

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO**

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IN THE MATTER OF APPLICATION OF)
PUBLIC SERVICE COMPANY OF)
COLORADO FOR APPROVAL OF)
CERTIFICATES OF PUBLIC)
CONVENIENCE AND NECESSITY FOR) **PROCEEDING NO. 19A-XXXXE**
THE ACQUISITION OF, AND)
APPROVAL OF COST RECOVERY)
FOR, THE MANCHIEF GENERATION)
FACILITY AND VALMONT 7 & 8)

**VERIFIED APPLICATION OF PUBLIC SERVICE COMPANY OF COLORADO FOR
CERTIFICATES OF PUBLIC CONVENIENCE AND NECESSITY APPROVING THE
ACQUISITION OF THE MANCHIEF AND VALMONT 7 & 8 FACILITIES**

In accordance with § 40-5-101, C.R.S., and with 4 CCR 723-3-3002, -3102, -3205, -3206, and -3617, Public Service Company of Colorado (“Public Service” or the “Company”) hereby requests that the Colorado Public Utilities Commission (“Commission”) issue Certificates of Public Convenience and Necessity (“CPCNs”) for acquisition of: (1) the 301 MW Manchief generation facility (“Manchief Facility” or “Manchief”); and (2) the 82 MW Valmont generation facility (“Valmont 7 & 8” or “Valmont”). Public Service also seeks approval of the Company’s cost recovery proposal relating to these two facilities as part of this Application.

I. OVERVIEW AND BACKGROUND

1. The Commission approved the Company’s Preferred Colorado Energy Plan Portfolio (“Preferred CEPP”) by Decision No. C18-0761 on September 10, 2018. The Preferred CEPP, developed in collaboration with a diverse array of stakeholders,

continues Colorado's transition to a clean energy future. In addition to the 660 MW of coal-fired generation that will be voluntarily retired to allow for implementation of the Preferred CEPP, Public Service will acquire approximately 1,100 MW of new wind resources (500 MW of which will be Company-owned), approximately 700 MW of new solar resources, 275 MW of new battery storage, and 383 MW of existing gas assets. The 383 MW of existing gas assets are the subject of this Application.

2. The Preferred CEPP is economically beneficial for customers and will be critical to meeting the Company's industry-leading goal of 100 percent carbon-neutral generation by 2050. It is comprised of eleven separate generation projects.¹ In order to move forward with the generation projects that are part of the Preferred CEPP, the Commission directed the Company to file certain CPCN applications pursuant to Rule 3102.²

3. The first subject of this Application is a CPCN for the acquisition of the Manchief Facility. The Manchief Facility is an existing 301 MW simple-cycle, natural gas-fired peaking power plant comprised of two Siemens Westinghouse V84.3A1 gas combustion turbines ("CTs") arranged for parallel operation with a single point of delivery to the Public Service transmission system. It is located approximately 90 miles northeast of Denver near Brush, Colorado. Manchief was constructed between 1999 and 2000, entered commercial operation in July 2000, and was acquired by the current owner, Atlantic Power Corporation ("Atlantic Power"), in 2011. Since its construction, the entire output of the Manchief Facility has been contracted to Public Service under a

¹ The list of the generation resources included in the Preferred CEPP can be found in Table JWI-D-1 in the accompanying Direct Testimony and Attachments of Company witness Mr. Jack W. Ihle.

² Decision No. C18-0761 ¶¶ 114, 119, 122, and 133, Proceeding No. 16A-0396E (mailed Sept. 10, 2019).

Purchase Power Agreement (“PPA”) that will expire in 2022. After the PPA expires, the Company will own and operate the facility. Consistent with Decision No. C18-0761, the Company is proposing to acquire Manchief in 2022, and expects to continue to operate the facility as a peaking plant on the Public Service system.

4. The second subject of this Application is a CPCN for the acquisition of Valmont 7 & 8. Valmont 7 & 8 is an 82 MW simple-cycle, natural gas-fired peaking facility located in Boulder, Colorado, within the boundary of the decommissioned former Valmont coal plant site.³ It is owned by Southwest Generation Operating Company (“SWG”), and is located on land leased from Public Service. Unit 7 began commercial operations in May 2000, and Unit 8 began commercial operations in May 2001. Public Service previously had a PPA with SWG for the full output of Valmont 7 & 8. The PPA expired in 2012. Valmont 7 & 8 has not been under contract to the Company since that time. The facility is comprised of two GE LM6000 gas turbines. All plant equipment, gas supply, electric interconnection, and other infrastructure has been maintained at the site to allow for reestablishment of commercial operation upon reinstallation of the CT engine cores. Company witness Mr. Kyle L. Williams provides a more detailed discussion of Valmont 7 & 8 in his Direct Testimony. By Decision No. C18-0761, the Commission authorized Valmont 7 & 8 to be placed in-service in 2022. In this Application and its supporting testimony, Public Service proposes to, as an alternative, exercise an Early Purchase Option included in the Purchase and Sale Agreement (“PSA”) in order to place Valmont 7 & 8 in-service in the summer of 2020. The

