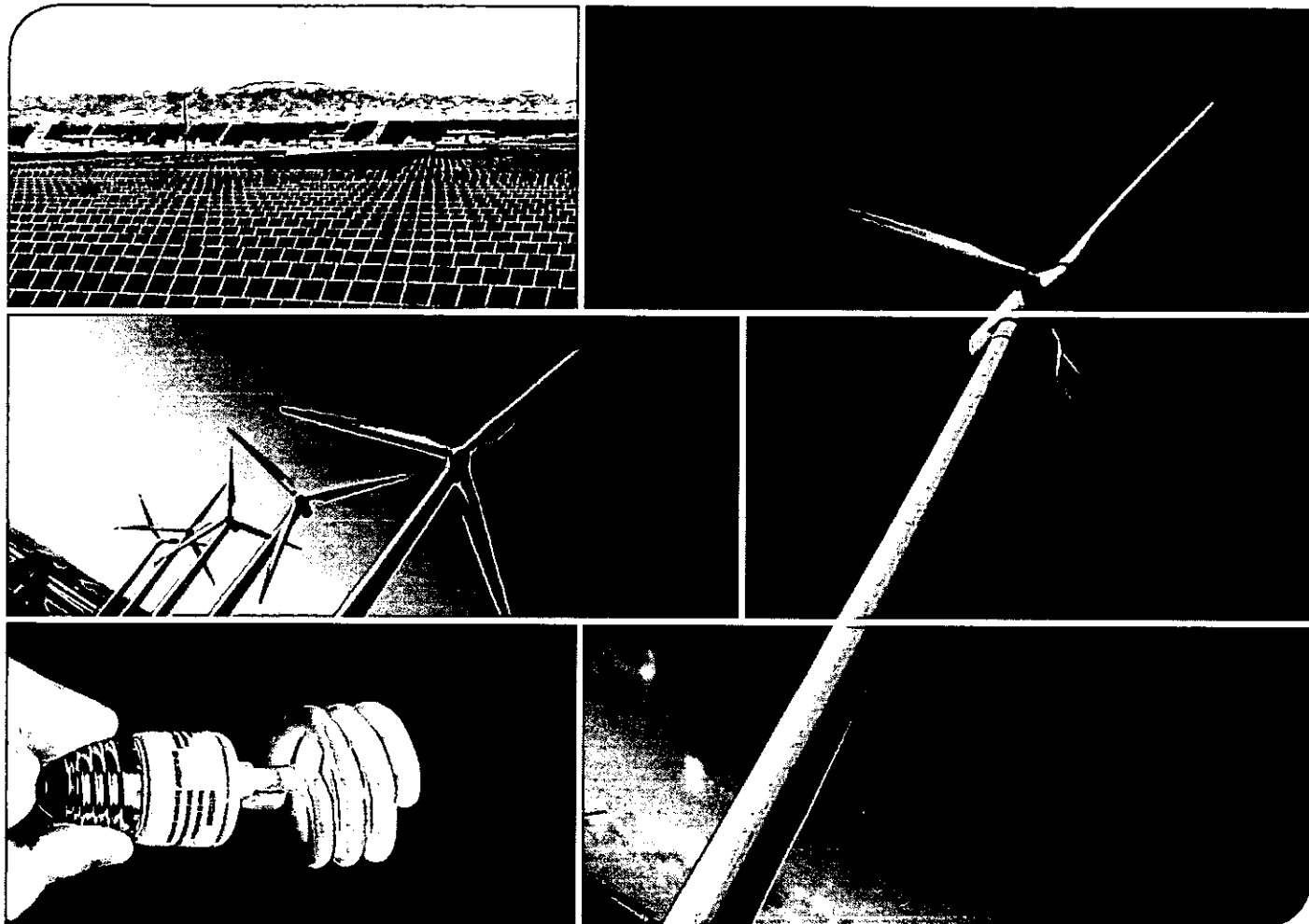




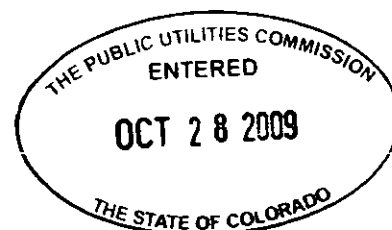
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2010 Renewable Energy Standard Compliance Plan  
Public Service Company of Colorado  
Volume 1  
October 27, 2009



## **Section 1 - Executive Summary**

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### ***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").<sup>1</sup> 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.

In 2009, the Colorado General Assembly passed Senate Bill 09-051 which enabled third parties to sell electricity from solar facilities located on customer's property to that end use customer. In addition, Senate Bill 09-051 expanded the

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<sup>1</sup> 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.

size of customer-sited solar systems that can be acquired under a standard offer by the QRU and eliminated the 2 MW net meter limitation. Customer-sited systems are now limited to 120% of the customer's average annual consumption at the site.

Amendment 37 and HB07-1281 also created a 25 percent multiplier for Eligible Energy generated in Colorado, which is implemented under Rule 3654(f). 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 Projects<sup>2</sup> 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 2010 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 2010.

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<sup>2</sup> 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.

### *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.

To that end, Public Service proposes to acquire resources consistent with the Commission preferred portfolio, similar to Portfolio #5 from that 120-Day Report of the Company's Colorado Resource Plan, which targets approximately 700 MW of new wind resources and 350 MW of new solar resources. Approximately 280 MW of these resources are considered to be new clean energy resources or Section 123 resources. The Commission approved this Plan in Docket No. 07A-447E. Our 2010 RES Compliance Plan demonstrates that the Company should have the ability to acquire all the new Eligible Energy Resources under the Commission's preferred portfolio through the Resource Acquisition Period of 2007 through 2015 within the statutory retail rate impact limit of 2 percent.

In 2009, the Company executed two purchased power agreements with Northern Colorado Wind Energy, LLC – one for a new 151.8 MW wind facility and the other a 22.5 MW expansion of that facility, to be located in Logan County, Colorado. Both contracts were approved by the Commission in Decision C09-0257 and Decision C09-0745, respectively.

### *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 2009, Public Service has received 2668 applications under this Standard Offer. Public Service plans to continue the Standard Offer program in 2010. Senate Bill 09-051 allows third

party solar providers to participate in this system category of 10 kW and less. The Company has developed a new program to enable this offering under the Solar\*Rewards fleet of programs. As required by statute, this new third party Small Solar\*Rewards program pays the third party provider for SO-RECs based on production. Senate Bill 09-051 expanded the system size of customer sited PV solar systems that could qualify for a Standard Offer program. Therefore, the Company developed a second tier Medium program for systems sized from 100 kW to 500 kW as a Standard Offer. The original Medium program (tier 1) is a Standard Offer program for systems sized greater than 10 kW to 100 kW. Both the Medium tier 1 and tier 2 programs are open to all applicants.

In the 2010 Plan, Public Service will offer these four standard offer programs: Small program – customer- owned; Small program – third-party-owned; Medium program (tier 1); and Medium program (tier 2) throughout the calendar year 2010, so long as the Commission grants the Company a compensatory interest rate on the funds advanced by the Company in excess of the monies collected through the Renewable Energy Standard Adjustment. The Company is asking for waiver of Rule 3660 (b)(I) so that the interest rate will be set at the Company's after tax weighted average cost of capital. The four programs are designed to transparently and automatically reduce the offered price for SO-REC payments as specified targeted levels of solar MW are added to the system.

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 accepted 12.89 MW as a result of the 2006 RFPs. Public Service issued another competitive solicitation for Large On-Site Solar projects in September 2009 for 5 MW of solar capacity and over 7,000 MWh per year of solar energy. The system sizes sought under this RFP ranged from 500 kW up to 120% of the

average annual consumption at the customer's site, which can exceed the previous 2 MW cap. Public Service plans to issue another RFP for 5.75 MW from large On-Site solar systems in 2009. 750 kW of this solicitation has been made possible by Windsorce premiums that allow the Company to acquire more renewable resources than we would have otherwise acquired.

### *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 issued an RFP in January 2008 for 25 MW of new central solar resources. The Commission recently approved, in Decision No. C09-0477, a contract with the Greater Sandhill facility, a 19.2 MW DC PV solar facility to be located in San Luis Valley, that is planned to come on line in 2011. In the meantime, Public Service will "borrow forward" the S-RECs needed to comply with the 2010 RES. Once the Greater Sandhill facility is operational, we can then repay the borrowed S-RECs from this lower cost central solar facility instead of retiring more expensive SO-RECs.

### ***Waiver Requests***

#### ***RESA Interest***

Public Service has requested a waiver of the Commission rule 3660 (b)(1) requesting that the Company be allowed to recover the Company's financing costs of supporting the acquisition of Eligible Energy Resources, specifically customer sited solar. Currently, the Company is carrying a negative balance in the RESA deferred account due to the level of customer participation in our Solar\*Rewards programs. In order for Public Service to continue keeping the Solar\*Rewards program open, the Company must recover its financing costs. The waiver of rule 3660 (b)(1) and request for the RESA interest to be set at the Company's weighted average cost of capital enables the Solar\*Rewards program to continue and grow. Coupled with the transparent, programmatic reduction in SO-REC pricing of the Standard Offer programs, the Company believes the

application rate will settle into a sustainable level under each Solar\*Rewards program.

### ***Governmental Contracts***

Some of the Public Service's governmental customers are unable to sign the Company's standard rebate and SO-REC contracts because these contracts require that a portion of the rebate and the SO-RECs be refunded if the agreement is terminated prior to end of its 20 year term. To accommodate these customers, Public Service has developed standard contract language that allows these customers to receive rebate and REC payments based upon solar production over the term of the contract, to avoid the need for this refund provision. The Company is requesting a waiver of Rule 3658 (c) to permit these contract revisions.





## **Section 2 – Introduction**

Public Service Company of Colorado's 2010 Renewable Energy Standard Compliance Plan is comprised of three volumes. Volume 1 contains a narrative that describes the details of the Company's proposal for complying with the Commission's rules implementing the Renewable Energy Standard, 4 CCR 723-3-3650 *et seq.* Volume 2 contains the tables that are referenced in Volume 1. Volume 3 contains the On-Site Solar Request for Proposals and On-Site Solar contracts.

The first part of Volume 1 is divided into eleven sections, which provide all the information required by Commission Rule 3657:

- Section 1, Executive Summary
- Section 2, Introduction
- Section 3, Retail Energy Forecast, describes Public Service's retail energy forecast used to estimate the Company's retail electricity sales from 2009 through 2025. Rule 3657(a)(I)(B).
- Section 4, Estimates of Existing and Forecasted RECs, describes the Company's estimates of the Renewable Energy Credits ("RECs") that the Company must acquire to meet the Renewable Energy Standard, and it describes the Company's projected transfer of RECs to its wholesale customers as well as RECs projected to be retired on behalf of the Windsource customers. This section focuses on the 2010 Compliance Year, but also provides longer-range projections of needed RECs through 2020. Rule 3657(a)(I)(C).
- Section 5, Acquisition Plans, describes Public Service's plans to acquire Eligible Energy from various categories of solar and non-solar resources, divided into subparts for each resource type. Rule 3657(a)(I)(E), (F), (G), (H), (J); Rule 3657(a)(II); Rule 3657(a)(III); and Rule 3657(a)(IV).

