

Section 4 – Estimates of Existing and Forecasted RECs

Renewable Energy Standard

Under Rule 3654, Public Service is required to procure Renewable Energy Credits (“RECs”), either with or without Renewable Energy, to meet the Renewable Energy Standard (“RES”). One REC results from one megawatt-hour of electric energy generated from an Eligible Energy Resource.¹ The Renewable Energy Standard is based upon percentages of the Qualifying Retail Utility’s (“QRU”) annual retail energy sales. The RES has three requirements, which are summarized below.

Renewable Energy Standard

Period	RES	Solar	On-Site Solar
2008 – 2010	5% of retail sales	4% of RES	At least ½ of Solar
2011 – 2014	10% of retail sales	4% of RES	At least ½ of Solar
2015 – 2019	15% of retail sales	4% of RES	At least ½ of Solar
2020 and beyond	20% of retail sales	4% of RES	At least ½ of Solar

Table 4-1, in Volume 2, shows the total RECs needed by Public Service in each year for the period 2008 through 2020 to meet the Renewable Energy Standard, based upon the Company’s 2008 retail energy sales forecast at 100% of Commission DSM goals. Table 4-1 uses this forecast to calculate the number of Solar RECs (“S-RECs”) required each year, the number of On-Site Solar RECs (“SO-RECs”) required each year, and the number of Non-Solar RECs (“NS-RECs”) required each year.

Tables 4-2 and 4-3, in Volume 2, provide detailed information about the RECs Public Service has already acquired, the RECs the Company plans to acquire by the end of 2008, and the RECs that Public Service anticipates retiring to comply

¹ 4 CCR 723-3-3652 (n)

with the 2008 and 2009 RES. These Tables show the sources of RECs and when they were created or will be created. Specifically, Table 4-2, pages 1 and 2, shows the RECs needed by the end of 2008 for compliance based on the Company's 2008 forecast; and Table 4-2, pages 3 and 4, projects the RECs needed in 2009 for compliance based on this 2008 forecast.

Wholesale Customers

In addition to meeting its RES, Public Service must plan for the transfer of RECs to its wholesale customers based upon each wholesale customer's load ratio share of Public Service's total retail and wholesale energy deliveries.

Public Service offered load-ratio shares of its SO-RECs, S-RECs and Non-Solar RECs to eight wholesale customers: Aquila Networks – WPC ("Aquila"); Grand Valley Rural Power Lines, Inc. ("Grand Valley"); Holy Cross Electric Association, Inc. ("Holy Cross"); Yampa Valley Electric Association, Inc. ("Yampa Valley"); Intermountain Rural Electric Association ("IREA"); City of Burlington; Town of Julesburg; and Town of Center.

Aquila, Grand Valley, Holy Cross, Yampa Valley, IREA, the City of Burlington and the Town of Center agreed to pay the full cost of their load ratio share of the acquisition of Non-Solar Eligible Energy Resources. All of these wholesale customers notified Public Service that they do not intend to pay for Solar RECs (either On-site or central solar RECs). The Town of Julesburg has declined to purchase their load-ratio share of Public Service RECs.

Table 4-3 in Volume 2 shows the actual and forecasted REC transfers for those wholesale customers electing to pay the full costs of their load ratio share of the Non-solar Eligible Energy Resources. The transferred RECs will not be available to Public Service to meet its Renewable Energy Standard.

Windsource Sales

Public Service filed² an application to revise its Windsource program to provide for program expansion that allows for cost-effective additions of wind resources and eventually other renewable resources under a voluntary cost-based tariff service for customers who want more renewable energy than what is nominally available in our standard portfolio. If the Company's application is approved, RECs associated with the Windsource sales will be transferred to the Windsource program and retired on behalf of the Windsource customers. RECs retired for purposes of the Windsource sales will not receive the in-state multiplier of 1.25 as reflected in Tables 4-2 and 4-3. The Windsource sales under this new program would draw from the Company's Eligible Energy Resource portfolio with premiums from sales under the Windsource tariff being credited back through the Renewable Energy Standard Adjustment ("RESA") in order to acquire more Eligible Energy Resources.

Applicable RES Rules

Rule 3654(i) permits a QRU to count Eligible Energy generated on or after January 1, 2004 for compliance with the Renewable Energy Standard. The Rule also contains a carry forward provision, where a REC may be retired for RES compliance in the year that the energy is generated or for five years following the year in which it was generated. In addition, Rule 3654(k) contains a borrow forward provision that allows a QRU to submit in its first four compliance years, Eligible Energy generated in the two subsequent compliance years to be counted for compliance.