³ Valmont Unit 1 went into service in 1924 and three more units were added in ensuing years through 1942. The four oldest units stopped generating power in 1986. The coal-fired Unit 5 ceased operations in 2017 as part of the Clean Air-Clean Jobs Act initiative. Unit 6 is a 51 MW gas combustion turbine owned by Public Service.

Company believes this preferred alternative is the best path forward, from both an operational and customer perspective. However, if the Commission declines to authorize the exercise of the Early Purchase Option for Valmont 7 & 8, the Company nevertheless requests approval for purchase in 2022.

5. In support of this Application, three witnesses are providing Direct Testimony and supporting attachments:

- Mr. Jack W. Ihle, Director – Regulatory and Strategic Analysis, Xcel Energy Services, Inc. (“XES”).⁴
- Mr. James F. Hill, Director – Resource Planning and Bidding, XES.
- Mr. Kyle L. Williams, General Manager – Power Generation, Public Service.

II. REQUESTED APPROVALS

6. The Company is requesting the following approvals:
- a. Approval of a CPCN to acquire, own, and operate the existing 301 MW Manchief Facility;
 - b. Approval of a CPCN to acquire, own and operate the existing 82 MW Valmont 7 & 8;
 - c. Approval to exercise the Early Purchase Option afforded by the terms of the PSA to bring Valmont 7 & 8 on-line in 2020, approximately two years earlier than the 2022 acquisition and in-service date of the facility contemplated in the approval of the CEPP, as this early acquisition is the Company’s preferred alternative in this proceeding; and
 - d. Approval of the Company’s cost recovery proposal for both the Manchief Facility and Valmont 7 & 8, which includes acquisition adjustments for accounting purposes for both the Manchief Facility and Valmont 7 & 8 acquisitions.

⁴ XES is a wholly owned subsidiary of Xcel Energy Inc. (“Xcel Energy”), and provides an array of support services to Public Service and the other utility operating company subsidiaries of Xcel Energy on a coordinated basis.

7. The Company's cost recovery proposal is included with this Application in accordance with Decision No. C18-0761.⁵ Rule 3617 contemplates the Commission's review and approval of resource plans. Under Rule 3617(d), "[a] Commission decision specifically approving the components of a utility's plan creates a presumption that utility actions consistent with that approval are prudent."⁶ The presumption of prudence with regards to the Company's actions is applicable in this circumstance, as the acquisitions of the Manchief Facility and of Valmont 7 & 8 were approved by the Commission in Decision No. C18-0761 and the Application here is consistent with the Company's approved resource plan. To the extent the Commission approves the alternative in-service date of summer 2020, the Company requests a finding from the Commission that the presumption of prudence attaches to this action in any future rate review proceeding.

8. Finally, the Company respectfully requests the Commission consider issuing a final order in this proceeding no later than first quarter of 2020 if exercise of the Early Purchase Option is deemed the most appropriate course of action for the acquisition of Valmont 7 & 8. This would ensure Valmont 7 & 8 can achieve commercial operation by summer 2020. Public Service proposes to exercise the Early Purchase Option for Valmont 7 & 8 as its preferred alternative in this proceeding because – as the Company explains in its direct case – this course of action represents a better course of action from an operational and customer perspective as opposed to delaying the acquisition of Valmont 7 & 8 until 2022 (as originally approved by the Commission).

⁵ See Decision No. C18-0761 ¶ 121, Proceeding No. 16A-0396E (mailed Sept. 10, 2019).

⁶ 4 CCR 723-3-3617(d).

