

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF COLORADO

DOCKET NO. 09A-772E

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IN THE MATTER OF THE APPLICATION OF PUBLIC SERVICE COMPANY OF  
COLORADO APPROVING ITS 2010 RENEWABLE ENERGY STANDARD  
COMPLIANCE PLAN.

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**ANSWER TESTIMONY AND EXHIBITS OF WILLIAM J. DALTON  
STAFF OF THE COLORADO PUBLIC UTILITIES COMMISSION**

NOTICE OF CONFIDENTIALITY: PORTIONS OF THIS TESTIMONY AND/OR  
EXHIBITS ARE CONFIDENTIAL AND HAVE BEEN FILED UNDER SEAL  
PURSUANT TO 4 CCR 723-16, RULES RELATING TO THE CLAIM OF  
CONFIDENTIALITY OF INFORMATION SUBMITTED TO THE COLORADO  
PUBLIC UTILITIES COMMISSION

February 4, 2010

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### **APPENDIX A: STATEMENT OF QUALIFICATIONS**

#### **AFFIDAVIT**

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**EXHIBIT –WJD-2 (1 PAGE)**

**EXHIBIT –WJD-3 (1 PAGE)**

**EXHIBIT –WJD-4 (1 PAGE)**

**HIGHLY CONFIDENTIAL EXHIBIT –WJD-5 (1 PAGE)**

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**EXHIBIT –WJD-12 (1 PAGE)**

**I. IDENTIFICATION OF WITNESS AND PURPOSE OF TESTIMONY**

**Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

**A.** My name is William J. Dalton and my business address is 1560 Broadway Suite 250, Denver, CO 80202.

**Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

**A.** I am employed by the Colorado Public Utilities Commission  
(Commission) as a Professional Engineer.

**Q. HAVE YOU PREPARED A STATEMENT OF YOUR EXPERIENCE AND QUALIFICATIONS?**

**A.** Yes. It is attached as Appendix A to this testimony.

**Q. ARE YOU GENERALLY FAMILIAR WITH THE FILINGS IN DOCKET NO. 09A-772E?**

**A.** Yes.

1           **Q.     WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

2           **A.**     The purpose of my testimony is to provide Staff's analysis of the 2010  
3                 Renewable Energy Standard Compliance Plan (the "2010 RES Plan" )  
4                 proposed by Public Service Company of Colorado (the "Company", or  
5                 "PSCo"). I also provide Staff's recommendations on whether the  
6                 Commission should approve PSCo's 2010 RES Plan.

7  
8           **Q.     CAN YOU SUMMARIZE YOUR RECOMMENDATIONS?**

9           **A.**     Staff has completed a review and assessment of Public Service's 2010  
10                RES Plan. Staff recommends that the Commission accept Public  
11                Service's 2010 RES Plan conditioned on the following recommendations:

- 12                   1. Deny the Company's waiver request on Commission Rule 3660  
13                   (b)(I), to charge ratepayers an interest rate on the RESA account  
14                   balance based the Company's Weighted Average Cost of Capital.  
15                   2. Recommend partial waiver of Commission Rule 3658 (c), to allow  
16                   for Standard Rebate and SO-REC contracts for terms other than  
17                   20-years as required and restricted to Government customers that  
18                   require such changes.

- 1                   3. Recommend that the Commission use the Company’s alternative  
2                   case scenario in which carbon tax is deferred to 2014 for  
3                   incremental cost determination.
- 4                   4. Reject the Company’s proposed use of “avoided capacity” charges  
5                   in determination of eligible energy incremental costs.
- 6                   5. Recommend that the Company use Windsource premiums for  
7                   renewable energy additionality, as agreed in Docket No. 08A-  
8                   260E, approved by the Commission in Decision No. R09-0111,  
9                   and not use these premiums to fund Commission approved RES  
10                  and ERP acquisitions.
- 11                  6. Reject the Company’s proposal to double count RECs for specific  
12                  Windsource customers and compliance purposes.
- 13                  7. Recommend the Company reserve RESA funds for possible early  
14                  commercial operation of the Greater Sandhill I central solar  
15                  facility.

1           **II.                   COLORADO RENEWABLE ENERGY STANDARDS**

2  
3           **Q.       HAS STAFF PERFORMED A REVIEW OF THE COMPANY’S**  
4                   **COMPLIANCE PLAN BASED ON THE REQUIREMENTS IN THE**  
5                   **COMMISSION’S RULES, 4 CCR 723-3-3650, *et seq.*?**

6           **A.**     Yes.

7  
8           **Q.       WHAT DID THAT REVIEW SHOW?**

9           **A.**     The Company’s RES Compliance plan will result in continued meeting or  
10                   exceeding existing compliance requirements. As provided in **Exhibits**  
11                   **WJD – 1, WJD – 2 and WJD – 3**, although the Company has obtained  
12                   sufficient RECs for compliance purposes, the less costly central solar has  
13                   been below what is required.