- Section 6, Windsource, discusses how the Windsource program fits into the Public Service portfolio and the benefits of Windsource. Also discussed is how the benefits of the Windsource premiums are used to acquire renewable energy in excess of what would be acquired through the RESA alone.
- Section 7, Retail Rate Impact/Budget, discusses the retail rate impact of acquiring the Eligible Energy necessary to meet the Renewable Energy Standard ("RES"), and the Company's projection of the costs of acquiring Eligible Energy through 2020.
- Section 8, Cost Recovery, describes the cost recovery mechanism proposed by the Company associated with the cost of implementing the Renewable Energy Standard. Rule 3657(a)(V).
- Section 9, Net Metering, describes the modifications the Company made to its tariff to comply with the passage of Senate Bill 09-051.
- Section 10, Interconnection Requirements, describes the Company's continued plans to eliminate the AC disconnect switch for On-Site solar PV systems less than 10 kW, so long as the solar system has an Underwriters Laboratory ("UL") 1741 standard certified inverter.
- Section 11, Conclusion, seeks approval of the 2010 Compliance Plan, contracts, and a waiver of Rule 3660 (b)(II).



## **Section 3 – Retail Energy Forecast**

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For the 2010 Compliance Plan, Public Service is using the forecast developed in March 2009, which is consistent with the forecast used under the Resource Plan bid evaluation.

### **Forecast Overview**

Public Service has experienced historical growth in retail electric sales since 1998 averaging 2.3% per year, driven mostly by growth in the number of customers and large increases in residential air conditioning saturation. Public Service's retail electric sales are forecasted to increase at an average annual rate of 1.2% through 2025. This lower projected growth rate is the result of slower growth in the number of customers and in residential air conditioning saturation and increased DSM impacts. The forecasted DSM impacts in the forecast include the CPUC final decision goals (Decision No. 08-0560 in Docket No. 07A-420E) at the 100% level.

### **Energy Sales Forecast**

Public Service's residential sales have increased an average of 2.8% per year over the past ten years. Customer growth has averaged 1.6% per year since 1998 and is expected to increase by 1.6% per year through 2025. Use per customer has increased at an average annual rate of 1.0% since 1998, but is expected to decrease by 0.4% per year on average through 2025, primarily due to customer growth and slow growth in residential air conditioning saturation offset by the implementation of new federal energy efficiency initiatives, and the impacts of new DSM programs. As a result, residential sales are forecasted to increase at 1.2% per year on average through 2025.

Commercial and industrial sales are projected to increase at an average annual rate of 1.2% through 2025, following average growth of 2.0% per year since 1998. Sales growth in this sector is expected to be slower than recent historical rates due to a general downturn in the economy reflected in Colorado Gross

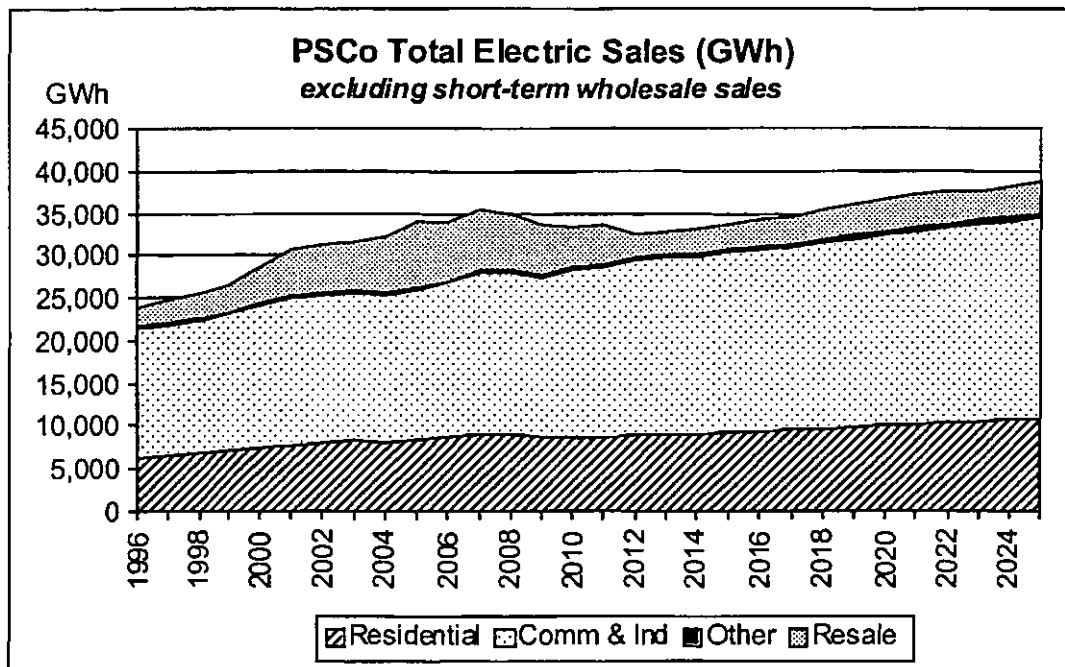
State Product, a slow down in natural gas exploration in the state, and by the increased impact of new DSM programs.

Total long-term firm resale sales increased by 7.5% per year, on average, over the past ten years, primarily due to the addition of new customers. Through 2025, long-term firm resale sales are expected to decrease by 2.8% per year on average. This negative rate reflects the expiration of some current contracts, as well as a reduction in sales to Rural Electric Cooperative customers following the construction of Comanche 3.

Public Service's combined retail and long-term firm wholesale electric sales are projected to grow at 0.7% per year on average through 2025. Growth during the past ten years averaged 3.1% annually. The strong historical growth rate reflects large increases in residential air conditioning saturation along with the acquisition of new wholesale customers during the past ten years. The lower projected growth rate is due to slowing growth in residential air conditioning saturation, the implementation of new federal efficiency standards, increased DSM impacts, and the expiration or reduction of firm wholesale contractual loads.

The Company's energy forecasts are depicted graphically in Figure 3-1 and in tabular form in Figure 3-2.

**Figure 3-1 Actual and Forecasted Electric Sales (GWh)**



**Figure 3-2 Actual and Forecasted Electric Sales (GWH)**

Year	Retail Sales	Long-Term Firm Wholesale Sales	Total Sales
1996	21,671	2,198	23,869
1997	21,988	2,767	24,755
1998	22,582	3,076	25,658
1999	23,353	3,226	26,579
2000	24,604	4,110	28,714
2001	25,248	5,562	30,810
2002	25,691	5,741	31,432
2003	25,864	5,854	31,718
2004	25,704	6,509	32,213
2005	26,337	7,584	33,921
2006	26,964	7,118	34,082
2007	28,369	7,171	35,540
2008	28,393	6,358	34,751
2009	27,796	5,975	33,772
2010	28,576	4,712	33,288
2011	28,903	4,849	33,752
2012	29,718	2,842	32,560
2013	30,041	2,759	32,800
2014	30,235	2,893	33,129
2015	30,589	3,043	33,632
2016	30,960	3,194	34,155
2017	31,372	3,362	34,734
2018	31,940	3,530	35,470
2019	32,413	3,704	36,117
2020	32,887	3,878	36,765
2021	33,320	4,070	37,390
2022	33,740	3,817	37,557
2023	34,150	3,554	37,704
2024	34,566	3,719	38,284
2025	34,968	3,897	38,865

Note: Values above the heavy line are actual historical values; values below the line are forecasts. 2009 includes 7 months actual and 5 months forecast.



### **Forecast Methodology**

Public Service uses monthly historical customer and sales data by rate class together with weather, economic, demographic, price, and appliance saturation and efficiency historical data and forecasts to develop its forecast of energy sales. The residential sales and commercial and industrial sales forecasts are developed using a Statistically-Adjusted End-Use (SAE) modeling approach. The SAE method entails specifying energy use as a function of the primary end-use variables (heating, cooling, and base use). The factors that affect these end-use energy requirements include price, economic and demographic variables, weather, and appliance saturation and efficiency indices.

Forecasts for sales to resale customers are developed using information from the customers and trend analysis or contractual requirements and are adjusted as appropriate to reflect the contractual schedules of energy allocations from Western Area Power Administration (WAPA).

The historical customer, sales, and price data are obtained from the Company's billing system. Forecasted price data is obtained from the Company's STRATEGIST resource planning model and the PROSYM production cost model. Forecasted economic and demographic data are obtained from the Center for Business and Economic Forecasting, Inc., and Global Insight, Inc. Historical and forecasted appliance saturation and efficiency data is obtained through studies conducted by the company and from Itron, Inc.



## **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.<sup>1</sup> 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 2009 through 2020 to meet the Renewable Energy Standard, based upon the Company's 2009 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 2009 and 2010, and the RECs that Public Service anticipates retiring

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<sup>1</sup> 4 CCR 723-3-3652 (n)

to comply with the 2009 and 2010 RES and for the 2009 and 2010 Windsource programs. 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 2009 for compliance based on the Company's 2009 forecast; and Table 4-2, pages 3 and 4, projects the RECs needed in 2010 for compliance based on this 2009 forecast. The RECs retired for Windsource and the RECs sold are presented in Table 4-3.

### ***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 received approval from the Commission in Docket No. 08A-260E to revise its Windsource program to provide for program expansion that allows for additions of 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. Based on the approved settlement agreement in Docket No. 08A-260E, Windsource sales will now be sourced 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. Customers that purchase 100% of their energy from Windsource are already receiving the benefit that a certain percentage of that energy is on the system to meet the RES standard. Therefore, 5% of the Windsource sales to customers that purchase 100% Windsource energy will be retired for 2009 and 2010 RES compliance. This is in accordance with the Green-e Standards.

### ***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 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 2010 REC Requirements***

#### **Non-Solar RECs**

Public Service projects, through using the carry forward provision under the Rule 3654(i), to meet its 2010 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 2009 (page 2) and 2010 (page 4).

#### **S-RECs**

Table 4-2, rows 10-15, provides the Solar RECs forecasted to meet the 2009 and 2010 Solar RES requirement. Public Service expects to have sufficient S-RECs

in 2010 to meet the forecasted S-RECs borrowed forward to fulfill the 2009 Solar RES requirement. However, to meet the 2010 Solar RES requirement, Public Service projects it will need to borrow RECs forward from 2011. Generation in 2011 from new solar resources is expected to cover the 2011 Solar RES requirement and the RECs borrowed forward from the 2010 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 2010 RES requirement using the RECs carried forward from 2009 and created from On-Site generation in 2010.

Tables 4-2 and 4-3, in Volume 2, project Public Service's acquisition and retirement of RECs for compliance with the 2009 and 2010 RES requirements. All of the RECs carried forward and acquired for purposes of meeting the RES, with the exception of the RECs transferred, sold or retired for Windsource, are eligible to be counted for RES compliance in 2010.

Table 4-2 summarizes Public Service's actual and forecasted REC position for 2009 and the forecasted REC position for 2010 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.

***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 on the Company's Portfolio #5 from the 2009 All-Source Solicitation 120-Day Report, filed on August 10, 2009, in Docket No. 07A-447E. 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). The RECs retired for Windsource sales are presented in column b and the RECs forecast to be sold in column c, prior to the application of the 25 percent in-state "bonus" (column d). 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 e should projects be considered Community-Based. The total On-Site Solar RECs that we project are set forth in column f.

Columns g through l of Table 4-4 show the projections of the central solar RECs

that the Company proposes to acquire through 2020 under the Company's  
2010 Renewable Energy Standard Compliance Plan

Volume 1



Portfolio #5 from the 2009 All-Source Solicitation 120-Day Report and the projections for Windsource retirements and REC sales. 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 m through r show the Non-Solar RECs that Public Service estimates will be produced through 2020 under the Company's Portfolio #5 from the 2009 All-Source Solicitation 120-Day Report and the projections for Windsource retirements and REC sales. 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.



## **Section 5 – Acquisition Plans**

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### **A. On-Site Systems**

#### **Solar\*Rewards Program**

In 2010, Public Service proposes to continue the acquisition of On-Site Solar RECs (SO-RECs) from Eligible Energy from three market segments: "Small", "Medium" and "Large". The Small and Medium standard offers will be expanded as detailed later in this section. The Large program will continue to be a competitive solicitation offered in 2010. All program structures in terms of payment schedule for the RECs (up-front versus monthly) will be detailed later in this section. The Standard Rebate Offer is currently set forth in the Company's Photovoltaic Service - Schedule PV.