A. Approval of the Company's Cost Recovery Proposals

9. The Company is also bringing forward a cost recovery proposal for both Manchief and Valmont 7 & 8, as set forth in the Direct Testimony of Company witness Mr. Ihle. With regards to the Manchief Facility, the Company proposes to use the Electric Commodity Adjustment (“ECA”) and the Purchased Capacity Cost Adjustment (“PCCA”) to recover costs from the time of the Manchief Facility’s acquisition until the costs are incorporated into base rates through a rate review proceeding. The Company believes this approach is appropriate because the Manchief Facility is currently operating on Public Service’s system under a PPA set to terminate in spring 2022. Under that PPA, capacity-related costs are already recovered through the PCCA, and energy costs are already recovered through the ECA. This approach would continue the same treatment until the Manchief Facility is moved into base rates in the first Phase I rate review proceeding after the acquisition.

10. With regard to Valmont 7 & 8, the Company proposes to bring Valmont 7 & 8 into base rates in the first Phase I rate review after Valmont 7 & 8 is placed into service (since, unlike the Manchief Facility, Valmont 7 & 8 is not currently operating on the system under a PPA).

11. The Company’s cost recovery proposal includes an acquisition adjustment for both the Manchief Facility and Valmont 7 & 8. As explained by Company witness Mr. Ihle, in the circumstances of this proceeding, where an independent power producer (“IPP”) is selling a generation asset to a utility, the net book value of the asset is determined by the seller of the asset (i.e., the IPP). The winning bid price, on the other hand, is the market price – it is the purchase price that was ultimately successful in the competitive solicitation. Here, the purchase prices of the winning bids in the Phase II

competitive solicitation are more than the net book value of the assets based on information from the IPP. Accordingly, an “acquisition adjustment” will result from Public Service acquiring Valmont 7 & 8 and the Manchief Facility.

12. Public Service will reflect the “acquisition adjustment” portion of these bids appropriately in its retail accounting treatment as part of its cost recovery proposal in this proceeding. This accounting treatment follows accounting requirements at the Federal Energy Regulatory Commission (“FERC”) that require the acquisition adjustment to be reflected separately from the rest of the purchase price. In the case of Valmont, the acquisition adjustment is \$6.4 million. In the case of the Manchief Facility, the acquisition adjustment is \$6.0 million. Neither acquisition adjustment changes or is incremental to the purchase price for either Valmont 7 & 8 or the Manchief Facility; however, recognition of the acquisition adjustment is necessary from an accounting perspective and therefore is part of the Company’s cost recovery proposal in this proceeding.

III. REQUEST FOR CPCNS FOR THE ACQUISITION OF THE MANCHIEF FACILITY AND OF VALMONT 7 & 8

13. Rules 3002, 3102(b), 3102(e), 3102(f), and 3205 require an applicant to set forth certain information, and make certain representations in its application for Commission approval of a CPCN for a generation facility. The relevant information and representations are set forth in the following sections.

A. Information Required by Rule 3102(b)

14. **Rule 3102(b)(I):** Please see Section VI of this Application, which incorporates the information required by Rules 3002(b) and 3002(c).

15. **Rule 3102(b)(II):** As discussed in the Direct Testimony of Company witness Mr. Ihle, this Application is being filed in accordance with Decision No. C18-0761.⁷

16. **Rule 3102(b)(III):** As discussed in the Direct Testimonies of Company witnesses Mr. Ihle and Mr. Williams, and as noted above, the Manchief Facility is located approximately 90 miles northeast of Denver, in Morgan County near Brush, Colorado. Valmont 7 & 8 is located in Boulder, Colorado, within the boundary of the decommissioned former Valmont coal plant site.

17. **Rule 3102(b)(IV):** The purchase price of the Manchief Facility is \$45.2 million. The purchase price of Valmont 7 & 8 as originally bid (i.e., assuming an in-service date of May 1, 2022) is \$19.9 million. Under the terms of the Early Purchase Option, exercise of which is the Company's preferred alternative, the PSA defines an "Adjusted Base Purchase Price," which establishes a formula to determine the cost depending on the number of days between May 1, 2020 and the closing date, or the "Adjustment Period." Specifically, the Adjusted Base Purchase Price is defined in the PSA as: "an amount equal to \$18,500,000 plus the product of (i) \$1,400,000 multiplied by (ii) a fraction, the numerator of which is the number of days in the Adjustment Period and the denominator of which is 730." Assuming a closing date of May 1, 2020, the Adjusted Base Purchase Price is \$18.5 million. As previously explained, the acquisition adjustments discussed above are included within the purchase price of these facilities and are not separate costs.

⁷ See Decision No. C18-0761 ¶ 121, Proceeding No. 16A-0396E (mailed Sept. 10, 2018).