14  
15           **III.               SOLAR REQUIREMENT OF THE RES**

16  
17           **Q.       IS PSCO BORROWING FORWARD SOLAR RECS IN ITS 2010**  
18                   **COMPLIANCE PLAN TO MEET THE 2010 SOLAR ENERGY**  
19                   **REQUIREMENTS?**

1           **A.**     Yes. PSCo’s 2010 RES Plan relies on “borrowing forward” to meet the  
2                   Central Solar requirement for 2010. PSCo projects borrowing forward  
3                   17,517 S-RECs from 2011.<sup>1</sup> This compares to the 2009 RES Plan where  
4                   PSCo borrowed forward 10,381 S-RECs from 2010. Staff attributes the  
5                   increase in year over year S-REC borrowing to the Company’s  
6                   disproportionate acquisition of On-Site Solar Resources since 2008,  
7                   specifically the small on-site systems (<10 kW), see **Exhibits WJD–1** and  
8                   **WJD–2**. Staff notes that Commission Rule 3654 (k), 4 CCR 723-3,  
9                   allows for such borrowing forward; however the borrowing provision  
10                  expires with the 2010 Compliance year.

11  
12           **Q.     WHAT IS PSCO’S PLAN FOR CENTRAL SOLAR ENERGY**  
13                   **ADDITIONS?**

14           **A.**     PSCo released a RFP in January 2008 for approximately 60,000 MWh of  
15                   S-RECs (approximately 25 MW AC) from new or existing non-On-Site  
16                   solar facilities starting in the 2009 - 2012 timeframe. The January 2008  
17                   RFP process resulted in a contract with Greater Sandhill I, LLC to  
18                   construct, own and operate a 19.2 MW DC (16.1 MW AC) photovoltaic  
19                   facility in the San Luis Valley.

20  

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<sup>1</sup> PSCO 2010 RES Compliance Plan, October 27, 2009, Volume 2, Table 4-2, page 3 of 4, row 15.

1 The project's expected generation is 48,004 MWh, and with the Colorado  
2 in-state bonus of 25 percent, represents approximately 60,000 first year S-  
3 RECs. The developer, Greater Sandhill I, LLC has targeted a December  
4 31, 2010 commercial operation date. The Company believes that the solar  
5 power from this project will cost approximately 33 percent less than the  
6 solar power generated by the SunE Alamosa I facility in the San Luis  
7 Valley.

8  
9 The Company submitted the Greater Sandhill I contract to the  
10 Commission for approval as an application in Docket 09A-253E and the  
11 contract was approved by the Commission in Decision No. C09-0477.

12  
13 **Q. DOES STAFF HAVE ANY CONCERNS WITH THE GREATER**  
14 **SANDHILL I CONTRACT?**

15 **A.** Staff's only concern is the expected commercial operation date of  
16 December 31, 2010. Similar to Staff's concern regarding the December  
17 31, 2009 commercial operation date of the Northern Colorado Wind I and  
18 II (NCW I and II), Staff believes that Sandhill will obtain commercial  
19 operation of the facility months prior to December 31, 2010 and this  
20 contract allows for payment based on early completion. However, the

1 RESA budget doesn't show any incurred or accrued 2010 costs being paid  
2 in 2010 arising from the Sandhill contract. If the Company budgets  
3 spending for on-site resources that may or may not be completed, then the  
4 Company should budget for early commercial operation of this central  
5 solar facility. This RESA budget oversight, with no costs until next year,  
6 mirrors the Company's position during the 2009 RES Compliance Plan  
7 hearing, which avoids acknowledging that the NCW I and II projects  
8 could achieve early commercial operations and incur RESA costs during  
9 2009. The NCW projects did achieve commercial operations six months  
10 prior to the December 31, 2009 date, and incurred costs that the Company  
11 recovered through the ECA and RESA, including an estimated \$3.6  
12 Million in incremental costs.<sup>2</sup> This modeling oversight contributed to the  
13 Company exceeding its 2009 RESA budget.

14  
15 The Solar Energy Purchase Agreement with Sandhill allows for three  
16 separate partial completion declarations on June 30, 2010, August 31,  
17 2010 and October 31, 2010. Sandhill, upon achieving these partial  
18 completions, each with 5 MW operational capacity will be sold to the  
19 Company at agreed to pricing along with any test energy at one-half the

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<sup>2</sup> PSCo 2010 RES Compliance Plan, Errata January 26, 2010, Volume 2, Table 7-5, columns C and D.

1           agreed to purchase price. Staff recommends that the Commission require  
2           the Company to reserve RESA funds to pay for all three partial completion  
3           declarations and resulting energy through the end of 2010. If commercial  
4           operation is not achieved in 2010, the funds should be released for other  
5           RESA costs.

