

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

PROCEEDING NO. 24A-0140E

IN THE MATTER OF THE VERIFIED APPLICATION OF PUBLIC SERVICE COMPANY OF COLORADO FOR APPROVAL OF CERTIFICATES OF PUBLIC CONVENIENCE AND NECESSITY FOR THE ROCKY MOUNTAIN 325 MW SOLAR PLUS 200 MW STORAGE GENERATION FACILITY AND THE 335 MW ARROYO 2 SOLAR GENERATION FACILITY.

**COMMISSION DECISION ISSUING GUIDANCE FOR
ANTICIPATED SEPTEMBER 2024 FILING**

Issued Date: August 20, 2024
Adopted Date: July 10, 2024

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I. BY THE COMMISSION

A. Statement

1. By prior Decision No. C24-0525, issued in this Proceeding on July 23, 2024, the Commission approved the Unopposed Comprehensive Settlement Agreement (“Settlement Agreement”) submitted among Public Service Company of Colorado (“Public Service” or the “Company”), Trial Staff of the Colorado Public Utilities Commission, and the Office of the Utility

Consumer Advocate (collectively, the “Settling Parties”). The Commission approved the Settlement Agreement and granted Public Service’s application for certificates of public convenience and necessity (“CPCN”) for the Rocky Mountain and Arroyo 2 generation resources, as modified by the Settlement Agreement. By this follow-on Decision, the Commission issues certain guidance to Public Service as it prepares its anticipated September 2024 filing, contemplated in the approved Settlement Agreement.

B. Background

2. As set forth more fully in Decision No. C24-0525, the Settlement Agreement covers numerous topics relating to the Rocky Mountain and Arroyo 2 generation resources as well as the associated cost-to-construct (“CtC”) and operational performance incentive mechanisms (“PIM”). For instance, under the Settlement Agreement Public Service agrees to flow investment tax credits (“ITC”) associated with the Rocky Mountain project to customers over a five-year period beginning shortly after Rocky Mountain is placed into service.¹ In addition, the Settling Parties agree that no separate timing incentive or disincentive is necessary for the Rocky Mountain and Arroyo 2 projects in part because the financing costs associated with any project delays already provide a meaningful incentive for timely project completion.²

3. The Settlement Agreement also establishes a process to adjudicate the CtC and operational PIMs for the remaining generation projects arising from Proceeding No. 21A-0141E, Public Service’s 2021 Electric Resource Plan and Clean Energy Plan. Under the Settlement Agreement, Public Service will file, no later than September 30, 2024, a CtC and operational PIM for all the Company-owned projects that were approved in Proceeding No. 21A-0141E, including

¹ Settlement Agreement, ¶ 6.

² Settlement Agreement, ¶ 13.

the Rocky Mountain and Arroyo 2 projects. This filing may occur via a separate application or as part of the Company's CPCN application for projects approved through Proceeding No. 21A-0141E, and the Settling Parties may continue discussion as to the scope of such a proceeding prior to the Company's filing.³

4. Regarding the substance of this September filing, the Settling Parties agree Public Service will put forth a proposal to clarify the treatment of curtailments, consistent with directives from Proceeding No. 21A-0141E.⁴ In addition, the Settling Parties agree the issue of the proper amortization period, if any, for the CtC PIM will be set in this filing.⁵

C. Guidance for September Filing

5. The Commission provides the following guidance for Public Service and interested stakeholders to consider in anticipation of the September 2024 filing and supporting materials:

6. First, we encourage the stakeholders, including the Company, to address whether the ITC can be incorporated into the actual plant costs over the life of the project instead of the Settlement Agreement's approach, in which the ITC payments are essentially treated as a rebate that is returned to customers over the first five years of a project's operations. It appears that incorporating the ITC into the actual plant costs would avoid a situation in which the Company earns a return on an inflated plant balance relative to what the plant balance would be after subtracting the ITC. This could also help prevent the price of electricity from artificially increasing once the ITC benefits have been completely returned to customers five years after the project begins operations.

³ Settlement Agreement, ¶ 2.

⁴ Settlement Agreement, ¶ 10.

⁵ Settlement Agreement, ¶ 11.

7. In addition, we request the stakeholders and Company consider what reporting could be implemented in future proceedings to ensure we understand how ITCs are monetized. The tax credits that the various generation projects from Proceeding No. 21A-0141E generate could conceivably be used by the Company or transferred to a third party, subject to various transactions costs. Ideally, appropriate reporting could help the Commission and stakeholder track such monetization activities and monitor whether the particular monetization approach was the most cost effective option for ratepayers. We are particularly concerned with a situation in which a generation project is rolled into base rates relatively soon after it commences operating but prior to all of the ITCs credits being monetized.

8. We agree with the Settlement Agreement's provisions that no separate timing incentive or disincentive is necessary for the Rocky Mountain and Arroyo 2 projects. However, we remain interested in a mechanism that incentivizes the timely construction of the various generation resources and request the stakeholders consider addressing this concept in the September filing.

9. Finally, we look forward to the Company's proposal to clarify the treatment of curtailments in the September filing. We suggest, however, the parties consider whether it would be appropriate for the operational PIM to remain more focused on the production values of the various generation projects as opposed to expanding the PIM to cover the levelized cost of energy in a broader sense.

10. While we request Public Service and interested stakeholders consider this guidance in the context of the September filing, at this time we are not requiring any particular position or

concept. The Commission emphasizes, this Decision in no way modifies Decision No. C24-0525 in which we approved the Settlement Agreement without modification.

II. ORDER

A. The Commission Orders That:

1. The Commission issues the guidance set forth in this Decision to apply to the September 2024 filing contemplated in the Unopposed Comprehensive Settlement Agreement previously approved in this Proceeding.

2. This Decision is effective upon its Issued Date.

B. **ADOPTED IN COMMISSIONERS' WEEKLY MEETING July 10, 2024.**

(S E A L)



ATTEST: A TRUE COPY

Rebecca E. White

Rebecca E. White,
Director

THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

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Commissioners