

Section 1 - Executive Summary

Renewable Energy Standard

In November 2004, Colorado voters passed Amendment 37 that established a Renewable Energy Standard (“RES”) for certain Colorado electric utilities termed Qualifying Retail Utilities (“QRUs”).¹ The Colorado General Assembly in the 2007 session increased the RES by the passage of HB07-1281, in effect doubling the amount of renewable energy a QRU must acquire.

House Bill 07-1281 requires Public Service to generate, or cause to be generated, electricity from eligible energy resources in the following minimum amounts:

- 3% of its retail electricity sales in Colorado for the year 2007;
- 5% of its retail electricity sales in Colorado for the years 2008 through 2010;
- 10% of its retail electricity sales in Colorado for the years 2011 through 2014;
- 15% of its retail electricity sales in Colorado for the years 2015 through 2019; and
- 20% of its retail electricity sales in Colorado for years 2020 and thereafter.

In addition, HB07-1281 continued to require that at least four percent of Eligible Energy be derived from Solar Electric Generation Technologies. At least one-half of this four percent must be derived from On-site Solar Systems located at customers’ facilities.

Amendment 37 and HB07-1281 also created a 25 percent multiplier for Eligible Energy generated in Colorado, which is implemented under Rule 3654(f).

¹ Capitalized terms in this Compliance Plan, if not otherwise defined herein, shall have the same meanings as in the Commission Rules Implementing Renewable Energy Standard, 4CCR 723-3-3650 et seq.

Specifically, the Rule states that each kilowatt-hour of Eligible Energy generated in Colorado will be counted as 1.25 kilowatt-hours of Eligible Energy. HB07-1281 added another multiplier, counting kilowatt-hours from Colorado Community-Based Projects² as 1.5 kilowatt-hours of Eligible Energy.

Rule 3659(a) states that Renewable Energy Credits (“RECs”) will be used to comply with the RES. The Rules define each REC to mean a contractual right to the full set of non-energy attributes, including any and all credits, benefits, emissions reductions, offsets, and allowances, howsoever entitled, directly attributed to a specific amount of electric energy generated from an Eligible Energy Resource. One REC results from one megawatt-hour (MWh) of electric energy generated from an Eligible Energy Resource.

Acquisition Plan

Public Service's 2009 Compliance Plan relies on the Company's existing owned Eligible Energy Resources currently producing Eligible Energy as well as contracted Eligible Energy Resources expected to produce Eligible Energy during 2009.

Non-Solar Eligible Energy Resources

Public Service forecasts that it will have sufficient wind, biomass and hydro-generated energy to meet the minimum levels of compliance with the Non-Solar RES requirement beyond 2020. However, Public Service aims to exceed the minimum levels required by HB07-1281 and is expressly allowed to exceed these minimum levels so long as the retail rate impact does not exceed two percent on the annual bills of our customers.

² Community-Based Project is defined by HB07-1281 to mean a project located in Colorado and: (a) that is owned by individual residents of a community, a local nonprofit organization, a cooperative, a local government entity, or a tribal council; (b) whose generating capacity does not exceed thirty megawatts; and (c) for which there is a resolution of support adopted by the local governing body for each local jurisdiction in which the project is to be located.

To that end, Public Service proposed in our 2007 Colorado Resource Plan to acquire, through 2015, approximately 850 MW of intermittent renewable resources (which we assume will be primarily wind). The Commission approved this Plan in Docket No. 07A-447E. Our 2009 RES Compliance Plan demonstrates that the Company should have the ability to acquire all the new Eligible Energy Resources projected under the Company's Resource Plan through the Resource Acquisition Period of 2007 through 2015 within the statutory retail rate impact limit of 2 percent.

Public Service plans to acquire the additional non-solar resources through two RFPs. Public Service issued an RFP in January 2008 for 300 MW of wind, with in-service dates in the 2010 – 2012 time period. We received 2,785 MW of bids and we are currently negotiating with the winning bidders. Public Service will acquire the remainder of the 850 MW of intermittent resources through an All Source RFP to be issued in January 2009.

On-Site Solar Resources

In March 2006, the Company initiated a Standard Offer program for new small (10 kW and less) On-site Solar Systems, in order to begin meeting its On-Site Solar obligations. Through the end of September 2008, Public Service had received 1,475 applications under this Standard Offer. Public Service plans to continue the Standard Offer program in 2009 using the current contracts. In November 2008, in response to increases in the federal investment tax credit for residential solar investments, Public Service was able to lower the Standard Offer for SO-RECs from these small On-Site Solar Systems (from \$2.50 to \$1.50 per SO-REC) and still keep the customer overall cost for residential solar systems approximately the same. This unit cost reduction will allow Public Service to buy more Eligible Energy overall.

The Medium program continues to be open to all applicants. Systems greater than 10 kW in size are almost always installed for commercial use; therefore it was assumed that these customers have always had access to the full 30% Investment Tax Credit. Consequently, there was no change to the REC price offer in this program. However, the Company continues to revisit this program offering, looking for ways to make it both attractive and available to customers.

Since the RES went into effect, Public Service has undertaken three competitive solicitations for larger On-Site Solar Systems, systems greater than 100 kW up to 2 MW. For the 2006 RFPs, Public Service received responses from 66 bidders from the June RFP and 85 bidders from the December RFP, offering a combined 69 MW of solar capacity and over 91,000 MWh per year of solar energy. Public Service anticipates these systems will produce approximately 14,382 MWh per year. Public Service issued a new competitive solicitation for Large On-Site Solar projects in January 2008 for 5 MW of solar capacity and over 7,000 MWh per year of solar energy. Public Service received responses from 51 bidders with 8 projects being selected. Public Service plans to issue another RFP for 5 MW from large on-site solar systems in 2009.

Central Solar Resources

Rule 3654(f) permits the Company to "borrow forward" RECs from future years to meet the RES in the first four Compliance Years. Public Service's 2009 Compliance Plan relies on "borrowing forward" to meet the Central Solar requirement for 2009. Public Service issued an RFP in January 2008 for 25 MW of a new central solar resources. Currently, the Company is conducting contract negotiations with multiple developers on its shortlist as final due diligence reviews and final proposed contract-pricing estimates are obtained. The Company intends to bring one executed contract to the Commission for approval before the end of 2008. The Company will seek the Commission's review and approval pursuant to 4 CCR 723-3-3655(c) as directed in the Commission's final

order approving the Company's 2008 Renewable Energy Standard Compliance Plan (Decision No. C08-0559). The Company anticipates that this project, if approved, will come on line in 2011. By borrowing forward S-RECs from 2011, Public Service will be able to satisfy the 2009 Solar RES requirements for less cost than the alternative of using SO-RECs.

Company-Owned Photovoltaic

The Company proposes to own and operate PV Solar systems on customer property as part of the renewable compliance plan. The Company will invest approximately \$15 million in 2009 to install PV Solar systems within our service territory with a specific interest in serving government entities such as city, state, and federal facilities. Public Service will file an application under Rule 3660(e) for approval of this program. The costs of this program have been included in the RES/No RES Analysis discussed in this Plan. The Company's solar investment can be accommodated within the retail rate impact limit without reducing the level of solar acquisitions already planned.

Retail Rate Impact

In conjunction with the filing of this Compliance Plan, Public Service is filing by advice letter, a proposed increase in the Company's Renewable Energy Standard Adjustment ("RESA") to two percent (2%), the maximum level permitted by law. The justification for this increase is explained in this Compliance Plan.