6  
7           **IV.                   SOLAR REC AND REBATE PAYMENTS**

8  
9           **Q.       WHAT IS STAFF'S OBSERVATION OF THE COMPANY'S**  
10           **MANAGEMENT OF THE SMALL PROGRAM?**

11           **A.**    The small program offering does have a role in helping the Company  
12           achieve the RES and also develops the on-site solar industry. However,  
13           Staff does not believe that the Company's past accommodation and over-  
14           subscribing<sup>3</sup> of this segment, at the expense of all other available solar  
15           resources, results in cost effective acquisition of solar resources.

16  
17           Since the program initiation in 2006, the Company has spent almost \$120  
18           million of ratepayer's funds through November 2009 on RESA related  
19           expenses including REC and rebate payments and program administration

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<sup>3</sup> PSCo witness P. Newell, Direct Testimony, page 6, line 11 to line 12.

1 (see **Exhibit WJD-4**). The largest share of spending has been related to  
2 the Company's onsite solar programs (see Highly Confidential **Exhibit**  
3 **WJD-5**).

4  
5 **Q. IS STAFF SATISFIED WITH PSCO'S SOLAR INCENTIVES?**

6 **A.** Yes, Staff agrees with PSCo's Solar Incentives for the 2010 REC payment  
7 and rebate amounts going forward. However, Staff is concerned with the  
8 ongoing consequences of the Company's past actions that created  
9 application bubbles in the small solar program. These bubbles lock in  
10 previously offered higher REC prices. As discussed in Staff's testimony  
11 in the 2009 RES Compliance Plan,<sup>4</sup> the Company announced an  
12 immediate change in REC price in October 2008, creating an application  
13 bubble that is still being worked off. During 2009, in the Company's rate  
14 case filing (Docket 09AL-299E), the Company proposed a new minimum  
15 demand charge for small PV system installed after April 2010,<sup>5</sup> this  
16 proposal created a second application bubble, (see **Exhibit WJD-6**) which  
17 locked in these applications at \$1.50 per watt REC payment, even though  
18 the current queue price is only \$0.75 per watt REC payment beginning on

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<sup>4</sup> Docket 08A-532E, Answer Testimony of W.J. Dalton, Staff of the Colorado PUC, February 23, 2009, page 31, line 15 through Page 36, line 13.

<sup>5</sup> PSCo witness S. Brocket, Direct Testimony, Docket 09AL-299E, page 36, line 18 to line 22.

1 January 25, 2010. Staff believes that the Company's actions resulted in  
2 allocation of a significant portion of the 2010 RESA budget estimated at  
3 \$14 to \$16 million.<sup>6</sup> These actions were initiated by the Company in May  
4 2009, prior to Commission consideration of the 2010 RES Plan and prior  
5 to the Commission Decision on the 2009 RES Plan.  
6

7 **Q. DOES STAFF HAVE CONCERNS WITH THE COMPANY'S NEW**  
8 **SOLAR\*REWARDS OFFERING PROPOSED IN THIS DOCKET?**

9 **A.** Yes. The tier REC pricing structure proposed by the Company should  
10 assist the Company in reducing payments to customers<sup>7</sup>. Staff believes  
11 that the Company must consider annual RESA expenditures, RESA  
12 budgets and not accept all qualified applications as the Company did  
13 through 2009. (See **Exhibit WJD-8.**) Staff believes that the RES rules do  
14 not allow for unlimited ratepayer funded spending on renewable energy  
15 resources without consideration of costs to ratepayers, compliance  
16 requirements and a cost effective resource mix.  
17

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<sup>6</sup> PSCo's Response to Staff Discovery Request CPUC 5-27, attached as **Exhibit WJD-7.**

<sup>7</sup> PSCo's witness P. Newell, Direct Testimony, page 12, line 22 through page 13, line 1.

**V. RETAIL RATE IMPACT**

**Q. DID THE COMPANY PERFORM A RETAIL RATE IMPACT CALCULATION AS REQUIRED IN RULE 3657 AND RULE 3661, 4 CCR 723-3?**

**A.** The Company explains in its application and the direct testimony of Company witness(s) Warren and Moorman how it determined the retail rate impact calculation and the methods it used to do that calculation.

**Q. WHAT IS THE PURPOSE OF RES AND NO RES PLANS?**

**A.** The Company uses the RES and No RES Plans to determine certain incremental costs. Incremental costs are the difference in the annual Total System Costs between the RES and No RES portfolio as determined by the Company's STRATEGIST modeling software. Total System Costs are the costs associated with meeting the Company's annual load requirement (retail and wholesale loads) and the costs of all generation resources used to meet the load.<sup>8</sup>

**Q. HOW DOES PSCO DEFINE "INCREMENTAL COSTS" IN DOING ITS RES AND NO RES PLANS?**

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<sup>8</sup> PSCo's witness A. Warren, Direct Testimony October 27, 2009, page 5, line 6 to line 11.

1           **A.**     The difference in the acquisition of resources between the RES and the No  
2                   RES plans is the annual incremental costs of Eligible Energy (“EE”) as  
3                   shown in Tables 7-1 and 7-2. “Incremental Costs” are subject to recovery  
4                   through the RESA.

