

Decision No. C04-1441

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

DOCKET NO. 04A-214E

IN THE MATTER OF THE APPLICATION OF PUBLIC SERVICE COMPANY OF
COLORADO FOR APPROVAL OF ITS 2003 LEAST-COST RESOURCE PLAN.

DOCKET NO. 04A-215E

IN THE MATTER OF THE APPLICATION OF PUBLIC SERVICE COMPANY OF
COLORADO FOR AN ORDER APPROVING A REGULATORY PLAN TO SUPPORT
THE COMPANY'S 2003 LEAST-COST RESOURCE PLAN.

DOCKET NO. 04A-216E

IN THE MATTER OF THE APPLICATION OF PUBLIC SERVICE COMPANY OF
COLORADO FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY
FOR THE COMANCHE UNIT 3 GENERATION FACILITY.

**ORDER LISTING QUESTIONS FOR PARTIES TO
ANSWER AT SETTLEMENT HEARINGS, AND
SHORTENING RESPONSE TIME TO MOTIONS**

Mailed Date: December 7, 2004
Adopted Date: December 7, 2004

I. BY THE COMMISSION

A. Statement

1. In Decision No. C04-1409 the Commission set additional hearing dates of December 8 and 9, 2004, for the purpose of reviewing a potential settlement agreement entered into by parties in this docket. On December 3, 2004, Public Service Company of Colorado (Public Service or Company) filed a Comprehensive Settlement Agreement (Settlement). Public Service also filed a Motion to Approve Comprehensive Settlement Agreement; and a Motion of

Public Service Company of Colorado for Extraordinary Protection for Highly Confidential Attachments B and C and Motion to Shorten Response Time.

2. In its motion for extraordinary protection, Public Service requests that the Commission shorten response time to December 7, 2004. In its motion to approve the Settlement, Public Service did not request a shortened response time. Because the Settlement, including Attachments B and C, are the subject of hearing on December 8 and 9, 2004, we shorten the response time for both motions to 9:00 a.m. on December 8, 2004. Responses may be submitted in writing or provided orally during the hearing.

3. The Commission further finds that the settlement hearings will be more productive and efficient if we issue written questions for parties to answer at hearing. The Commission's initial questions are as follows:

a) Present an overview of the stipulation, including a detailed discussion of the costs and benefits of each component of the Settlement.

b) Please summarize the permits and approvals discussed on page 3, line 21 of the Settlement.

c) When does Public Service project that it will receive approval for these permits and applications, if the Settlement is approved?

d) Paragraph 11 of the Settlement asks that the Commission not make a ruling at this time on the rate treatment for the sustainable development and innovative technology expenditures. Will the Company likely seek recovery of those expenditures as part of the 2006 rate case?

e) If the Commission approves the Settlement, and then the revised costs for Comanche 3 (used to determine the construction cost cap in paragraph 12 of the Settlement) turn out to be substantially higher than anticipated – to the point where Comanche 3 is no longer a least-cost resource, what actions can parties or the Commission take at that time?

f) Will expected AFUDC be included in the development of the construction cost cap? (Settlement paragraph 13)

g) Will the Company not seek any associated AFUDC on expenditures which exceed the construction cost cap? (Settlement paragraph 13)

h) Will the Company compound AFUDC amount (that is, earn AFUDC on AFUDC previously included with construction expenditures)? (Settlement paragraph 13)

i) Does the construction cost cap apply to the emission controls for Comanche 1 and Comanche 2? (Settlement paragraph 14)

j) What is the basis for the 16 percent reserve margin? (Settlement paragraph 16)

k) What is the basis for \$9/ton CO₂? (Settlement paragraph 18)

l) What is the basis for the 2-1/2 percent annual escalation of the CO₂ cost? (Settlement paragraph 18)

m) In bid evaluation, what CO₂ costs will be used from 2005 through 2010?

n) What is the basis for the proposed \$8.75/MWh REC value? (Paragraph 19 of Settlement)

o) With respect to the accelerated wind study in paragraph 20 of the settlement: (I) Will Public Service use the ancillary service cost developed in its proposed study for all wind resources evaluated in the all-source solicitation? (II) Will Public Service seek commission approval of these ancillary service costs? (III) Does the Settlement require Public Service to raise the wind penetration level to 15 percent for wind resources in the least-cost portfolio (including ancillary service costs), or will Public Service determine the feasibility of a 15 percent penetration level as a part of the study?