#### **Tracking Customer Participation in the Solar\*Rewards Program**

Public Service utilizes an online application and tracking system and a rebate operations payment system for administering the Small and Medium programs. The online system is the public interface to the dataset that includes all On-Site customer and system details needed to manage the program. Public Service will continue to submit monthly reports to the Commission.

#### **Solar\*Rewards Contracts**

Due to the changes in the RES Rules adopted by the Commission to comply with Senate Bill 09-051 in Docket No. 08R-424E, the Commission's RES Rules now provide for exceptions from previous standard contracting requirements applicable to On-Site solar systems. As a result of the possible variations in contract terms now permitted under the Rules, Public Service has developed standardized "base form" Solar\*Rewards contracts containing terms and conditions that will accommodate the Company's proposed changes to existing programs and new program offers, as well as the necessary variations in contract provisions now permitted under the Commission's new RES Rules. The five

base form Solar\*Rewards contracts can be found in Volume 3 of the Compliance Plan, and are identified below:

- Combined Rebate and SO-REC Purchase Contract for small (less than 10kW) PV Systems, where the PV System is owned by the Customer;
- Customer Rebate Contract (greater than 10 kW), where the PV System is owned by the Customer;
- SO-REC Purchase Contract (greater than 10 kW), where the PV System is owned by the Customer;
- Customer Rebate Contract (any size), where the PV System is owned by a Third-party Developer; and
- SO-REC Purchase Contract (any size), where the PV System is owned by a Third-party Developer.

Public Service is proposing changes to the terms and conditions of the Solar\*Rewards contracts to coincide with changes to existing programs and to accommodate new program offers. A sample base contract for each program can be found in Volume 3 of the Compliance Plan.

### **Goals for the On-Site Solar Program**

Projections of the acquisition of SO-RECs are set forth on Tables 4-2, 4-3, and 4-4. The anticipated costs of these programs are included in the On-Site Solar Costs set forth on Table 7-3 and 7-4.

### **Program Changes**

#### **Reservation deposits and Reservation Parameters**

The 2010 RES Compliance year will be the fourth year of operating a successful RES On-Site solar program – Solar\*Rewards. The Solar\*Rewards program has reached beyond compliance to offering customers a variety of On-Site solar programs. Earlier this year, the legislature passed Senate Bill 51 which

mandated a number of significant changes to the Solar\*Rewards program that required the Company to review all of the Solar\*Rewards offerings and to evaluate how reservations are managed under each program.

Significant changes include: the project reservation deposit and project reservation parameters, which we have applied to all Small and Medium program applications.

The motivation for setting these reservation requirements was due in part to the number of Solar\*Rewards applications that are submitted and never completed. While some degree of attrition is expected, the high number of incomplete projects signaled that a more formal process requiring a higher level of commitment on the part of the applicant was necessary. Having a high number of incomplete applications in the project queue leaves the Company guessing as to which projects are real and which are tentative. Accurate forecasting and budgeting becomes difficult, if not impossible, because of these phantom applications. Applications for projects that are not completed also adversely impact the solar installers and customers who wish to participate in our Solar\*Rewards program, because the Company has to continue to assume that limited RESA dollars are already allocated to these projects.

Because of the common interest in discouraging phantom applications, Public Service collaborated with COSEIA and the Governor's Energy Office, looking for a solution. These sessions resulted in Public Service designing and implementing a reservation fee policy for the Small program and for the Medium Tier 1 program, similar to the reservation fee policies implemented for the new programs of the Third Party Developer and the Medium Tier 2 programs. The reservation fee is due within five days of an application's submission. If the project is completed within project reservation parameters (system size, time to complete), the reservation fee will be returned to the remitter in the form of a check, upon project completion. If the project is not completed within nine

months, or if the project size variation exceeds  $\pm 10\%$ , the reservation fee is forfeited and credited to the RESA fund. The application remains viable for a full year per Rule 3658 (c)(III); however, after the nine month period, the reservation fee is forfeited and the REC price quoted at the time of application replaced with the REC price prevailing at the time of project completion. Projects that are not completed within 12 months of the application date will be deactivated and will not be entitled to any rebate or SO-REC payments under that particular application.

This tool is designed to encourage accurate, viable applications, and assist the Company and other interested parties in evaluating the queue of onsite projects. This evaluation becomes more critical with the implementation of a tiered REC pricing approach (discussed below).

Another program change is that commercial tenants are now eligible to participate in Solar\*Rewards. As of September 1, 2009, a commercial end-use customer who is a tenant in a building can install a system on that building even though a different party is the building owner. The minimum term of the Solar\*Rewards contract is twenty years; however, for systems between 100 kW and 1 MW, the tenant may enter into a Solar\*Rewards contract with a term consistent with the lease term, in which case, the rebate will be prorated. Additionally, under certain conditions, a customer could move the system to a different location prior to the end of the contract term, and, if compliant with the relocation terms, the tenant would still have the benefit of the full rebate.

A smaller change, but one important to Medium and Large project customers, is the removal of the Security Fund requirement. After employing the requirement through three RFPs and almost three years of the Medium program being offered, the Company has determined that the Security Fund was burdensome to customers and did not have the risk-management value that was perhaps first

envisioned. The Company believes that the revenue stream associated with the SO-REC payments to the energy producer is the best motivation to keep the system running as optimally as possible. The Company will no longer require the Security Funds as of September 1, 2009. Existing security funds have been, or are in the process of being, refunded. Contract language has also been amended to reflect this change.

Finally, net-metered customers will now have an option when it comes to excess energy credits at the end of the year. Customers have a one-time option to choose to roll excess kilowatt-hour credits over from year to year until the customer discontinues their electric service at that address. The other option is to have those credits "cashed-out" at the end of a calendar year. A communication and election plan was rolled out to existing customers in October 2009. Going forward for new customers, the election option will be integrated into the application process.

#### **Solar\*Rewards Small Program (systems .5 kW – 10 kW)**

The Small Program continues to be the most popular program in Solar\*Rewards. The chart below shows the year-to-date comparisons of the Small Solar\*Rewards program between 2007, 2008, and 2009 as of the end of September in each year.

<b>Solar*Rewards - Small</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>% change 2008 to 2009</b>
Number of applications received	877	1,475	2,668	80% increase
Number of projects completed (paid)	572	946	1,609	70% increase

As a result of this increased participation, 8.98 MW of capacity has been added through this offer alone through the end of September 2009, as compared with 5.06 MW added during the same time period in 2008.

### **Program Changes**

The Small Solar\*Rewards program will now have two standard offers: Small – Customer-owned and Small – Third Party Developer. The Small Customer-owned program remains the same, while the Small – Third Party Developer offer will function much the same as the Third Party Developer program options for Medium projects. The system may be net-metered for an end-user who is an Xcel Energy retail electric customer. The end-use customer will enter into the Rebate contract with the Company for a term of twenty years. The Developer will enter into a twenty year SO-REC contract and will be paid monthly based on actual production from the solar system. A second meter dedicated to the generation will measure that production, a meter that be paid for by the developer. The initial REC price for the Small – Third Party Developer will be 11¢ per kWh, and the credit will be paid monthly.

Both of the Small Program offerings will require Reservation fees of \$250 per project. Program parameters are that the project be completed within nine months, and that the system size cannot change more than 10% (more or less) from the initial application. Projects that take longer than 9 months to complete will lose the originally guaranteed REC price and will be subject to the price prevailing at the time of completion. Deposits on projects taking longer than 9 months to complete are forfeited into the RESA.

Going forward, SO-REC prices for both of the Small Program offerings, along with the Medium offerings, will be adjusted using a cumulative tiered approach to REC price reduction. This programmatic approach, which ties the price reductions to the amount of kW from confirmed applications, will allow the



industry more transparency as to the future of SO-REC pricing. This transparent and programmatic approach will also allow the Company to pay for SO-RECs in a more timely manner in accordance with changes in market demand, which will have an effect on the volume of applications. More detail on the new pricing and acquisition tiers can be found in Table No. 1 below.

**Table No. 1 – Small Program Tier Levels**

Small –Customer Owned				Small – Third Party Developer			
Step Number	MW in Step	Threshold Amt	Price per watt (upfront)	Step Number	MW in Step	Threshold Amt	Price per kWh (PBI)
1	1	1	\$1.50	1	3	3	11¢
2	1	2	\$1.00	2	2	5	7¢
3	1	3	85¢	3	1	6	6¢
4	1	4	70¢	4	1	7	5¢
5	1	5	55¢	5	1	8	4¢
6	3	8	45¢	6	2	10	3.5¢
7	4	12	35¢	7	4	14	2.5¢
8	4	16	25¢	8	4	18	2¢
9	4	20	15¢	9	8	26	1¢
10	8	28	10¢	10	8	34	.05¢
11	10	38	5¢	11	10	44	.05¢

**Solar\*Rewards Medium Program (systems >10 kW – 100 kW)**

The Medium program was first introduced in the Company's 2007 RES Compliance Plan. . Since the start of the Medium program, there have been 28 Medium Program applications completed for a total of 2 MW. In 2009 alone, 13 applications were completed for a total of 78 MW. There has been greater

interest in the Medium Program in 2009 than any other year the program has been available. We are forecasting approximately 15 more projects, or 1,100 kW to be completed by the end of the year.

### **Program Changes**

Public Service continues to support the need for the Medium program and, as such, the Company will be offering two different standard offer programs as of September 1, 2009. The passage of SB 09-051 raised the threshold solar systems that would be exempt from competitive acquisition from 100 kW to 500 kW, thereby expanding the Medium program standard offer. This expansion opened a new market for customers with larger loads who would not need to compete for projects under an RFP process. The two Medium programs, when combined with the ability of tenants to install solar systems, allows commercial customers who lease space to install solar and further their "green" commitments.

The Medium program will now be sub-divided into 2 pricing offers: Medium – Tier 1, which is 10 kW to 100 kW, and Medium – Tier 2, which is 100 kW to 500 kW. Both tiers will have options for Customer-owned and Third Party Developer projects. The initial REC price for Medium Tier 1 is \$115 per MWh and Medium Tier 2 is \$125 per MWh. The Medium Tier 2 price per MWh is higher than the Medium Tier 1 price because Tier 2 projects hit the maximum rebate level by default at the lowest system size of 100.01 kW. There is no upfront payment for additional capacity.

As stated above, the Medium program offerings will also feature a cumulative tiered SO-REC pricing approach. Table No. 2 shows this approach in greater detail.

**Table No. 2 – Medium Program Tier Levels**

Medium Tier 1 (10-100 kW)				Medium Tier 2 (100.01 – 500 kW)			
Step Number	MW in Step	Threshold Amt	Price per MWh (PBI*)	Step Number	MW in Step	Threshold Amt	Price per MWh (PBI*)
1	1	1	\$115	1	1	1	\$125
1	1	2	\$100	2	2	3	\$115
1	2	4	\$80	3	2	5	\$100
1	2	6	\$65	4	2	7	\$80
1	2	8	\$55	5	2	9	\$65
1	2	10	\$45	6	2	11	\$55
1	2	12	\$35	7	2	13	\$45
1	2	14	\$25	8	2	15	\$35
1	2	16	\$15	9	2	17	\$25
1	2	18	\$5	10	2	19	\$15
1	2	20	\$5	11	2	21	\$5

\*PBI = Production-based Incentive

### **Solar\*Rewards Large (RFP) Program (systems >100 kW – 2 MW)**

Projects selected in the 2008 RFP are expected to come on-line in 2009. We expect approximately 4.8 MW from this 5 MW solicitation. The 2009 RFP was issued on September 24, 2009, for another 5 MW. We expect these projects to come on-line late 2010 or sometime in 2011.