5

6           **Q.     DOES PSCO’S RESA RECOVER ALL THE COST OF EE?**

7           **A.**     No, the RESA only recovers the incremental portion of the cost of EE as  
8                   allowed by rule.

9

10          **Q.     HOW DOES PSCO RECOVER THE REMAINING COSTS?**

11          **A.**     PSCo performs an additional calculation to determine the costs recovered  
12                   through the ECA. The difference between the Incremental Costs and the  
13                   Total Costs of the Eligible Energy Resources in the RES Plan are  
14                   calculated by spreadsheet; these are the Avoided Costs of the non-  
15                   renewables or what PSCo refers to in its 2010 Compliance Plan as  
16                   “matching non-incremental costs” recovered as an ECA cost.<sup>9</sup>

17

18

19

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<sup>9</sup> PSCo’s witness A. Warren, Direct Testimony October 27, 2009, page 5, line 17 through page 6, line 4.

1       **Q.     HOW ARE THESE ECA COSTS RECOVERED?**

2       **A.**     These “matching non-incremental” costs are determined annually from  
3               PSCo’s RES Plan forecast and are recovered on a monthly basis from  
4               ratepayers in the ECA and trued up annually as approved in Commission  
5               Decision C09-1037, Docket 08A-532E.

6  
7       **Q.     YOU PREVIOUSLY DISCUSSED THE ECA COSTS. ARE THESE**  
8       **ECA COSTS LIMITED OR RESTRICTED IN ANY WAY?**

9       **A.**     No. The ECA costs are recovered in a manner similar to the existing ECA  
10              cost recovery rider. The ECA has been used by PSCo to recover purchase  
11              power fuel and energy costs. The ECA for the RES Plan is the avoided  
12              costs of the non-renewable resources. In Table 7-4 of PSCo’s 2010  
13              Application, PSCo is estimating an ECA credit in 2010 of approximately  
14              6,344,258. This amount becomes a cost beginning in 2011, growing  
15              exponentially to \$705,119,753 in 2020.

16  
17       **Q.     ARE ALL RENEWABLE ENERGY ECA COSTS INCURRED**  
18       **SHOWN IN PSCO’S TABLES 7-3 AND 7-4?**

19       **A.**     No. Not all the ECA costs that are attributable to eligible energy resources  
20              listed in Plan Table 4-2 are presented in Tables 7-3 and 7-4. During late

1           2007, PSCo obtained commercial operation of approximately 775 MW of  
2           new Wind Resources. 2008 represented the first full year of commercial  
3           operation. These resources are Cedar Creek (300 MW), Logan (201 MW),  
4           Peetz Table (200 MW) and Twin Buttes (75 MW). The Commission  
5           approved PSCo's request in Decision No. C08-0559, Docket 07A-462E,  
6           that the cost of these resources be recovered in the ECA and not the  
7           RESA. The cost of these resources is estimated at \$110,568,000 for 2009  
8           by the Company.<sup>10</sup> However, the renewable energy credits generated by  
9           these facilities do count toward RES compliance. These resources  
10          represent 64 percent of the acquired non solar RECs for 2009 and an  
11          estimated 62 percent of the acquired non solar RECs for 2010.

12  
13           **Q.     WHY IS THE DISTINCTION BETWEEN RECOVERY OF**  
14           **CERTAIN RENEWABLE ENERGY COSTS FROM RESA**  
15           **REVENUE AND RECOVERY IN THE ECA SO IMPORTANT?**

16           **A.**    It is important because the renewable energy costs projected by the  
17           Company (see Column F of Table 7-4) for obtaining renewable energy  
18           that complies with and exceeds compliance with the RES, are not  
19           exclusively recovered from RESA revenue or listed as ECA costs. In  
20           response to Staff Discovery Request CPUC 4-17 (see **Exhibit WJD-9**),

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<sup>10</sup> PSCo's response to Staff Discovery Request CPUC 4-17, attached as **Exhibit WJD-9**.

1 the Company identified wind energy costs for 2009 of \$147,431,000 and  
2 2010 of \$155,462,000 that are not included in Tables 7-3 and 7-4. These  
3 costs are not limited by the two (2) percent maximum retail rate impact.  
4 Further, sunk renewable energy resources that are considered in both the  
5 RES and No-RES portfolio, such as the 2007 wind resources mentioned  
6 above, are recovered through other recovery mechanisms such as the ECA  
7 and the annual cost of these resources are not included in Tables 7-3 or 7-  
8 4.

9  
10 **VI. ON-GOING INCREMENTAL COSTS**

11  
12 **Q. DOES STAFF HAVE CONCERNS WITH THE COMPANY'S**  
13 **CALCULATION OF THE ON-GOING INCREMENTAL COSTS?**

14 **A.** Yes. Staff believes that the Company is over-estimating the incremental  
15 cost for the resources. The Company is including a \$ 20 per ton carbon  
16 cost in modeling of contracted resources, even though there currently is no  
17 Federally mandated carbon cost requirement, nor a Commission order  
18 authorizing the Company to collect from ratepayers a \$ 20 per ton carbon  
19 cost.<sup>11</sup> This creates a situation where the Company is including costs that  
20

---

<sup>11</sup> PSCo's Discovery Response CPUC 4-22, provided as **Exhibit WJD – 10**.