Rule 3654(f) provides for a 25 percent "bonus" for each kilowatt-hour of Eligible Energy generated in Colorado, which means that Colorado generated RECs

² On June 24, 2008, Public Service filed an application to revise its Windsource Program. That application is pending in Docket No. 08A-260E.

count as 1.25 RECs for RES compliance. Also, Rule 3654(g) provides for a 50 percent “bonus” for each kilowatt-hour of Eligible Energy generated from a Community-Based project, which means that Community-Based project generated RECs count as 1.5 RECs for RES compliance. However, for each kilowatt-hour of Eligible Energy, a QRU may take advantage of only one of the compliance multipliers.

Plan to Meet 2009 REC Requirements

Non-Solar RECs

Public Service projects, through using the carry forward provision under the Rule 3654(i), to meet its 2009 Non-Solar RES requirement with RECs carried forward from previous years. Table 4-2, provides the projections for the Non-Solar RECs that we project we will have at the end of 2008 (page 2) and 2009 (page 4).

S-RECs

Public Service expects to have sufficient SO- RECs and S-RECs in 2009 to meet the forecasted S-RECs borrowed forward to fulfill the 2008 Solar RES requirement. Table 4-2, rows 1-13, provides the Solar RECs forecasted to meet the 2008 and 2009 Solar RES requirement.

SO-RECs

As shown on Table 4-2, page 3, Public Service expects to have sufficient On-Site Solar RECs to meet the 2009 RES requirement. Public Service also expects to have sufficient On-Site Solar RECs available in 2008 to meet the 3,184 SO-REC borrowed from 2008 for 2007 compliance. However, to meet the 2008 On-Site Solar requirement, Public Service projects it will need to borrow RECs forward from 2009, due to delays in customer installations of On-Site Solar systems resulting from the 2006 RFPs. These delays were a result of disputes over the Solar*Rewards contracts before the Commission in Docket No. 06A-478E.

Public Service projects its On-Site Solar acquisition strategy presented in Section 5 of this Compliance Plan will yield sufficient SO-RECs in 2009 to fulfill the amount of RECs borrowed forward from 2009 for 2008 compliance and those SO-RECs needed for compliance in 2009.

Tables 4-2 and 4-3, in Volume 2, project Public Service's acquisition and retirement of RECs for compliance with the 2008 and 2009 RES requirements. All of the RECs carried forward and acquired for purposes of meeting the RES, with the exception of the RECs transferred, are eligible to be counted for RES compliance in 2009.

Table 4-2 summarizes Public Service's actual and forecasted REC position for 2008 and the forecasted REC position for 2009 compliance. Table 4-2 summarizes, by source (including the "bonus" RECs), the RECs carried forward from past years, the expected acquisition of RECs, the expected retirement of RECs for compliance, and the RECs that Public Service forecasts that it will have available to carry forward or to borrow from future years.

Table 4-3 reports the RECs carried forward in years 2004 – 2007 and the RECs estimated to be acquired and transferred in 2008 and 2009.

Long-Range Forecast of RES Sources

Table 4-4, in Volume 2, reports Public Service's long-range plan for acquisition of RECs through 2020 and is based the Company's likely Phase II Scenario. Table 4-4 shows only the RECs that we expect to acquire net of transfers each year and the projected bonuses allowed by the Renewable Energy Standard Rules. Table 4-4 does not show the impact of the carry forward and borrow forward provisions in the RES Rules. Public Service will acquire SO-RECs through both

its standard offers in the small and medium Solar*Rewards programs and through competitive bids (column a). Public Service also plans to acquire SO-RECs through Company investment in distributed solar facilities. Because all of these SO-RECs will be generated in Colorado, they will earn the 25 percent in-state “bonus” (column b). We have a column for the incremental 25 percent bonus (above the in-state bonus) that is provided by Community-Based SO-RECs in column c should projects be considered Community-Based. The total On-Site Solar RECs that we project are set forth in column d.

Columns e through h of Table 4-4 show the projections of the central solar RECs that the Company proposes to acquire through 2020 under the Company’s likely Phase II Scenario. For purposes of Table 4-4, all of the S-RECs are assumed to qualify for the in-state bonus and none are assumed to qualify for the community-based bonus. The actual bonuses that will apply will be based on the contracts selected in response to RFPs that the Company has issued to acquire these resources. Table 4-4 does not show any impacts of carrying forward or borrowing forward S-RECs.

Table 4-4, columns i through l show the Non-Solar RECs that Public Service estimates will be produced through 2020 under the Company’s likely Phase II Scenario. The sources of these RECs are Eligible Energy Resources owned by the Company and purchases from Eligible Energy Resources. These projections do not account for the carrying forward or borrowing forward of RECs.