### **Program Changes**

In line with the Reservation fees being collected in the Small and Medium programs, the Large program has a project deposit fee of \$5000.00. This fee is refundable if the project is completed within the timeframe specified in the RFP. If forfeited, the funds are deposited into the RESA.

## **In General**

### **Third Party Developers**

Applications for the Solar\*Rewards in the Small, Medium and Large programs are still available to Third-Party Developers to own and maintain installations on customer sites. As the owner/operator of the PV system, the Developer enters into the SO-REC contract with Public Service to receive the monthly SO-REC payments directly. The Developer makes arrangements with the end-use customer for the receipt of the generation. As the equipment owner, the Developer is the party who enters into the Interconnection Agreement with Public Service. The Public Service retail electric customer is still the rebate recipient and must enter into the Solar\*Rewards Rebate Contract with Public Service. However, the customer does have the option to designate that payment of the rebate be made to an Alternate Rebate Recipient, which could be the Developer if desired. The retail customer is also able to elect net metering according to the tariff, and it is the retail customer who will receive any financial benefit of any excess generation returned to the grid. Excess generation will either be paid to the end-use customer within 60 days of the end of the calendar year (or termination of service), or will be rolled over to the next year, depending on the customer's election.

### **SO-REC Acquisition**

Tables 4-2 through 4-4 set forth the projected totals for Standard Offer RECs and other REC purchases. SO-RECs are presented by class: Small customer Owned, Small Third Party Developer, Medium Tier 1 (10-100 kW), Medium Tier 2 (101-500 kW), RFP, and REC only.

### **Optimization of the Solar\*Rewards Offerings**

Optimizing the Solar\*Rewards offerings means considering several components and features of the programs. For each program, Xcel Energy looks price points, customer participation, customer and installer feedback, and projections for program sustainability and goal attainment through 2020. This year the significant legislative and RES rule changes have added to the program reforms. Major features of each program segment are discussed below.

The goal of the Solar\*Rewards Small Program is to provide the opportunity for residential and small commercial customers to install PV on their homes and businesses. A \$2.00 per watt rebate is prescribed by legislation and, as of October 25, 2008, a new REC price offer of \$1.50 per watt was established. In 2010, customers looking at Small systems will have a Third Party Developer option to consider when deciding whether or not to install solar. It is unclear how many applications will come in under this new program. It is clear, however, that there are national and local installation companies who either already employ this business model or who are adding it to their product portfolios. In order to forecast the impact to the RESA in determining acquisition levels, the Company is creating a separate budget allocation for this offer, thereby subdividing the amount of capacity to be added in the Small category.

Another subdivision, discussed previously, is that of the Medium program into two categories, Tier 1 and Tier 2. These programs have different SO-REC prices, due primarily to the diminishing economic impact of the Rebate once the \$200,000 cap at 100 kW is reached. The Company believes that opening up the 100-500 kW program will be attractive to commercial customers who could not previously compete for the limited number of projects available under an annual

RFP. This standard offer also allows customers more confidence in their ability to secure Rebate and SO-REC payments over the life of the project.

It is important to note that these programs are being opened in response to customer demand for them, not because demand in the other offers was necessarily lagging. In fact, the opposite is true. The Company finds itself in the position of having to very closely monitor acquisition to be sure it remains compliant, but does not increase the RESA deficit. One advantage to monitoring these programs closely is a better understanding how many of the projects in the application queues are actually going forward to completion.

In order to manage the pipeline more effectively, the Company has implemented a "Reservation Deposit" for applications in the Small and Medium programs. This deposit is designed to reduce speculative applications so that the Company has a more accurate picture of what will realistically be installed. Deposits will be refunded at the time of the rebate payment when the project is complete, providing the project is completed within nine months.

Additionally, "Reservation Parameters" are also in place. In order to keep a reservation active and eligible for refund of the deposit, a system will have to be installed at the kW size initially indicated.

These two program features, along with the tiered REC pricing structure, are designed to help customers and the Company alike. As the Company looks to acquisition and budgets as potential ceilings and/or triggers for pricing changes, it is critical that the application process be as fair, transparent, and as realistic as possible. The Company will post on its web-site the total number of confirmed applications, so all customers will have information as to when the offered SO-REC price is likely to decline. These schedules should give the industry the kind of forward-looking information they have been seeking to use in their business

planning. While the Company understands that it is undertaking some additional administrative responsibility with these features, it believes it can do so without burdening the customer or impeding the industry.

Public Service's approach is still to use a mix of all three program size offerings (Small, Medium and Large) to encourage broad-based participation in the On-Site solar programs, but at the same time to keep the programs stable and reasonable enough to entice participation, responsible enough to move toward industry self-sustainability, and flexible enough to meet changing demands and conditions. The chart below gives a summary of the proposed program offerings.

**Table No. 3 - Summary of Programs and Program Details**

	New? Y/N	Size kw	Reservation Deposit Per project	Reservation System Size Parameter	Expected 2009 install MW	Forecast 2010 install MW	Initial SO-REC price
Small – CO <sup>1</sup>	N	<=10	\$250	+/- 10%	12	10	\$1.50/watt DC EBI <sup>2</sup>
Small - 3PD <sup>3</sup>	Y	<=10	\$250	+/- 10%	0.5	2.5	11¢/kwh PBI <sup>4</sup>
Med- Tier 1 – CO	N	>10 <= 100	\$500	+/- 10%	0.5	1	\$115/MWh PBI
Med- Tier 1 - 3PD	N	>10 <=100	\$500	+/- 10%	1		\$115/MWh PBI
Med- Tier 2 – CO	Y	>100 <=500	\$1500/kw	+/- 10%	0.5	4	\$125/MWh PBI
Med- Tier 2 - 3PD	Y	>100 <=500	\$1500/kw	+/- 10%	1		\$125 MWh/PBI
RFP - CO	N	>500	\$500 filing fee (non-refundable)	+/- 10%	5	5	Competitive
RFP - 3PD			\$5000 project deposit (conditionally refundable)				

<sup>1</sup> – CO = Customer-Owned,

<sup>2</sup> EBI = Expected Generation Based Incentive

<sup>3</sup> – Third Party Developer

<sup>4</sup> -- PBI =Production-based Incentive

As a result of the program additions and changes, the Company believes it can continue its established course of acquiring beyond simple compliance levels. Exhibit No. PJN-1, attached to Ms. Newell's direct testimony, shows the forecasted annual MW acquisition, the cost of that acquisition (both upfront and over time), and the amount of SO-RECs accumulated. The graph below shows the capacity acquisition trend.



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In response to bids received in its 2008 Solar Resource RFP, the Company executed a Solar Energy Purchase Agreement (SEPA) with Greater Sandhill 1, LLC for a new 19.2 MW DC (16.1 MW AC) photovoltaic facility to be located in the San Luis Valley of Colorado. In Decision No. C09-0477, the Commission found the Company's application for approval of the contract to be in the public interest and approved the SEPA. The facility is expected to be completed no later than December 31, 2010 and is expected to generate 48,000 MWh in its first full year of operation. The energy purchased from the facility is eligible for the 125% in-state REC multiplier. In addition, in 2010, the Cameo Solar Demonstration Project is projected to generate 550 S-RECs.

### **2008 Wind Resource RFP**

In response to bids received in its 2008 Wind Resource RFP, the Company executed a purchased power agreement with Northern Colorado Wind Energy, LLC for a new 151.8 MW wind facility to be located in Logan County, Colorado. In Decision C09-0257, the Commission found the Company's application for approval of the contract to be in the public interest and approved the PPA. The facility achieved commercial operations on August 25, 2009 and is expected to generate 530,000 MWh annually. The energy purchased from the facility is eligible for the 125% in-state REC multiplier.

The Company also executed a purchased power agreement with Northern Colorado Wind Energy, LLC for a 22.5 MW expansion of the Northern Colorado Wind Energy facility under construction in Logan County. In Decision C09-0745, the Commission found the Company's application for approval of the contract to be in the public interest and approved the PPA. This addition to the wind facility achieved commercial operations on September 29, 2009 and is expected to generate 78,000 MWh annually. The energy purchased from the facility is eligible for the 125% in-state REC multiplier.

In support of its 2007 Colorado Resource Plan, the Company issued its 2009 All-Source RFP on January 9, 2009. Regarding incremental renewable generation resources, the RFP included the following limitations:

- A soft target limit of 850 MW of intermittent resources to be acquired in increments of 100 to 200 MW per year. This 850 MW limit is inclusive of any generation acquired as a result of the Company's acquisition efforts in advance of the All-Source RFP. As described elsewhere, the Company acquired generation from: 1) the 151.8 MW Northern Colorado Wind facility as a result of the 2008 Wind Resource RFP, 2) the 22.5 MW expansion of the Northern Colorado Wind facility as a result of an

unsolicited bid, and 3) the 17 MW Greater Sandhill I photovoltaic facility as a result of the 2008 Solar Resource RFP. Thus, the 850 MW soft target limit for the All-Source RFP was reduced to roughly 660 MW.

- A minimum acquisition of 200 MW of solar with storage (subject to Commission review),
- A soft target limit of 600 MW of solar thermal with thermal storage or gas backup to be acquired in increments of roughly 200 MW per year.

The Company filed its required 120-Day Report with the Commission on August 10, 2009. On October 16, 2009, the Commission decided that it preferred the level of renewable resources indicated in Portfolio #5 among the 48 portfolios presented by the Company. This portfolio contains the following renewable generation resources:

- Approximately 350 MW of solar resources, including a large solar thermal project with thermal energy storage. Approximately 280 MW of these solar facilities qualify as Section 123 resources, and
- Approximately 700 MW of incremental wind generation. The Commission is expected to issue its written order on the Company's preferred portfolio of resources by November 6, 2009.

### **Non-Solar RECs**

As a result of acquiring electricity from wind and biomass projects that Public Service acquired under the Company's 2005 All Source RFP (2003 LCP), as well as other generation owned or contractually acquired by the Company in prior periods, Public Service will have sufficient Non-solar RECs to meet the RES for the 2010 Compliance Year. Public Service projects it will have sufficient Non-solar RECs from existing Eligible Energy Resources for compliance through 2020 under the current RES rules. However, beginning in 2020, the level of new Non-solar RECs required by the Company to meet compliance is significant and

would prove challenging to integrate all at once. In Commission Decision No. C08-929, in Docket No. 07A-447E, the Commission approved Public Service's plans to incrementally add up to 850 MW of intermittent resources by 2015. In Commission Decision Nos. C09-0257 and C09-0745, the Renewable Energy Purchase Agreements for 174.3 MW of wind capacity between Public Service and Northern Colorado Wind Energy, LLC, were approved pursuant to Rule 3655(c) and the applications were granted.

The Commission has indicated that it prefers the level of renewable resources presented in Portfolio #5 in the Company's 120-Day Report, which includes approximately 700 MW of additional wind additions through 2015.

### **Tracking, Counting and Trading of RECs**

Public Service will track and count all RECs generated and/or purchased through its REC tracking system ("RTS") developed in 2006. The RTS certifies, tracks and counts all RECs by generator, type of renewable resource, date of generation, and location where the REC was generated. RECs are issued from meter data except for On-Site Solar Systems of 10 kW or less, where the RECs will be determined by the PVWATTS program at the time of contracting. The system also monitors REC inventory balances (e.g., REC vintages and expirations) and can integrate forecasted generation to support long-term planning. The RTS tracks transactions for all RECs retired (for compliance) or transferred. Additionally, the system has the capability to track purchases and sales of RECs.