1 do not exist. Allocating modeled incremental costs on nonexistent cost  
2 assumptions result in systemically overestimated modeled costs for both  
3 the RES and No RES portfolios.  
4

5 The Company acknowledges that there are no carbon costs in 2010 and  
6 has provided an Alternative Cost Portfolio (Application Tables 7-2 and 7-  
7 4) with carbon costs beginning in 2014. Second, the Company is now  
8 including an avoided capacity cost of \$4/kW per month capacity credit  
9 that does not exist in the RES portfolio. Staff is not aware of any current  
10 renewable energy contracts that include a demand or capacity payment;  
11 current contracts are for energy only (MWh). The Company has now  
12 added an “avoided capacity” cost in its determination of incremental costs  
13 recovered through the RESA account.  
14

15 In response to Staff Discovery CPUC 4-15 (see **Exhibit WJD-11**); the  
16 Company referenced Commission Decision C08-0929 in Docket 07A-  
17 447E, as justification for using a capacity credit. This decision did not  
18 make a finding that the Company may include these modeling parameters  
19 in the RESA incremental cost determination.  
20

1 For example, the Company has provided an estimated incremental cost  
2 determination for SunE Alamosa that includes a \$4 per kW-month  
3 capacity cost or demand charge. Staff's review of the incremental cost  
4 calculation provided in Confidential Discovery Response OCC 2-15  
5 reveals that the capacity cost inflates the incremental cost for this resource  
6 by an estimated 13 percent through 2015. Simply stated, the Company is  
7 adding capacity costs associated with the No-RES portfolio into  
8 incremental costs determined in the RES portfolio.

9  
10 Staff believes that incremental cost determination should be based on  
11 known and actual costs at time of determination, and not on modeling  
12 assumptions and guidelines used in the ERP docket that are not occurring  
13 or will not occur during the five year lock down period.

14  
15  
16 **VII. WINDSOURCE**

17 **Q. WHY IS THERE A DISCUSSION ON WINDSOURCE IN PSCO'S**  
18 **2010 RES PLAN?**

19 **A.** As a result of the Company's Application to modify the then existing  
20 Windsource Program in Docket 08A-260E, and the 2009 Windsource

1 Settlement, approved by the Commission in Decision 09R-0117, the  
2 Company is required to file its annual Windsource Program information  
3 with its annual RES Compliance Filing.  
4

5 **Q. PLEASE SUMMARIZE PSCO'S WINDSOURCE OFFERING?**

6 **A.** On February 19, 1997, the Commission issued Decision No. C97-0203 in  
7 Docket No. 96A-401E approving a settlement agreement ("1997  
8 Settlement") which implemented Windsource, the first wind generation on  
9 the Company's system. This program allows PSCo's customers to  
10 voluntarily subscribe to Windsource at a premium price.  
11 Currently, instead of a separate portfolio of wind resources to support  
12 Windsource, PSCo offers a program in which the voluntary subscribers  
13 pay premium rates to have RECs transferred from the RES portfolio, and  
14 such RECs would be retired and not used by PSCo for compliance with  
15 the RES. For a customer who purchases or offsets 100 percent of their  
16 electric consumption from renewable resources, the customer can claim  
17 their electric energy is "100 percent renewable" or "100 percent green  
18 energy."  
19

1           **Q.     DOES PSCO PROPOSE DOUBLE COUNTING THE**  
2                   **WINDSOURCE RECS?**

3           **A.**     Yes. In this application the Company proposes to double count RECs for  
4                   certain Windsource customers and compliance purposes. Double counting  
5                   of Windsource RECs has never been approved by the Commission in any  
6                   prior Docket or any of the Windsource Settlements.

7  
8           **Q.     HAS THE COMMISSION CONSIDERED DOUBLE COUNTING**  
9                   **OF RECS FOR GREEN PROGRAMS SUCH AS WINDSOURCE?**

10          **A.**     Yes. The Commission in Decision 09-1220, paragraph 13 (Docket 08R-  
11                   424R), rejected the Company's Rehearing, Reargument, or  
12                   Reconsideration for allowing double counting of RECs for voluntary  
13                   programs and RES compliance purposes. Staff recommends that the  
14                   Commission continue to disallow any double counting of RECs for  
15                   Windsource and compliance purposes.

16  
17          **Q.     WHAT ARE SOME OF THE KEY PROVISIONS FROM THE**  
18                   **WINDSOURCE DOCKET 08A-260E SETTLEMENT STAFF HAS**  
19                   **CONCERNS WITH?**

1           **A.**     Staff has concerns with the two following points from the Commission  
2                     approved settlement in Decision No. R09-0111:

3                             2. Incremental Renewable Energy Additions: Public Service  
4                             commits to use the premiums paid through the revised green  
5                             pricing program to develop renewable energy generation above  
6                             and beyond what the Company would otherwise have acquired as  
7                             part of its resource planning process.

