

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

PROCEEDING NO. 19M-0012E

IN THE MATTER OF THE YEAR 2019 FILINGS BY COLORADO ELECTRIC UTILITIES
IN ACCORDANCE WITH RULE 4 CCR 723-3-3205 FOR THE DETERMINATION OF
WHETHER NEW OR EXPANDED GENERATION FACILITIES ARE IN THE NORMAL
COURSE OF BUSINESS OR AN APPLICATION TO OBTAIN A CERTIFICATE OF PUBLIC
CONVENIENCE AND NECESSITY IS REQUIRED.

**DECISION FINDING THAT THE FORT ST. VRAIN
FLEXIBILITY AND INSPECTION INTERVAL
EXTENSION PROJECT IS IN THE ORDINARY COURSE
OF BUSINESS AND THAT A CERTIFICATE OF PUBLIC
CONVENIENCE AND NECESSITY IS NOT REQUIRED**

Mailed Date: August 30, 2019

Adopted Date: August 28, 2019

I. BY THE COMMISSION

A. Statement

1. Rule 3205(c) of the Colorado Public Utilities Commission's (Commission) Rules

Regulating Electric Utilities, 4 *Code of Colorado Regulations* 723-3, requires:

[f]or each new construction or expansion of existing generation that will result in an increase in generating capacity of ten megawatts or more, the electric utility shall submit to the Commission, no later than April 30 of each year, a filing for a determination of which of the utility's proposed new construction or expansions for the next three calendar years, commencing with the year following the filing, are necessary in the ordinary course of business and which require a certificate of public convenience and necessity prior to construction.

2. Public Service Company of Colorado (Public Service or Company), on April 30, 2019, filed information on the Fort St. Vrain Flexibility and Inspection Interval Extension Project (the FSV Project) which proposes the replacement of certain turbine parts for the combustion turbine Units 2, 3, and 4 at Fort St. Vrain which will result in as much as a 50 MW increase in

capacity. Public Service has estimated the incremental cost of the FSV Project to be roughly \$4 million for Unit 4 and \$7 million to \$9 million for each of the Units 2 and 3. Public Service has requested that the Commission find that the FSV Project is in the ordinary course of business and that a certificate of public convenience and necessity is not required.

3. Black Hills Colorado Electric, LLC (Black Hills), made a filing on April 17, 2019 stating that it “does not have new or expanded generation projects, greater than 10 MW for the next three years (2020-2022), for which the Company: 1) needs a Commission determination whether such projects are normal course of business; or, 2) will require a certificate of public convenience and necessity (“CPCN”) prior to construction.”¹

4. Grand Valley Rural Power Lines, Inc. (Grand Valley), a rural electric cooperative, made a filing on April 29, 2019 stating that it “has no plans for new generation or transmission facilities within the next three years.”²

5. The Commission provided notice of the filings through Decision No. C19-0436-I mailed May 23, 2019 stating “[o]n or before July 15, 2019, any interested party may file comments about the projects identified by the information now filed with the Commission.”³

6. The Office of Consumer Counsel (OCC) filed comments on May 15, 2019 recommending that the Commission reject the Company’s request to determine that the 50 MW FSV Project is in the ordinary course of business and instead require the filing of an application for a certificate of public convenience and necessity for the following three reasons: (1) the rebuild of the FSV Project will result in a 50 MW increase in the available capacity of the units

¹ Black Hills Filing at p. 1.

² Grand Valley Filing at p. 1.

³ Decision No. C19-0436-I at Ordering Paragraph 3.

which is in excess of the standard exclusion provided in Rule 3205(b)(I); (2) House Bill 19-1261 requires that utilities reduce their carbon emissions and an increase in the capacity may result in higher emissions; and (3) the utility has asserted that the FSV Project will result in significant savings without providing any evidence or argument in support.

7. Western resource Advocates (WRA) filed comments similar to those of OCC on July 15, 2019. WRA expressed concerns about the FSV Project's greenhouse gas emissions and the societal costs of those emissions, the project's total capital costs, and the project's relationship to the state's clean energy goals. WRA also has recommended that the Commission reject the Company's request to determine that the 50 MW FSV Project is in the ordinary course of business and instead require the filing of an application for a certificate of public convenience and necessity.