The system was also designed to ensure compatibility with regional REC tracking systems that were under development at the time. Western Renewable Energy Generation Information System ("WREGIS"), a regional REC tracking system for the western states including Colorado, launched in June 2007. Public Service

believes that WREGIS and other regional REC tracking and verification systems will add significant credibility to and aid in the development of REC markets. As such, Public Service is a registered WREGIS Account Holder and has registered all Eligible Energy Resources in WREGIS, except Ouray Hydro and all On-Site solar resources. The generator owner of Ouray Hydro has not yet signed the WREGIS Right of Registration Document to enable WREGIS registration. WREGIS currently requires revenue-quality meter data for all classes of generators, including customer-sited distribution generation so the On-Site Solar Systems of 10 kW or less cannot currently be registered in WREGIS. Thus, the Company has chosen to track and report RECs for all On-Site solar resources exclusively in our REC Tracking System at this time.



## **Section 6 – Windsource**

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### **Windsource Program**

Xcel Energy's Windsource program is currently the largest utility green pricing program in the country. Now operating in four states, Windsource customers have purchased over 1 billion kWh since the program began in Colorado in 1997. The program remains a vital part of Xcel Energy's growing renewable portfolio and enables our customers to proactively purchase renewable energy to meet their personal and business needs.

### **Background**

The Windsource program was originally established as a small, experimental, "value-priced" wind energy program in 1997. The Windsource program has morphed into a relatively large, mainstream, cost-based wind energy program. In June 2008 the Company filed an application with the Commission that redesigned the program to allow expansion of the Windsource program to accommodate the growing desire of customers to serve more of their energy usage with renewable energy. The original Windsource program was limited in its ability to add renewable resources in a cost-effective manner. There are significant economies of scale to be had in building wind farms or buying energy from wind farms that are larger rather than smaller; similarly, solar facilities benefit from these same economies of scale.

To minimize the premium charged to Windsource customers and increase program supply, Public Service redesigned the program to tap into the economies of scale created by the development of resources for the Colorado Renewable Energy Standard. The Company created a unified portfolio of renewable resources under which Windsource customers receive a portion of all Public Service renewable generation. This made additional renewable resources immediately available to the Windsource program. Premiums from the

Windsor sales are credited to the Renewable Energy Standard Adjustment ("RESA") account, which increases the amount of dollars available to acquire additional new renewable resources. Under this new program design, our customers who would like to see us exceed the RES requirements are able to voluntarily agree to pay more, and then we will build or buy more renewable resources. Public Service will retire RECs in proportion to the amount of Windsor sales above what is inherent in our portfolio. The Windsor premium is calculated assuming that Windsor customers are already paying for the system average level of renewable energy through their electric rates, so that when they elect for more renewable energy, the price paid reflects only the increment above system average. By this process, there is no double counting of RECs and no double charging.

### **Settlement**

In connection with our June 2008 Windsor filing, Public Service met with parties and agreed through settlement to certain terms that would be included in the redesigned Windsor program. These terms included Marketing Transparency surrounding the mix of resources being offered under the Windsor program; Incremental Renewable Energy Additions by using the Windsor premiums to acquire more renewable energy generation beyond what the Company would otherwise have acquired as part of its resource planning process; a breakout of RECs retired on behalf of the Windsor sales and other data reporting requirements associated with the renewable energy generation on the system; program certification; quarterly roundtable discussions of ideas related to product development and other green pricing program issues; and a process for closing out the existing Windsor program.

Included in this Compliance Plan are projected 2010 Windsor sales, projected premium revenues, projected RECs from each renewable energy generation resource (SO-RECs are aggregated and projected by program under the Solar\*Rewards), and our proposal for acquiring incrementally more



renewable energy generation resources. The other reporting requirements found in the settlement pertain to actual data and will be provided in the Company's annual Compliance Report to be filed on June 1, 2010.

### **Green-e Certification**

The Windsource program has continued to maintain its certification through the Green-e Energy program. Green-e Energy provides oversight for voluntary renewable energy transactions in the United States. The Green-e Energy National Standard identifies many criteria renewable energy must meet to be certified. Energy must come from eligible sources of supply, like wind, solar, geothermal, biomass, or "low-impact" hydropower. Only new renewable facilities can be used, built during or after 1997. To be Green-e certified, the corresponding RECs associated with the energy sold under Windsource cannot be used to fulfill a state renewable energy goal,<sup>1</sup> and can not be "double counted" towards that goal. Energy applied to sales in a given year must be generated over a certain span of time including in that year, in the last six months of the previous year, or in the first three months of the following year. Certified energy is accounted for and tracked through the annual Green-e Energy verification audit process, which Xcel Energy completed most recently in June of this year.

Green-e also performs a marketing compliance review, twice a year, to ensure that customer communications are transparent, helping to ensure that programs live up to their advertising claims, and that their customers are getting what they paid for. Green-e Energy provides assurances to consumers and businesses that they are reducing the environmental impact of their electricity use.

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<sup>1</sup> There is one exception. Pursuant to Green-e's National Standard Version 1.6: "If the product meets 100% of a customer's electricity use with eligible renewables, Green-e Energy allows a percentage of a product's content to be satisfied by renewable portfolio standard (RPS) state-mandated renewables up to the percentage RPS requirement." Consequently, for Windsource customers who buy all of their energy under the Windsource program, in 2010 five percent of the RECs associated with the energy they consume will be retired to meet the 2010 Renewable Energy Standard.

## **Roundtable Discussions**

As part of the Windsource settlement, the objective of the Renewable Energy Advisory Group was to provide Xcel Energy with valuable insight for renewable energy product development. This Advisory Group addresses Xcel Energy's commitment to involve environmental and community-based organizations and interested government agencies in quarterly roundtable discussions to obtain ideas for product development and other issues affecting the green pricing program.

The Advisory Group has met monthly since March 2009 in order to provide meaningful input this year to the report that was filed on October 1, 2009. Attendees at meetings included representatives from: the National Renewable Energy Laboratory, the Commission Staff, the Office of the Consumer Counsel, Western Resource Advocates, Boulder County, the Sierra Club, and large C&I companies. Xcel Energy has provided feedback on product ideas, solicited additional input as products go through the development process, and provided background information useful to analyzing the ideas. Several ideas have been submitted and reviewed all of which were included in the Company's Renewable Energy Advisory Group Compliance Report in Docket No. 08A-260E.

## **2009 Windsource Program**

Although there are still signs of growth in the Windsource program, negative economic conditions and erroneous negative media reports have adversely impacted Windsource subscriptions over the past twelve months. Windsource energy purchases (sales) have decreased about 6.6 percent over the past 12-month period (2008 – 2009, compared to that same time period in 2007 –2008). The decline is most pronounced in the residential sector where sales have decreased by nearly 10 percent. In the commercial and industrial sector,

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demand remains strong with an increase of nearly 5 percent over the same period.

We now expect 2009 sales to be 220,000 MWh, three percent less than last year's total sales of 226,000 MWh. Previous forecasts provided for Windsource sales anticipated an increase in sales this year. These forecasts did not take into account the impact of declining economic conditions on customer demand and the impact of negative media results on customer retention.

In terms of marketing the program, several efforts are underway. A bill insert was sent to all residential customers in May 2009. An insert for business customers appeared with September bills. The Company is working with the City of Denver, the Governor's Energy Office, Denver Public Schools, and the Sierra Club this fall as we begin a major initiative focused on increasing participation in specific Denver neighborhoods. We are also evaluating a number of event-specific activities and sponsorships that could take discrete Windsource service under the Windsource Service tariff.

## **2010 Windsource Program**

### **Projected Sales**

Based on historic growth rates, industry trends, and increased marketing efforts, we expect Windsource to grow in 2010 by approximately 1 percent to 220,200 MWh. Growing sales among commercial and industrial customers will be the primary driver behind the growth, particularly among public entities, educational institutions, and customers using Windsource to obtain LEED certification points. Residential penetration rates are projected to stay flat due to economic conditions.

### **Resource Acquisition via Windsource Premiums**

The Company has forecast the Windsource premium associated with Windsource sales for March – December 2009 at \$3,400,100.00. Public Service anticipates using the 2009 Windsource premiums to acquire additional On-Site solar through the Solar\*Rewards RFP, to be issued in later 2010, after which the Company intends to accumulate revenues associated with the Windsource premiums to acquire central solar under the next RFP.



## **Section 7 – Retail Rate Impact and Budget**

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Commission Rule 3661 establishes the parameters for determining the retail rate impact of implementing the Renewable Energy Standard ("RES"). Rule 3661(a) states that the net rate impact of Public Service's actions to comply with the RES shall not exceed two percent of the total electric bill annually for each retail customer. Under C.R.S. §40-2-124(1)(g)(I): "...the commission shall establish a maximum retail rate impact for this section of two percent of the total electric bill annually for each customer. The retail rate impact shall be determined net of new alternative sources of electricity supply reasonably available at the time of the determination."

As a result of the passage of HB07-1281, the RES substantially increases in years 2011 (to ten percent), and again in 2015 (to fifteen percent), with the last increment in 2020 to 20 percent of the retail energy sales coming from eligible energy resources making it essential that the Company look at the level of new eligible energy needed to stay in compliance and the projected costs associated with such additions.

While Public Service already has sufficient non-solar resources to meet these new minimum RES requirements through 2020, the Company must acquire more solar resources to meet the new minimum standards of HB07-1281 through both the Resource Acquisition Period of the Company's current Electric Resource Plan (i.e., through 2015) and the RES Planning Period. In addition, for

carbon reduction purposes, the Company proposed, in its Resource Plan to increase both its solar and non-solar resources above minimum levels.

In 2007 the Company filed its Resource Plan that resulted in the issuance of an All-Source Solicitation for both Eligible Energy Resources and non Eligible Energy Resources. The Company filed the result of the bid evaluation in its 2009 All-Source Solicitation 120-Day Report, on August 10, 2009, in Docket No. 07A-447E. The Company presented 48 portfolios for the Commission to review. On October 16, 2009, in Open Meeting, the Commission selected Portfolio # 5 as representative of the resource mix and cost that the Commission found to be in the public interest. The resource mix in Portfolio # 5 contains approximately 700 MW of new wind and approximately 350 MW of new solar facilities. Approximately 280 MW of these renewable resources qualify as Section 123 resources. In Decision No. C08-0559 in Docket No. 07A-462E, and in proposed Rule 3661(h)(III) in pending Docket No. 08R-424E, the Commission determined that any incremental costs of Section 123 resources are not subject to the retail rate impact, thus eliminating their impact on the retail rate impact calculation. As such, the Section 123 solar resources in Portfolio # 5 are modeled by including those renewable resources in both the RES Plan and the No RES Plan, thus eliminating any contribution to the incremental cost calculation by the Section 123 resources.

In addition to addressing the funds needed for the potential Eligible Energy Resources in Portfolio #5 from the Company's Electric Resource Plan in Docket No. 07A-447E, there are substantial costs associated with the On-Site

Solar\*Rewards program due to a significant increase in applications in 2008 and 2010 Renewable Energy Standard Compliance Plan

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2009. Table 7-3 includes the incremental costs of acquiring these resources over the ten-year RES Planning period, through 2020.

Rule 3661(e) states that for purposes of calculating the retail rate impact, Public Service will "use the same methodologies and assumptions it used in its most recently approved Least-Cost Planning case, unless otherwise approved by the Commission." Public Service has used the same methodologies and assumptions in conducting the analyses for this 2010 Compliance Plan as the Company used in Docket No. 07A-447E, updated to be consistent with the Commission orders in that Docket. For example, in estimating the costs of the RES Plan and the No RES Plans, the Company has used the same carbon assumptions, coal forecast and gas forecasts that the Commission approved in Decision No. C08-0929. However, as discussed later, Public Service also presents with this Compliance Plan, as Table 7-4, a sensitivity case that assumes that carbon regulation is delayed until 2014.