8  
9                             3. Renewable Energy Portfolio Diversification: One benefit of  
10                            moving to a blended renewable energy product is that it allows  
11                            customers participating in the program to support and help  
12                            commercialize emerging renewable energy technologies that are  
13                            currently not part of, or play only a small role in, the Company's  
14                            resource mix.

15  
16           **Q.**     **COULD STAFF ELABORATE ON THESE CONCERNS?**

17           **A.**     The Company's proposal to use Windsource Premiums to support the  
18                     planned Solar RFP and Central Solar acquisitions will not result in  
19                     additional resources. These resources are already included in the  
20                     Company's planning process. Staff believes that this type of premium  
21                     expenditure will not provide additionality in renewable energy  
22                     development.

23  
24           **Q.**     **WHAT IS ADDITIONALITY?**

25           **A.**     Additionality is the development of renewable energy resources above or  
26                     beyond what PSCo develops to be compliant with existing laws,  
27                     Commission Rules, and other commitments. Staff recommends

1 establishing criteria to measure renewable energy resource additionality.

2 (see [http://www.green-e.org/learn\\_dictionary.shtml](http://www.green-e.org/learn_dictionary.shtml))

3  
4 **Q. WHAT CRITERIA DOES STAFF PROPOSE TO CONSIDER AS A**  
5 **MEASURE FOR ADDITIONALITY?**

6 **A.** First, timing, the resource must be new. Second, the resource must be  
7 above or beyond that provided for by RESA funds, lower carbon mandates  
8 or as part of Commission approved resource plans.

9  
10 Additionality is the development of renewable energy resources above or  
11 beyond what PSCo develops in its regular course of business to comply  
12 with Commission approved RES and low carbon energy resource plans.

13  
14 For example, the Company in its resource plan proposes to increase wind  
15 generation by 100 MW annually starting in 2010. The RECs generated by  
16 these resources are not new—that is, they do not provide additionality,  
17 because the Company is already planning to add these resources.

18  
19

1           **Q.     HAVE THE WINDSOURCE PREMIUMS COLLECTED BY PSCO**  
2                   **PROVIDED FOR NEW RENEWABLE ENERGY**  
3                   **DEVELOPMENT?**

4           **A.**    No. Staff believed that the Windsource settlement, approved by the  
5                   Commission in Decision No. R09-0111, Docket No. 08A-260E, would  
6                   result in renewable energy development additionality. Now, the Company  
7                   proposes to use the 2009 Windsource premiums to support a Solar\*Rewards  
8                   RFP required by Commission Rule 3655(f) in addition to using future  
9                   Windsource premiums to acquire an already planned central solar under the  
10                  next RFP.<sup>12</sup>

11  
12                  The Company's proposed use of Windsource premiums in this manner  
13                  will have no impact on the development of renewable energy in Colorado.  
14                  The Company is planning these renewable energy acquisitions as  
15                  approved by the Commission in Decision No. C09-1257, Docket No. 07A-  
16                  447E, [Portfolio #5 from the 120 day report], with or without the  
17                  Windsource Premiums.

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<sup>12</sup> [http://www.green-e.org/base/re\\_products?cust=r#res](http://www.green-e.org/base/re_products?cust=r#res). Decision No. R09-0413 in Docket No. 08R-424E, effective April 20, 2009, at pg.36, para. 112.

1           **Q.     WHAT IS STAFF’S OBSERVATION WITH REGARD TO PSCO’S**  
2           **PROPOSAL PERTAINING TO WINDSOURCE?**

3           **A.**     The Company has provided no assurance that Windsource premiums  
4                   collected will result in the development of new renewable energy  
5                   resources beyond planned acquisitions. Premiums collected since 2001  
6                   have not been used to procure the development of new or additional  
7                   renewable energy on behalf of Windsource subscribers, yet the Company  
8                   markets the program to customers as helping to increase the development  
9                   of renewable energy in Colorado.<sup>13</sup> The Company’s assertion that  
10                  premiums deposited into the RESA will provide additional new renewable  
11                  energy development is suspect.

12  
13           **Q.     WHAT ARE STAFF’S RECOMMENDATIONS REGARDING THE**  
14           **WINDSOURCE PROGRAM?**

15           **A.**     Staff recommends that Windsource premiums be used to support  
16                   true additionality.

