW in the Company's Electric Purchase - Small Power Production and Cogeneration Facility Policy Section of its P.U.C. No. 7 - Electric tariff.

On December 1, 2011, the Company filed Advice No. 1599 - Electric, which extended through calendar year 2012 the 2011 Capacity and Energy Payment

Public Utilities Commission  
of the State of Colorado

Advice No. 1649 - Electric

Page 2

rates applicable to QF's with a design capacity between 10 and 100 kW. On December 3, 2012 the Company filed Advice No. 1628 - Electric, extending for calendar year 2013 the 2011 Energy and Capacity Payment Rates. The Company advised the Commission that the Company was developing a new methodology to better reflect the Company's avoided costs and that the Company would file new rates using an updated methodology.

By this Advice Letter the Company is proposing a new methodology to derive the payments to Qualifying Facilities with a design capacity between 10 and 100 kW. The primary methodology changes are summarized below:

First, the Company proposes to offer different rates to different types of QFs to reflect their different operating characteristics and value to the Company in terms of cost avoidance. The technology categories the Company is proposing are Photovoltaic Fixed ("PV Fixed"), Photovoltaic Tracking ("PV Tracking"), Wind and Other. The Company anticipates that the wind and solar categories will be the majority of the small QFs likely to be requesting service under the proposed tariff. The "Other" category will provide reasonable compensation to other types of QFs, such as hydroelectric plants or biomass-fired generators.

Second, the Company proposes to modify our approach to approximating avoided capacity costs and the resulting capacity payments. The proposed technology-specific capacity payments are based on the adjusted costs of the least-cost capacity resource - a gas turbine or peaking unit. In this case the Company is using two proxy peaking units as a basis for our analysis. Specifically, the proposed capacity payments are based on the adjusted levelized annual carrying costs of these two proxy peaking units over ten years. The proposed adjustments reflect: the projected on-peak availability and annual production of the various QF technologies; the Company's projected planning reserve position; and differences between the ancillary services provided by traditional peaking units and QFs.

Third, the Company is proposing to lock-in or guarantee the capacity payment per MWh for as long as the QF continues to be interconnected and producing energy. For example, if a QF operated continuously for 10 years under the conditions specified in the tariff, then the QF would receive the same capacity payment per MWh for each of these 10 years. This levelized capacity payment is derived to yield the same present value over 10 years as the 10-year stream of adjusted capacity costs explained above.

Fourth, the Company proposes annual energy payments per MWh based on a weighted average of historic hourly decremental energy costs for a twelve

Public Utilities Commission  
of the State of Colorado

Advice No. 1649 - Electric

Page 3

month period. These hourly decremental energy costs would be weighted to reflect the expected hourly output of a given type of QF. As a result, each category of QF would receive a different energy payment during a given year. Moreover, in contrast to the QF's capacity payments, the energy payments to a QF providing energy over 10 years would be adjusted each year. The derivation of the Capacity and Energy Payment Rate components are included as Attachment A to this Advice Letter.

The proposed 2013 QF Payment Rates based on the approach summarized above are as follows:

Rate Components:	PV Fixed	PV Tracking	WIND	OTHER
Capacity Payment Rate Component \$/MWh:	\$7.47	\$7.73	\$1.21	\$3.86
Energy Payment Rate Component \$/MWh:	\$25.26	\$24.65	\$17.15	\$22.11
<b>TOTAL QF Payment Rate \$/MWh:</b>	<b>\$32.73</b>	<b>\$32.38</b>	<b>\$18.36</b>	<b>\$25.97</b>

The current Capacity Payment is \$19.08/MWh based on a 15+ year contract and 100% Capacity Factor. The current Energy Payment is \$18.68/MWh, applicable to all categories of QFs.

The proposed increase in the Energy Payment Rate Component made to PV Fixed, PV Tracking and Other QFs currently under contract may increase the purchased energy expense of the Company and the proposed decrease in the Energy Payment Rate Component to Wind QFs may have no effect, as there are currently no Wind QFs producing power under a contract to which the Energy Payment Rate Component is applicable. The increase or decrease in payments will be dependent upon the amount of energy produced by QFs currently under contract in 2013. The proposed decrease in the Capacity Payment Rate Component may have no effect on purchased power expense as there are currently no QFs producing power under a contract to which the Capacity Payment Rate Component is applicable. There are currently no QFs producing power under this tariff in which the Total QF Payment Rate would be applicable.

The QF Payment Rates are filed to comply with the Company's electric tariff and the Commissions Rules Regulating Electric Utilities 4 CCR 723-3, Section 3900, Small Power Production and Cogenerators, which require the Company offer standard rates to QFs with a design capacity of less than 100kW.

Notice of this filing will be published in the Legal Classified Section of The Denver Post and a copy delivered by the United States Mail to all qualifying facilities interconnected to the Company's electric system. The Notice is included as Attachment B to this Advice Letter.

It is desired that the changed tariff sheets accompanying this advice letter become effective on September 27, 2013.

Public Utilities Commission  
of the State of Colorado

Advice No. 1649 - Electric

Page 4

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

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The Company also requests that copies of all pleadings, correspondence, notices, rulings, orders, decisions, testimony, exhibits, discovery, and/or notices of any open meetings relating to this proceeding be forwarded electronically to Dolores Basquez at [Dolores.Ruiz@xcelenergy.com](mailto:Dolores.Ruiz@xcelenergy.com) and Philip Jett at [Philip.E.Jett@xcelenergy.com](mailto:Philip.E.Jett@xcelenergy.com).

  
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Manager

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Enclosure