Rule 3661(h) sets forth the basic method for calculating the retail rate impact. This rule details how Public Service will use its computer models to determine the difference in costs between two alternative scenarios of electric resources over the RES Planning Period. The first scenario ("RES Plan") includes the *new* eligible energy that is added during the RES Planning Period. The second scenario (the "No RES Plan") is comprised of those "non-renewable resources reasonably available" that are necessary to replace the *new* Eligible Energy Resources in the RES Plan to meet the Company's capacity and energy requirements. Commission proposed Rule 3661 (h)(III) considers all Eligible

Energy Resources whose acquisition commenced prior to July 2, 2006 to be  
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considered “sunk” resources that are to be included in both the RES Plan and the No RES Plan, such that they do not factor into the calculation of the overall incremental costs of the Eligible Energy Resources. The total costs of the Eligible Energy Resources are compared to the incremental costs of the RES Plan; the difference is the Avoided Cost or cost of the renewable resources that matches the costs of the non-renewable resources. These avoided costs are called the “ECA Costs”.

The Commission approved the Company's 2007 and 2008 RES Compliance Plans, which calculated a proposed RESA level based upon the funding needs for the *full* RES Planning Period, taking into account the Company's need to collect funds in advance of the years where there are significant increases in the percentages of the Renewable Energy Standard. Public Service uses that same methodology in this 2010 RES Compliance Plan to calculate the RESA needed to fund the Company's Plan through 2020 with one exception. In Decision No. C09-0990, the Commission approved the lockdown of the costs and benefits of Eligible Energy Resources; however the Commission only allowed a five year lockdown after which the incremental cost of each Eligible Energy Resources contributing to the RESA would be reexamined and reset.

The Company's retail rate impact calculation is set forth on Tables 7-3 and 7-4. Table 7-3 shows the Company's base case, using the modeling assumptions approved by the Commission for the Company's 2007 Electric Resource Plan in Docket No. 07A-447E. In the base case, carbon is assumed to cost \$20 per ton, commencing in 2010 and to escalate at 7% per year. Table 7-4

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uses the same modeling assumptions, except that the cost of carbon is delayed until 2014. In Table 7-4, carbon costs are assumed to be zero through 2013, \$20/ ton commencing in 2014 and then escalating at 7% per year thereafter.

The Company's Resource Plan acquires eligible energy in advance of the years needed to comply with the RES (with the exception of the central solar resources in the early years of the RES Planning Period). Acquiring resources that are more than the minimums under the RES is expressly allowed by HB07-1281. C.R.S. §40-2-124(1)(g)(I) permits a utility to acquire more than the minimum amount of Eligible Energy Resources and Renewable Energy Credits required by the RES, so long as the retail rate impact does not exceed the maximum two percent allowed by law. For carbon reduction purposes, Public Service proposed in the 2007 Colorado Resource Plan to use this statutory authorization to add more Eligible Energy Resources than required by the minimum standards. As is shown by Table 7-3, the Company continues to estimate that these resources can be acquired for an incremental rate impact of two percent – throughout the Resource Acquisition Period in the 2007 Colorado Resource Plan (2007-2015).

In Decision No. C09-0990 of the pending rulemaking Docket No. 08R-424E, the Commission has proposed Rule 3661(h)(III) that requires investor-owned Qualifying Retail Utilities to include in the retail rate impact calculation only those Eligible Energy Resources whose acquisition commenced on or after July 2, 2006. The Company used this proposed rule in the RES Plan – No RES Plan modeling. The Commission has also proposed in Rule 3661(h)(V) that the

ongoing annual net incremental costs of Eligible Energy Resources that impact  
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the retail rate impact calculation be “locked down” for five years. Public Service has followed this proposed rule in modeling the retail rate impacts of this Compliance Plan.

### ***Modeling the RES and No-RES Plans***

The modeling outputs of the RES Plan and the No-RES Plan are set forth in Tables 7-1 and 7-2. Table 7-1 is the Company’s base case and Table 7-2 is the carbon sensitivity case. On both tables, the No-RES Plan costs each year are subtracted from the RES Plan costs to determine the Incremental Costs of the RES Plan. The avoided costs on the non-renewable resources are then derived by subtracting the the Incremental Costs from the projected Total Renewable Energy Costs of the Eligible Energy Resources included in the RES Plan modeling. These avoided costs are recovered through the ECA and are therefore labeled in Tables 7-1 through 7-4 as the “ECA Costs.”

### **Ongoing Incremental Costs**

For Eligible Energy Resources acquired on or after July 2, 2006 that have become operational by the time of modeling, plus all on-site solar resources, Public Service has ongoing incremental costs that are not captured in the comparison between the RES Plan and the No-RES Plan, because these resources are included in both of these plans. The ongoing incremental costs of these resources have been “locked down” pursuant to Commission proposed Rule 36661(h)(V) and are set forth on Tables 7-1 through 7-4 in the columns

labeled “Ongoing Incremental Costs.” For the 2010 RES Compliance Plan, these  
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locked down resources include: the Sun E Alamosa PV facility, all on-site solar facilities through September 30, 2009 and two wind contracts. The first wind contract is for

a 151.8 MW of nameplate wind facility approved by Commission Decision No. C09-0257 and the second is 23 MW wind facility addition, approved by Commission Decision No. C09-0745. These Eligible Energy Resources facilities were commercially available at the time the RES Plan modeling. As such, proposed Rule 3661(h)(l) requires these contracts to be included in both the RES and No-RES Plans. Their net incremental costs totaled in the column labeled "On-Going Incremental Costs. "

Among the renewable generation resources included in the Company's RES Plan are the following resources:

- Approximately 350 MW of new central station solar resources, with approximately 280 MW considered to be Section 123 resources.
- Approximately 700 MW of new wind generation,
- Three 250 MW solar thermal facilities in 2016, 2017, and 2018, totaling to 750 MW. These resources were not considered to be Section 123 Resources.

However, as directed by Commission Order, assessment of excess capacity value does not begin until year 2012. The Company believes that the vacated capacity of the removed Eligible Energy Resources should be considered. To that end, the incremental costs include a simple calculation of the accredited peak capacity of these Eligible Energy Resources times

\$4.00/kW-mo. This capacity value is the same value agreed to for the beginning of the resource acquisition period.

### **Retail Rate Impact Analyses**

Table 7-3 and 7-4 represent the retail rate impact calculations similar to the retail rate impact calculations presented in prior Compliance Plans; however additional columns have been added to show the impact of the Windsource premiums. Table 7-3 is based on the gas forecasts and carbon assumptions used in the Resource Plan, Docket No. 07A-447E. Using the carbon assumptions from the Electric Resource Plan leads to significant surplus dollars in the RESA deferred account beginning in 2014. In order to provide a sensitivity analysis with respect to this carbon assumption, the Company prepared Table 7-4, in which carbon regulation is not expected to commence until 2014. With this changed carbon assumption, the RESA balance does not become positive until 2016.

The assumed seven percent annual escalation in carbon costs significantly impacts the incremental cost calculations that impact the RESA deferred account. Because of these impacts, Public Service has assumed in Table 7-3 that the RESA charge on customer bills remains at 2% only through 2012, is reduced to 1% in 2013, and then is reduced to zero in 2016. Reductions in the RESA cannot be made much earlier than these times because Public Service continues to carry a negative balance in the RESA through 2012 using the base case assumptions. These negative balances result primarily from the increasing on-site solar programs.

In Table 7-4, Public Service assumes that the RESA remains set at 2% throughout the RES Planning Period. The carbon sensitivity case on Table 7-4 shows a prolonged negative balance in the RESA account (through 2015) because without assuming a carbon cost in the years 2010 through 2013, the incremental costs of the solar facilities are much larger than assumed on Table 7-3. Both Tables 7-3 and 7-4 assume that the same resources are acquired over the RES Planning Period.

Tables 7-3 and 7-4 are set up as follows: Column A identifies the calendar year. Column B, "On-Site Solar Costs," includes the estimated cost of the Company's On-Site solar programs. Column C, "NEW Central Solar Costs," identifies the projected costs of the Central Solar resources. Column D, "Wind Energy Costs," sets forth the projected costs of wind energy resources and Windsource related costs. Column E, "NEW Other Renewables Costs," includes costs of the non-solar, non-wind, "new" Renewable Resources, which includes geothermal, landfill resources, biomass, and others.

Column F, "Total Renewable Energy Costs," is the summation of the costs included in Columns B, C, D, and E. The costs identified in Column F represent the total costs to the Company of the "new" Eligible Energy Resources that are in the RES Plan, and not in the No RES Plan plus the costs of the former Windsource facilities that are now recovered through the RESA pursuant to Commission orders in Docket No. 08A-260E.

Column G, "RESA Rider Revenue," is an estimate of the annual revenue that the Company will recover from retail customers, using the percentage Renewable Energy Standard Adjustment assumed for each year.

Column I, "REC Margins," identifies the customer's share of the forecasted margins the Company may earn from the sale or trading of RECs during 2009. The Company does not have any projections for REC margins for later years, but any sales made could provide additional revenue to support renewable resource acquisition.

Column J, "Microgy Gas Costs", estimates the costs/benefits predicted for with the Microgy Biomass facility.

Column K, "Modeled Incremental Costs," are the cost differences in each year between the RES Plan and the No RES Plan as determined by the Strategist modeling and as set forth on Tables 7-1 and 7-2. This column includes the modeled incremental Windsource costs.

Column L, "Ongoing Incremental Costs", shows the net costs and benefits of the operational Eligible Energy Resources.

Column M, "Purchased RECs," shows the amount of money the Company has contracted to spend for S-RECs needed to meet the solar requirement in early years of the Renewable Energy Standard.

Column N contains the program and administrative costs associated with the RESA. Column O, shows the program and administrative costs related to the Windsource Program.

Column P, "Total Renewable Energy Costs," is a duplicate of Column F. This column is repeated to simplify the spreadsheet and allow the impact of the totals on the RESA and ECA to be easily understood.

Column Q, "Total Incremental," is the combination of the Modeled Incremental costs, the Ongoing Incremental Costs and the Microgy Gas Costs (Columns J, K, and L).

Column R, "ECA Costs," predicts the total costs that hit the ECA, which are the Total Renewable Energy Costs minus the Total Incremental Costs. These are the avoided costs of the non-renewable resources that are in the No RES Plan that are displaced by renewable resources in the RES Plan.

Column S, "Whls Credit," credits against the deferred balance the projected revenue for this eligible energy that the Company expects to collect from its wholesale customers under its existing wholesale rates at their load ratio share.

Column T, "Total RESA Revenue," is the combination of the revenues that credit the RESA balance. This includes the RESA Rider Revenues (Column G), the



Windsor Premium Credits (Column H) and the REC Margins (Column I), and the Wholesale Credit (Column S).

Column U, "Total RESA Costs," indicates the total costs that are debited from the RESA. This includes the Microgy Gas Costs (Column J), the Modeled Incremental Costs (Column K), the Ongoing Incremental Costs (Column L), the Purchased REC Costs (Column M), the RESA Program and Administrative Costs (Column N), and the Windsor Program and Administrative Costs (Column O).

Column V, "Annual Excess/Deficiency," identifies the calculated difference between the Revenue collected and the costs.

Column W, "Interest," shows the amount of interest accrued on the balance in the RESA-funding account using the Weighted Average Cost of Capital ("WACC").

Column X, "Annual Excess/Deficiency w/Interest," shows the total Annual Excess or Deficiency with the Interest included.

Column Y, "Rolling Balance (Deferred)," shows the running accrual of surpluses or deficits in the RESA account from year to year over the entire RES Planning Period.