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<sup>13</sup> PSCo Discovery Response CPUC 4-11, provided as **Exhibit WJD – 12.**

**VIII. WAIVER REQUEST**

**Q. WHAT IS THE WAIVER PSCO SEEKS?**

**A.** In her Direct Testimony in this matter, Ms. Robin Kittel sponsors the Company's request for "a change in the rate for interest payments on the RESA deferred balance to the Company's after-tax weighted average cost of capital", at an after-tax rate of return of 7.88%, stating that "This interest rate change is necessary to advance the early solar acquisitions needed for meeting compliance and advancing the solar industry in Colorado".<sup>14</sup>

**Q. DID PSCO PREVIOUSLY MAKE THIS ARGUMENT IN DOCKET NO. 08R-424E.**

**A.** Yes.

**Q. DO THE NEWLY-REVISED RENEWABLE ENERGY RULES COMPENSATE PSCO ADEQUATELY FOR ITS SURPLUS OR 'NEGATIVE DEFERRED BALANCE' IN THE RESA FUND?**

**A.** Yes. In Docket No. 08R-424E, the Commission approved the ALJ's

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<sup>14</sup> PSCo witness R. Kittel, Direct Testimony filed October 27, page 8, line 5 through 10.

1 recommended changes to the level of compensation for temporary  
2 expenditures by utilities to meet their renewable energy requirements that  
3 exceed the contributions by ratepayers in a particular year.  
4

5 **Q. DID THE COMMISSION RECONSIDER THE NEW RULE**  
6 **CHANGE?**

7 **A.** Yes. The Commission declined to make further modifications to the  
8 newly-minted revisions. In fact, in Decision No. C09-0990, effective  
9 September 9, 2009, the Commission specifically stated, “we decline to  
10 modify the interest rate that the ALJ establishes in his proposed changes to  
11 paragraph 3660(b) because we find that he reached a reasonable  
12 compromise in this instance”.<sup>15</sup> The Rule was thoroughly vetted in Docket  
13 No. 08R-424E. Numerous parties intervened in that proceeding, and there  
14 was ample opportunity at that time for PSCo to have submitted  
15 suggestions for other ways of structuring the Rule. All parties had an  
16 opportunity to consider PSCo’s suggestions at that time, but PSCo has  
17 instead elected to seek a waiver of the Rule and seek a higher interest rate  
18 in this docket.  
19

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<sup>15</sup> Ibid.

1           **Q.     WHAT DOES THE COMPANY INTEND TO DO IF THE WAIVER**  
2           **IS NOT GRANTED.**

3           **A.**     The Company claims it will stop its Solar\*Reward program. At page 20,  
4           lines 6 through 10 of her Direct Testimony in this matter, Ms. Kittel states  
5           that these standard offers will remain open only “if the Commission grants  
6           the waiver we request...”, and, at page 20, lines 19 through 21, that  
7           “Public Service proposes and has forecasted to keep the Small and  
8           Medium Programs open so long as the Company is not harmed by loaning  
9           money to the RESA”.

10  
11          **Q.     WHAT IS THE EFFECT OF GRANTING PSCO’S REQUEST FOR**  
12          **A PERMANENT WAIVER?**

13          **A.**     Granting the Company’s waiver request would create another source of  
14          rate-of-return revenue that the Company will be reluctant to forego. The  
15          result is an unintended “incentive” that rewards the Company for  
16          continuing its contributions to the RESA fund in excess of RESA  
17          collections or simply rewarding the Company for continued over-  
18          spending. Ratepayers would find themselves financing funds at a high  
19          rate of interest indefinitely.

20

1           **Q.     IS THE PROPOSED WAIVER CONSISTENT WITH THE**  
2                   **PRINCIPLES OF UTILITY REGULATION?**

3           **A.**    No. A utility's rate of return is that rate which compensates its investors,  
4                   not only for the cost of the interest that funds its long-term debt, but in  
5                   addition, provides shareholders a return on their investment on that portion  
6                   of the rate base that is funded by equity, the shareholders' ownership in  
7                   the company's assets. However, the RESA fund is not part of PSCo's rate  
8                   base. As such, the Company's expenditures out of the RESA fund are  
9                   simply expenses on the Company's income statement, and not an  
10                  investment reflected on its balance sheet. Allowing the Company a return  
11                  on this expense would violate the regulatory practice whereby utilities are  
12                  allowed to pass through their expenses to ratepayers, but profit only on the  
13                  shareholders' investment in the utility's infrastructure.

14  
15           **Q.     WHAT IS STAFF'S CONCLUSION REGARDING THE WAIVER**  
16                   **REQUEST?**

17           **A.**    There is no reason a waiver should be granted. The Commission has  
18                   already addressed and rejected the proposed interest rate treatment.  
19                   PSCo's request is merely a renewed attempt to get what it could not get in  
20                   the rule making docket.

**IX. RECOMMENDATIONS**

**Q. PLEASE SUMMARIZE YOUR RECOMMENDATIONS.**

**A.** Staff recommends the Commission:

1. Deny the Company's waiver request on Commission Rule 3660 (b)(I), to charge ratepayers an interest rate on the RESA account balance based the Company's Weighted Average Cost of Capital.
2. Recommend partial waiver of Commission Rule 3658 (c), allow for Standard Rebate and SO-REC contracts for terms other than 20-years as required for Government customers that require such changes.
3. Recommend that the Commission use the Company's alternative case, carbon tax differed to 2014 for incremental cost determination.
4. The Commission should reject the Company's proposed use of "avoided capacity" charges in determination of eligible energy incremental costs.
5. Recommend that the Company use Windsource premiums for renewable energy additionality, as agreed to in Docket No.