8. Public Service, on July 15, 2019, provided comments responsive to the concerns raised stating "the only reason that the FSV Project is before the Commission at this point is the fact that the installation of the newer equipment has a side benefit of delivering additional capacity" and "[t]he FSV Project was not conceived nor advanced with the purpose of providing additional capacity opportunities. If not for the [Colorado PUC E-Filings System] capacity benefits that result from the installation of new equipment and Rule 3205, the Company likely would have proceeded with the FSV Project in the normal course of business as it routinely does this type of maintenance and utilizes best engineering practices."⁴

9. Public Service, in its comments filed July 15, 2019, Table 1, detailed the Company's operational benefits expected as a result of the installation of the FSV Project

⁴ Public Service Comments at pp. 1-2.

upgraded parts. Those benefits include: (1) an improvement in the heat rate of the generating units of 7.2 percent to 7.5 percent; (2) an improvement in the turn-down capacity from 50 percent today to 36 percent for Unit 4 and 30 percent for Units 2 and 3; (3) an increase in the ramp rate for the units from 10 to 16 MW per minute today to 30 MW per minute; (4) an improvement in the simple-cycle time required from start of the units to syncing with the grid from 21 minutes today to 7 minutes; (5) a reduction in the time required to generate in combined-cycle mode of 20 minutes; (6) a reduction in the number and likelihood of false starts; and (7) an extension in the time between major maintenance cycles from three to four years to five to six years. The Company asserts that this additional flexibility will allow for the future integration of intermittent renewable generation.

10. Public Service also responded to the environmental question raised stating:

the installation of this new technology will maximize gas turbine operational flexibility to meet our needs as more renewables are added to the grid. The FSV Project is not being pursued instead of renewable resource additions. In fact, FSV is currently one of the primary “work horse” generators that allows for the current, and will allow for the future integration of, intermittent renewable generation.⁵

Public Service further stated “the Company anticipates the FSV Project will enable potentially significant NOx reductions at each of the three units, possibly up to 5ppm per unit. Some more modest CO₂ reductions are likewise expected.”⁶

11. Lastly, Public Service responded to the customer savings question stating:

On FSV Unit 4, the Company projects Production Cost Benefits will result in approximately \$22.5 million in savings and Improved Cycling Capability will result in approximately \$11 million in savings. In addition, the Company also anticipates approximately \$18.4 million dollars in customer benefits will be realized from the increased capacity value from these units. For FSV Unit 3, the Company projects Production Cost Benefits will result in approximately \$29.4 million in savings, Improved

⁵ *Id.* at p. 5.

⁶ *Id.*

Cycling Capability will result in approximately \$11.6 million in savings, and increased capacity value will result in approximately \$13 million in customer benefits. The Company has not done the same level of detailed analysis on FSV Unit 2 given that such an upgrade will not occur until 2022; however, the benefits are expected to be similar to FSV Unit 3.⁷

12. The savings estimated by Public Service amount to \$51.9 million for FSV Unit 4, \$54 million for FSV Unit 3, and a similar amount to FSV Unit 3 for FSV Unit 2. The Company's estimates suggest approximately \$160 million in savings for the FSV Project.

B. Discussion

13. The Commission finds that Public Service's arguments are sound. The replacement of the turbine components with current technology is good engineering practice. The additional capacity that will be gained is a byproduct of implementing good engineering practice.

14. Public Service asserts that the additional flexibility afforded by the completion of the FSV Project will allow for the future integration of intermittent renewable generation.

15. Public service asserts that the FSV Project is likely to result in significant NOx reductions at each of the three units, possibly up to 5ppm per unit. The Company further asserts that modest CO2 reductions are similarly expected.

16. Lastly, Public Service asserts that the incremental cost of roughly \$18 million to \$20 million to implement the FSV Project will be more than offset by roughly \$160 million in savings due to production cost benefits, improved cycling capabilities, and increased capacity values. The Company should be prepared to account for the estimated costs and savings in cost recovery proceedings related to the Fort St. Vrain facilities going forward.

⁷ *Id.* at p. 6. (Footnotes 1, 2, 3, and 4 omitted)

17. The Commission further clarifies that it is not approving the acquisition of new natural gas-fired generation, but instead is specifically approving the activities described by the Company as included in the FSV Project.

II. ORDER

A. The Commission Orders That:

1. The Commission finds that the FSV Project is in the ordinary course of business for the reasons stated herein and that a certificate of public convenience and necessity is not required.

2. This Decision is effective upon its Mailed Date.

B. **ADOPTED IN COMMISSIONERS' WEEKLY MEETING August 28, 2019.**

(S E A L)



ATTEST: A TRUE COPY

Doug Dean,
Director

THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

JEFFREY P. ACKERMANN

FRANCES A. KONCILJA

JOHN GAVAN

Commissioners