## **Section 8 – Cost Recovery**

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### **Cost Recovery Mechanism**

Public Service plans to use the same cost recovery mechanisms for its 2010 Compliance Plan that the Commission approved for the 2009 Compliance Plan, namely, (1) the Electric Commodity Adjustment ("ECA") to recover the costs of Eligible Energy that match the costs of the avoided non-renewable resources and (2) the Renewable Energy Standard Adjustment ("RESA") to recover the costs of the Eligible Energy that are incremental to the costs of the avoided non-renewable resources and the program and administration costs.

By continuing to recover the incremental costs through the RESA, the RESA provides a ready check on whether the Company has complied with the two percent (2%) retail rate impact limit in Rule 3661(a).

In the 2009 Compliance Plan the Company proposed to use the ECA deferred account as the true-up mechanism. Under the new mechanism, the costs associated with the renewable energy facilities will be charged against the ECA. The modeled incremental costs derived from the difference between the RES Plan and the No RES Plan are the incremental costs of new Eligible Energy that will be charged against the RESA. The incremental costs associated with new Eligible Energy Resources and the on-going incremental costs of Eligible Energy Resources whose incremental costs have been locked down are added together for the amount of RESA funds that will be credited to the ECA. In this way, the RESA will continue to provide for the incremental cost of renewable energy, but will be protected from risks associated with intermittent facilities that can have actual production levels that are significantly different than projected levels. The Commission approved this cost recovery mechanism in Decision No. C09-1037 in Docket No. 08A-532E.

The Company describes its lock down methodology in Section 7.

Periodically the incremental costs of the non on-site solar Eligible Energy Resources are trued up by multiplying the actual generation of Eligible Energy Resources by the incremental costs in megawatt hour for each Eligible Energy Resource. These recalculated incremental costs based on actual generation are compared to the RESA funds transferred to the ECA. Any difference between what was transferred to the ECA from the RESA is adjusted to ensure the RESA pays for the incremental costs associated with actual generation. The incremental costs of the on-site solar are forecasted for 2010 and trued up at the time of the next Compliance Report, using actual rather than projected on-site solar acquisitions

The RESA will be used to pay for the Purchased REC Costs and Program and Administrative Costs. Wholesale Revenues received for the Eligible Energy assumed in the Compliance Plan will be credited against the deferred balance. Also credited against the deferred RESA balance are the premiums paid by Windsorce customers and the customers' share of margins earned from the sale of Renewable Energy Credits. The difference between the actual costs and what is actually collected will be carried forward, with interest. The Company is requesting a waiver to Commission Rule 3660 (b)(I) to accrue interest monthly on the RESA deferred balance at the rate of the Company's weighted average cost of capital..

#### ***Regulatory Accounting for the RESA Program***

In accordance with FAS 71, a deferred regulatory account has been established to record the revenue, costs, and accrued interest for the RESA program which are reported to the Commission via the Company's monthly reports. In addition, transactions are captured to meet the program's regulatory reporting requirements. For example, work orders summarize costs by type and size of

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renewable resource (e.g. customer-sited solar <10 kW), and other segments of the account code detail the nature of the cost (labor, consulting, renewable energy credits) and the business area incurring the cost.

Costs booked to the deferred regulatory account are classified as either program or administrative costs. Program costs include, but are not limited to:

- Renewable Energy Credits (RECs)
- Rebates
- REC certification
- Meter sets for second meter
- Incremental energy

Administrative costs include, but are not limited to:

- Incremental labor, employee expenses
- Marketing
- IT software for REC database
- Start-up billing costs
- Audit fees

Rule 3661(d) caps administrative costs at ten percent per year of the total annual collection. Public Service does not anticipate exceeding that cap.



## **Section 9 – Net Metering**

On September 1, 2009, Public Service filed revised net metering and photovoltaic service tariff sheets to comply with the passage of Colorado Senate Bill 09-051, which amended § 40-2-124, C.R.S., and the adoption of the Emergency Renewable Energy Standard (RES) Rules. The rules and the new statutory standards became effective on September 1, 2009.

Net Metering Service (Schedule NM) and Photovoltaic Service (Schedule PV) are available as optional services under all rate schedules. The net metering concept remains the same as in the past; however a few key changes have been made to the tariff sheets that were in effect when the Company filed its 2009 RES Compliance Plan. The new PV tariff filed on September 1 reflects updates made to the Solar\*Rewards Program. Modifications included:

- Customer's generator shall be sized no more than 120 percent of the customer's average annual electricity consumption
- If On-Site solar system is not owned by the electric consumer, the owner or operator of the On-Site solar system shall pay the cost of installing the production meter (deducted from REC payment)
- Customer may make a one-time election to have negative consumption balance carried forward to following year as a credit
- Solar\*Rewards Program Changes
  - Small Program – new 3<sup>rd</sup> Party option
  - Medium Program - extended up to 500 kW
  - Large Program – 2 MW cap removed
- On-Site Solar Systems between 100 kW and 1 MW - term of agreement may be different than 20 years
- Special provisions for Commercial tenants

The tariff sheets were adopted by the Commission in Decision No. C09-0994 (mailed September 10, 2009), in Docket No. 09L-638E, and went into effect on September 15, 2009.

The revised net metering and photovoltaic service tariff sheets, that are currently in effect, are attached at the end of this section.



## PUBLIC SERVICE COMPANY OF COLORADO

Fourth Revised

Sheet No. 92

P.O. Box 840  
Denver, CO 80201-0840

Third Revised

Cancels  
Sheet No. 92

ELECTRIC RATES	RATE
NET METERING SERVICE	
<p style="text-align: center;">SCHEDULE NM</p> <p><u>APPLICABILITY</u> Applicable as a service element under all rate schedules, including Schedule PV, to customers who own an Eligible Energy Resource that operates in parallel with the Company's system, that is no larger than one hundred and twenty percent (120%) of the average annual consumption of electricity by the customer at that site, and that has a rated capacity that does not exceed the customer's service entrance capacity. Customers may exercise the option to not have Net Metering Service as part of their interconnection arrangements. Not applicable to resale service.</p> <p><u>DEFINITIONS</u></p> <p><u>Eligible Energy Resource.</u> Recycled energy or a facility that generates electricity by means of the following energy sources: solar radiation, wind, geothermal, Biomass, hydropower, and fuel cells using hydrogen derived from Eligible Energy Resources. Fossil and nuclear fuels and their derivatives are not eligible energy resources. Hydropower resources in existence on January 1, 2005 must have a nameplate rating of thirty megawatts (30 MW) or less. Hydropower resources not in existence on January 1, 2005 must have a nameplate rating of ten megawatts or less.</p> <p><u>Net Metering.</u> The offsetting of the customer's consumption of kilowatt-hour (kWh) electric energy by the electricity generated from the Eligible Energy Resource. The customer's consumption will be determined by a single meter that can measure the flow of electric energy in both directions.</p> <p><u>MONTHLY RATE</u> All electric power and energy delivered by the Company to the Customer hereunder shall be received and paid for by the Customer at the applicable rate schedule selected by the Customer, as such rate is on file and in effect from time to time with the Commission. The Company shall determine the customer's energy consumption under the rate through the use of Net Metering.</p>	
<p>(Continued on Sheet No. 92A)</p>	

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Second Revised \_\_\_\_\_ Sheet No. 92A  
First Revised \_\_\_\_\_ Cancels  
Sheet No. 92A

ELECTRIC RATES	RATE
NET METERING SERVICE	
<p style="text-align: center;">SCHEDULE NM</p> <p><u>CALCULATION OF BILLING FOR NET METERING SERVICE</u></p> <p>Net Metering shall be, for billing purposes, the net consumption as measured at the Company's service meter. However, in the event net metering is negative such that the Eligible Energy Resource's production is greater than the Customer's consumption in any month, the Company will not credit Customer for such negative consumption. The negative consumption shall be considered as energy available to offset consumption in subsequent months. However, in the event that such negative consumption balance remains at the end of a calendar year, Company will pay Customer for such negative consumption balance at the rate that reflects the Company's average hourly incremental cost of electricity supply over the most recent calendar year. Payment shall be made within sixty (60) days of the end of each calendar year, or within sixty (60) days of when the customer terminates its retail service. Customer may make a one-time election, in writing, to have the Company carry forward the Customer's negative consumption as a credit from month to month indefinitely until the customer terminates service, at which time no payment shall be made by the Company for any remaining negative consumption balance.</p> <p><u>RULES AND REGULATIONS</u></p> <p>Service supplied under this rate schedule is subject to the terms and conditions set forth in the Company's Rules and Regulations on file with the Commission and the following conditions:</p> <ol style="list-style-type: none"> <li>Customer will be responsible for installation and maintenance of the Eligible Energy Resource. Company will install, own, and maintain suitable metering and other equipment necessary for measuring the net of the electric energy supplied by Company and the energy produced by the Eligible Energy Resource. Company will work with the customer to determine the appropriate location of its meters and metering equipment for separate Eligible Energy Resource production meters if installed.</li> </ol> <p style="text-align: center;">(Continued on Sheet No. 92B)</p>	<p>N N N N N</p>

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First Revised \_\_\_\_\_ Sheet No. 92B  
Sub. Original \_\_\_\_\_ Cancels \_\_\_\_\_  
Sheet No. 92B

ELECTRIC RATES	RATE
NET METERING SERVICE	
<p style="text-align: center;">SCHEDULE NM</p> <p>2. Customer shall notify Company of any service failure or damage to the Company's or the customer's equipment necessary for service hereunder. Repair and/or replacement of Company equipment shall be provided by Company as soon as practicable, subject to the Company's operating schedules, after notification by customer of service failure. Customer shall be responsible for repairing damage to customer's equipment.</p> <p>3. Customers shall be responsible to ensure the Eligible Energy Resource design and installation is in compliance with the Rules and Regulations, General Section, Customer's Installation and Company's Safety Interference Interconnection Guidelines for Cogenerators, Small Power Producers and Customer-owned Generators.</p> <p>4. In the event that the customer's Eligible Energy Resource is removed or is inoperable, customer shall notify Company of such and net metering service under this tariff shall no longer be applicable.</p>	<p style="text-align: center;">C</p> <p style="text-align: center;">C</p>

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DECISION  
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Fifth Revised

Sheet No. 93

Fourth Revised

Cancels  
Sheet No. 93

ELECTRIC RATES	RATE
PHOTOVOLTAIC SERVICE	
SCHEDULE PV	
<p><u>APPLICABILITY</u></p> <p>Applicable to residential, commercial and industrial customers whose electric service is connected to an on-site photovoltaic generation system ("PV System") operated in parallel with the Company's electric system. The PV System shall be a minimum of 500 watts, and shall not exceed the lesser of the service entrance or distribution system capacity of the customer or one hundred twenty percent (120%) of the average annual consumption of the customer at the customer's site. The service entrance capacity for single-phase service shall not exceed twenty kilowatts (20 kW). Not applicable to resale service.</p> <p><u>DEFINITIONS</u></p> <p><u>On-Site Solar System or PV System.</u> An On-Site Solar System or PV System is a solar generation system that is on a customer site and that is limited as described in the applicability section of this schedule. The PV System capacity rating shall be based on the Direct Current (DC) output of the PV System. In instances where the customer's proposed PV System rating is greater than the service entrance or distribution capacity and the customer desires to install such PV System thereby requiring an increase in such capacity, the customer shall provide Company a written request to increase the capacity. The Company shall determine whether or not such request can be granted and if granted, customer shall be responsible for all costs associated with increasing the service entrance and/or the distribution system capacity. All PV Systems shall be located entirely within the customer's Site. A Small PV System shall be a PV System of ten kilowatts (10 kW) or smaller, a Medium PV System shall be over 10 kW and up to five hundred kilowatts (500 kW), and a Large PV System shall be over five hundred kilowatts (500 kW). The PV System will comply with all interconnection standards and safety provisions set forth in the Company's rules and regulations.</p> <p>The PV System may be owned, operated and maintained by either the customer or another owner under conditions as set forth specifically in this rate schedule.</p> <p>(Continued on Sheet No. 93A)</p>	<p>C C C C C</p> <p>T T T</p> <p>T</p> <p>T T C C</p> <p>N N N</p>