1 08A-260E, approved by the Commission in Decision No. R09-  
2 0111.

3 6. Reject the Company's proposal to double count RECs for  
4 specific Windsource customers and compliance purposes.

5 7. Recommend the Company reserve RESA funds for possible  
6 early commercial operation of Greater Sandhill I central solar  
7 facility.

8  
9 **Q. DOES THIS CONCLUDE YOUR TESTIMONY AT THIS TIME?**

10 **A. Yes.**

**APPENDIX A**

**STATEMENT OF QUALIFICATIONS**

**OF**

**WILLIAM J. DALTON, P.E.**

I am a graduate of the State University of New York at Buffalo with a Bachelor of Science Degree in Chemical Engineering. I have a Masters in Business Administration Degree from Canisius College (Buffalo, NY). I am licensed Professional Engineer in Colorado and New York. I am a Certified Energy Manager and a Certified Sustainable Development Professional, as issued by the Association of Energy Engineers.

I joined the Colorado Public Utilities Commission in January 2007 as a Professional Engineer. In my present position, I have responsibility to analyze and make recommendations to the Commission on Renewable Energy Standards Programs, and to review and evaluate applications filed by regulated utilities to ensure compliance with generally accepted Rules and practices of the Commission. To date, I have provided testimony in Commission Docket Nos. 06S-656G, 07A-108EG, 07A-356E, 07A-462E, 08A-260E, 08A-346E, 08A-470E, 08A-532E, 09A-015E and 09A-156E.

My professional experience includes project, consulting, and development engineering roles in regulated industries, primarily in the areas of public utility and nuclear waste remediation.

Prior to joining the Colorado Public Utilities Commission, I worked at Xcel Energy for 6 years, most recently as a Generation Modeling Analyst. In this role, I was involved in evaluation of multiple cost impacts to Xcel Energy generation and resource portfolio using various modeling software. Initially at Xcel Energy, I was a Technical Consultant, providing technical expertise on new product offerings and customer implementation requirements.

Prior to joining Xcel Energy, my responsibilities included Project Engineering, process design supervision and oversight for waste retrieval and treatment system design for Department of Energy (DOE) facilities. I prepared and presented project documentation, status reports, technical evaluations and updates to management, client, subcontractors and vendors, state regulatory agencies, the DOE and Nuclear Regulatory Commission (NRC). I ensured compliance with environmental regulations and contract requirements. I provided resolution, costing, justification, and program changes as required.

As a consulting engineer, I managed assignments involving process development, design and evaluations, environmental compliance and market studies. I evaluated and made recommendations to improve client operations, process analysis, material flow, equipment and facility layouts. I determined capital and operating costs, designed process operations and materials handling systems. I have performed the following responsibilities: mass and energy balances, material and equipment selection/assessment, environmental permitting and compliance.



BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF COLORADO

DOCKET NO. 09A-772E

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RE: IN THE MATTER OF THE APPLICATION OF PUBLIC SERVICE COMPANY OF COLORADO  
APPROVING ITS 2010 RENEWABLE ENERGY STANDARD COMPLIANCE PLAN.

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**AFFIDAVIT OF WILLIAM J. DALTON**  
**STAFF OF THE COLORADO PUBLIC UTILITIES COMMISSION**

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I, William J. Dalton, being duly sworn, state that the attached testimony was prepared by me or under my supervision, control, and direction; that the testimony is true and correct to the best of my information, knowledge and belief; and that I would give the same testimony orally if asked under oath.

\_\_\_\_\_  
**William J. Dalton**

Subscribed and sworn to before me in the County of \_\_\_\_\_, State of Colorado, this \_\_\_\_ day of

\_\_\_\_\_ 2010.

\_\_\_\_\_  
NOTARY PUBLIC

My Commission expires: \_\_\_\_\_

**EXHIBIT –WJD-1 (1 PAGE)**  
**EXHIBIT –WJD-2 (1 PAGE)**  
**EXHIBIT –WJD-3 (1 PAGE)**  
**EXHIBIT –WJD-4 (1 PAGE)**  
**HIGHLY CONFIDENTIAL EXHIBIT –WJD-5 (1 PAGE)**  
**EXHIBIT –WJD-6 (1 PAGE)**  
**EXHIBIT –WJD-7 (1 PAGE)**  
**EXHIBIT –WJD-8 (1 PAGE)**  
**EXHIBIT –WJD-9 (1 PAGE)**  
**EXHIBIT –WJD-10 (1 PAGE)**  
**EXHIBIT –WJD-11 (1 PAGE)**  
**EXHIBIT –WJD-12 (1 PAGE)**