p) What total wind capacity (MW) would Public Service acquire under 15 percent penetration? (Settlement paragraph 20)

q) Have Public Service, Staff and the OCC agreed on a schedule: 1) to develop a study scope and study methodology; 2) to identify appropriate study model(s); 3) to collect information from all electric systems within the TOT-constrained area of Eastern Colorado; 4) to obtain commercially-available Loss of Load Probability (LOLP) models; and 5) to perform probabilistic assessment of the appropriate reserve margin? (I) If so, what is the schedule? (II) If not, what is the latest date that each of these steps can be performed and still be useful for the next resource plan process? (Settlement paragraph 24)

r) Is the total capacity to be acquired in the All-Source resource solicitation reduced by 320 MW to account for the 320 MW DSM demand reduction capacity listed in paragraph 30 of the Settlement?

s) By including the out-of-period adjustment in the 2006 rate case filing to capture the annualized effect of the incremental increases in internal labor discussed on lines 12 and 13

and allowing the incremental labor as part of the \$196 million cap for DSM programs discussed on line 17, isn't the Company double-collecting those costs? (Settlement paragraph 34)

t) Settlement paragraphs 45(a)(b) and (c) establish that both S&P and Moody's have to have the same rating for these provisions to take effect. What happens when there is a split rating among the two entities?

u) Settlement paragraph 45(a) would allow for Comanche CWIP to be included in ratebase without an AFUDC offset. When would the Company start depreciating these new ratebase additions?

v) Settlement paragraph 46 establishes that the Company reserves the right to seek additional regulatory relief for the construction of Comanche 3, but that it will not seek a rider to recover the financing costs associated with Comanche 3. (I) What types of regulatory relief does the Company have in mind? (II) Would this include a rider for actual plant expenditures incurred after the 2006 rate case? (III) Would this include a rider for projected plant expenditures expected to be incurred after the 2006 rate case?

w) Provide the basis for the proposed 15-year DSM life in the modeling analysis, Attachment D, page 6 of 13.

x) For the items listed below, by page and paragraph number, please indicate how their associated costs will be recovered: a) as expenditures the Company intends to include as part of the amortization for the 2003 LCP proceeding; b) as expenditures that will be most likely included as part of the test year for the 2006 rate case; c) as expenditures that will be most likely

included for recovery as part of the DSMCA; or d) as on-going expenditures of the Company not specifically recovered.

P11, ¶15 – The semi-annual progress reports beginning June 1, 2005 and ending with the first report after Comanche reaches commercial operation.

P14, ¶20 – The accelerated wind ancillary cost study in Docket No. 04A-325E in order to be used for the All-Source bid evaluation

P15, ¶24 – The Probabilistic Assessment of Reserve Margin study

P16, ¶24 – The commercially-available LOLP models

P16, ¶25 – The Effective Load Carrying Capability study for wind generation resources

P17, ¶26 – The additional ancillary service cost study for a 20 percent penetration rate

P18, ¶27 – The specific 230 kV alternative transmission study for the Comanche 3 transmission system

P18, ¶27 – The study to reduce transmission noise to 50 db(A) for the 345 kV double circuit Comanche –Midway – Daniels Park facility

P21, ¶35 – The application to open a docket to address the provision of DSM by Public Service

P22, ¶37 – The DSM working group

P24, ¶40 – The petition to open a rulemaking docket to reexamine the LCP rules

y) How does the use of maximum allowable reserve margin set at 25 percent with the exception of a maximum allowable reserve margin set at 35 percent for the years 2010 – 2013 for the settlement least cost plan compare with the maximum allowable reserve margin(s) used for the rebuttal least cost plan? (Attachment D, page 2, bottom paragraph)

z) Provide a step-by-step description of Confidential Exhibits B1 and B2.

II. ORDER

A. The Commission Orders That:

1. Response time to the Motion to Approve Comprehensive Settlement Agreement filed by Public Service Company of Colorado on December 3, 2004, shall be shortened to 9:00 a.m. on December 8, 2004. Responses may be written or oral.

2. Response time to the Motion of Public Service Company of Colorado for Extraordinary Protection for Highly Confidential Attachments B and C filed by Public Service Company of Colorado on December 3, 2004, shall be shortened to 9:00 a.m. on December 8, 2004.

3. Parties shall be prepared to answer the above questions at the settlement hearings scheduled for December 8 and 9, 2004.

4. This Order is effective on its Mailed Date.

**B. ADOPTED IN COMMISSIONERS' WEEKLY MEETING
December 7, 2004.**

THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

Commissioners