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Second Revised

Sheet No. 93A

First Revised

Cancels  
Sheet No. 93A

ELECTRIC RATES	RATE
PHOTOVOLTAIC SERVICE	
SCHEDULE PV	
<p><u>DEFINITIONS - Cont'd</u></p> <p><u>Renewable Energy Credit(s) or "REC(s)".</u> A contractual right to the full set of non-energy attributes of the On-Site Solar System, including any and all credits, benefits, emissions reductions, offsets, and allowances, howsoever entitled, directly attributable to a specific amount of electric energy generated from an Eligible Energy Resource. One REC results from one megawatt-hour of electric energy (AC) generated from an Eligible Energy Resource, and one REC is the same as SO-REC for purposes of compliance.</p> <p><u>Site.</u> The customer's Site shall include all contiguous property owned or leased by the customer, without regard to interruptions in contiguity caused by easements, public thoroughfares, transportation rights-of-ways, or utility rights-of-way.</p> <p><u>Solar On-Site Renewable Energy Credit" or "SO-REC".</u> A REC created by an On-Site Solar System.</p> <p><u>Production Meter.</u> The Production Meter is a meter that the Company uses to measure the electric power and energy produced by the customer's PV System and it shall be installed, owned, operated and maintained by Company. The customer shall provide Company the right to ingress and egress to read, operate, and maintain the Production Meter.</p> <p><u>Standard Rebate Offer.</u> A standardized incentive program offered by the Company to its retail electric service customers for On-Site Solar Systems.</p>	<p>N N N N N T T N N N N N N C C C</p>
<p><u>MONTHLY RATE</u></p> <p>All electric power and energy delivered by the Company to the customer hereunder shall be received and paid for by the customer under the applicable residential, commercial or industrial service schedule selected by the customer as such Rates, Rules and Regulations are on file and in effect from time to time with the Commission. At the customer's option, the Company shall net meter all electric power and energy produced by the PV System, as set forth in the Net Metering Service tariff (Schedule NM) as in effect from time to time with the Commission.</p> <p>(Continued on 93B)</p>	

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## PUBLIC SERVICE COMPANY OF COLORADO

COLO. PUC No. 7 Electric

P.O. Box 840  
Denver, CO 80201-0840

Second Revised

Sheet No. 93B

First Revised

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PHOTOVOLTAIC SERVICE	
SCHEDULE PV	
<p><u>STANDARD REBATE OFFER</u></p> <p>The Standard Rebate Offer ("SRO") shall be available to customers who installed their On-Site Solar Systems on or after December 1, 2004 and who execute the Company's On-Site Solar System Agreement for a minimum term of twenty (20) years. Customers will receive a rebate of \$2.00 per watt DC for the installed On-Site Solar System up to one hundred kilowatts (100 kW) per Site. In order for the customer to receive the SRO rebate payment, the customer or the owner of the On-Site Solar System must enter into an agreement with the Company, for a minimum of twenty (20) years, that transfers the SO-RECs generated by the On-Site Solar System during the term of the agreement to the Company, provided however, that for On-Site Solar Systems of between one hundred (100) kilowatts and one megawatt, the term of the agreement may be different than twenty (20) years if mutually agreed to by the Company and the customer, and further provided that if the term is shorter than twenty (20) years, the rebate shall be pro-rated to reflect the shorter term.</p>	<p>MC MC M M M MC MC MC MC MC MC MC MC MC MC MC</p>
<p><u>RENEWABLE ENERGY CREDIT PAYMENTS</u></p> <p>For customers with Small PV Systems that are owned by the customer, customers will receive an amount per watt alternating current (AC) as specified in the PV System Agreement for the Renewable Energy Credits (SO-RECs) anticipated to be produced by the Customer's On-Site Solar System. The Company will pay the customer, up front, for all SO-RECs that will be produced by the customer-owned On-Site Solar System for the term of the On-Site Solar System Agreement. The SO-REC production shall be determined by an analysis of the customer's On-Site Solar System using the PVWATTS System (the most recent version available) which is available for review on the following website: <a href="http://rredc.nrel.gov/solar/codes_algs/PVWATTS/version1/Colorado/">http://rredc.nrel.gov/solar/codes_algs/PVWATTS/version1/Colorado/</a>.</p>	<p>T T  D  T T</p>
<p>For customers with an On-Site Solar System that is not owned by the customer, the Company will pay the owner of the On-Site Solar System for the SO-RECs each month after the Company reads and records the monthly production of the PV System, as measured by the Company's meter installed on the PV System. The Owner of the On-Site Solar System shall pay the Company for the cost of installing the Production Meter, which cost will be deducted from the SO-REC payment.</p> <p>(Continued on Sheet No. 93C)</p>	<p>N N N N N N N N</p>

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PHOTOVOLTAIC SERVICE	
SCHEDULE PV	
<p><u>RENEWABLE ENERGY CREDIT PAYMENTS Cont'd</u></p> <p>For customers with approved applications for customer-owned Medium PV Systems, customers will receive an amount per kilowatt-hour alternating current (AC) at the amount specified in the SO-REC Purchase Contract as produced by the customer's PV System and as measured by the Company's Production Meter installed on the PV System. In order to receive the SO-REC payment, the customer must enter into a SO-REC Purchase Contract with the Company, with a minimum twenty-year term, that transfers the SO-RECs generated by the PV System during the term of the agreement from the customer to the Company. The Company will pay customer for the SO-RECS each month after the Company reads and records the monthly production of the PV System.</p> <p>For customers with an approved Medium PV System that is not owned by the customer, the owner of the On-Site Solar System will receive an amount per kilowatt-hour alternating current (AC) at the amount specified in the SO-REC Purchase Contract as measured by the Company's meter installed on the PV System. In order to receive the SO-REC payment, the owner must enter into a SO-REC Purchase Contract with the Company, with a minimum twenty-year term, that transfers the SO-RECs generated by the PV System during the term of the agreement to the Company. The Company will pay for the SO-RECS each month after the Company reads and records the monthly production of the PV System. The owner of the On-Site Solar System shall pay the Company for the cost of installing the Production Meter, which cost will be deducted from the SO-REC payment.</p>	M M MC M MC M M MC M MT M M MC MC M M MC MC M MC MC MC M MN MN MN
(Continued on Sheet No. 93D)	

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ELECTRIC RATES	RATE
PHOTOVOLTAIC SERVICE	
<p style="text-align: center;">SCHEDULE PV</p> <p><u>RENEWABLE ENERGY CREDIT PAYMENTS Cont'd</u></p> <p>For customers with customer-owned Large PV Systems, a customer must be a successful bidder in the Company's Request For Proposal (RFP) for On-Site Solar Systems and customers will receive an amount per kilowatt-hour alternating current (AC) at the amount specified in the SO-REC Purchase Contract as produced by the customer's PV System and as measured by the Company's Production Meter installed on the PV System. In order to receive the SO-REC payment, the customer must enter into a SO-REC Purchase Contract with the Company, with a minimum twenty-year term, that transfers the SO-RECs generated by the PV System during the term of the agreement to the Company. The Company will pay customer for the SO-RECs each month after the Company reads and records the monthly production of the PV System.</p> <p>For customers with a Large PV System that is not owned by the customer, the owner of the On-Site Solar System must be a successful bidder in the Company's RFP for On-Site Solar Systems and will receive an amount per kilowatt-hour alternating current (AC) at the amount specified in the SO-REC Purchase Contract as measured by the Company's meter installed on the PV System. In order to receive the SO-REC payment, the owner must enter into a SO-REC Purchase Contract with the Company, with a minimum twenty-year term, that transfers the SO-RECs generated by the PV System during the term of the agreement to the Company. The Company will pay the owner for the SO-RECs each month after the Company reads and records the monthly production of the PV System. The owner of the On-Site Solar System shall pay the Company for the cost of installing the Production Meter, which cost will be deducted from the SO-REC payment.</p> <p><u>OWNERSHIP OF PV SYSTEMS</u></p> <p>Customers may elect to own, operate and maintain their PV System or customer may contract with another party to own, operate and maintain their PV System. In either event the customer has the option to be billed on a net-metered basis by the Company under Net Metering Service, Schedule NM.</p>	M M M MC M M MC M MC M M MC M MC M M M MC M MC M M M N N N N
<p style="text-align: center;">(Continued on Sheet No. 93E)</p>	MC MC M M M D

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ELECTRIC RATES	RATE
PHOTOVOLTAIC SERVICE	
<p data-bbox="667 390 850 415" style="text-align: center;">SCHEDULE PV</p> <p data-bbox="235 480 581 506"><u>RULES AND REGULATIONS</u></p> <p data-bbox="235 510 1284 716">Should there be any conflict between this Schedule PV tariff and the applicable service tariff, the provisions herein will control. Service supplied under this rate schedule is subject to the terms and conditions set forth in the agreement between the customer and Company and the Company's Rules and Regulations on file with the Commission and the following conditions:</p> <ol style="list-style-type: none"><li data-bbox="280 751 1284 957">1. Customer will install, own and maintain the PV System or contract with another party to install, own and maintain the PV System. Company will install, own and maintain suitable metering and other equipment necessary for measuring the net of the electric energy supplied by Company and the energy produced by the On-Site Solar System.</li><li data-bbox="280 993 1284 1226">2. Customer shall notify Company of any service failure or damage to the Company's or the customer's equipment. Repair and/or replacement of Company equipment shall be provided by Company as soon as practicable, subject to the Company's operating schedules, after notification by customer of service failure. Customer shall be responsible for repairing damage to customer's equipment as soon as practicable.</li><li data-bbox="280 1262 1284 1524">3. Customer shall be responsible to ensure the PV System design and installation is in compliance with the Company's Interconnection Standards and safety provisions and the Company's Safety Interference Interconnection Guidelines for Cogenerators, Small Power Producers and Customer-owned Generators. Customers who do not comply with these standards will be subject to termination of service under this schedule and under the applicable service schedule until compliance is obtained.</li></ol>	

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## **Section 10 – Interconnection Requirements**

### ***2010 Changes***

In the 2009 RES Plan, The Commission approved Public Service request to no longer require an Utility External Disconnect Switch on PV systems less than 10 kW, as long as the systems use a UL1741 certified inverter. The change in switch requirements was implemented by Public Service on February 3, 2009.

Public Service is not proposing any additional changes to the interconnection requirements at this time. Several changes to Rule 3665 are included in Decision No. C09-0990 in Docket No. 08R-0424E. Upon final order, Public Service will follow the applicable approved final rule 3665 pertaining to interconnection.



## **Section 11 – Conclusion**

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Public Service has presented a comprehensive 2010 Renewable Energy Standard Compliance Plan for the Commission's consideration. Public Service respectfully requests that the Commission approve this plan. Public Service respectfully requests that the Commission:

- Grant a waiver of Rule 3660(b)(I) to provide an interest rate on the RESA deferred balance at the Company's after-tax weighted average cost of capital
- Grant a waiver of Rule 3658 to allow for pro-rating over the contract term of SO-RECs and rebate payments made to governmental entities that are unable to contractually commit to contractual refund provisions
- Approve the On-Site Solar\*Rewards acquisition target for 2010
- Approve the On-Site Solar\*Rewards Rebate and REC Model contracts
- Approve the On-site Solar\*Rewards RFP

In addition to seeking approval of this Compliance Plan, Public Service has requested affirmation or clarification of the On-Site Solar\*Rewards program implementation.