18. **Rule 3102(b)(V):** Because the Manchief Facility and Valmont 7 & 8 already exist, there is not a construction start date for either facility. As discussed by Company witness Mr. Williams, Public Service's acquisition of the Manchief Facility will occur following Commission approval and satisfaction of all closing conditions as set forth in the germane PSA. The anticipated closing date for Manchief is on or before July 29, 2022 (i.e., before the termination date of the Manchief PSA, but not before the Manchief PPA expires in Spring 2022). As also discussed by Company witness Mr. Williams, the PSA for Valmont 7 & 8 establishes a May 1, 2022 target closing date. However, if the Company's preferred alternative to exercise the Early Purchase Option is authorized by the Commission, Public Service will work with SWG to satisfy the respective obligations under the terms of the PSA and close the transaction as early as mid-2020 (with a target of May 1, 2020).

19. **Rule 3102(b)(VI):** A map showing the location of the existing Manchief Facility, including population centers, major highways, and county and state boundaries is provided as Attachment KLW-1 to the Direct Testimony of Company witness Mr. Williams. Mr. Williams also provides a map showing the location of the existing Valmont 7 & 8 facility – including population centers, major highways, and county and state boundaries – as Attachment KLW-2.

20. **Rule 3102(b)(VII):** An electric one-line diagram of the Manchief Facility is provided as Attachment KLW-3 to the Direct Testimony of Company witness Mr. Williams. Mr. Williams's Direct Testimony also contains an electric one-line diagram of the Valmont 7 & 8 facility, provided as Attachment KLW-4.

21. **Rule 3102(b)(VIII):** Pursuant to this subpart of Rule 3102, an applicant is to provide “as applicable, information on alternatives studied, costs for those alternatives, and criteria used to rank or eliminate alternatives.”

22. The Company did not consider alternatives to either the purchase of the Manchief Facility or of Valmont 7 & 8 for purposes of this filing, and does not believe it is necessary to do so given that the bid for each facility was identified, evaluated, and approved as part of the Phase II competitive solicitation process in Proceeding No. 16A-0396E. Accordingly, this subpart is inapplicable as this Application is for follow-on CPCNs resulting from a Phase II Electric Resource Plan competitive solicitation. The Manchief and Valmont 7 & 8 facilities were selected from a pool of over 400 bids; this robust competitive solicitation was a more than adequate substitute for the required alternatives analysis. The only alternative the Company requests the Commission consider is the exercise of the Early Purchase Option for acquisition of Valmont 7 & 8 in 2020 rather than 2022. While the Company does not believe a waiver is necessary in either instance, if the Commission does determine a waiver is necessary or appropriate the Company has included a waiver request below.

B. Rules 3102(b)(IX) and 3102(b)(X), and Other Information Required by Rules 3102(c) and 3102(d)

23. Rule 3102(b)(IX) provides that an application for a CPCN should include “as applicable, a report of prudent avoidance measures considered and justification of the measures selected to be implemented.” The concept of “prudent avoidance” applies only to CPCN applications to construct or extend transmission facilities. Likewise, Rules 3102(b)(X), 3102(c), and 3102(d) only apply to “construction or extension[s]” of transmission facilities. These subsections are inapplicable here, as the proposed

acquisitions of the Manchief Facility and Valmont 7 & 8 do not require any construction or extension of transmission facilities.

C. Information Required by Rules 3102(e) and 3102(f)

24. The Company solicited information regarding best value employment metrics (“BVEM”), as specified in Rule 3102(e), from all bidders in its Phase II competitive solicitation. The Company provided this information in its 120-Day Report for all bids, as Highly Confidential Appendix C. As discussed in Company witness Mr. Ihle’s Direct Testimony, the Commission considered the BVEM information in its Phase II Decision and determined that the BVEM requirements had been satisfied with regard to these projects.⁸

IV. WAIVERS

25. The Company does not believe a full or partial waiver of Rule 3102(b)(VIII) is necessary for the issuance of the requested CPCNs for the Manchief Facility and for Valmont 7 & 8, respectively. However, to the extent the Commission deems a full or partial waiver to be necessary, Public Service respectfully requests the Commission grant a waiver of Rule 3102(b)(VIII) pursuant to Rule 1003. The Company would request the waiver be permanent and full for purposes of this Application.

26. To the extent the Commission deems any other waivers necessary to consider this Application, the Company further requests those waivers be granted as necessary.

⁸ See Decision No. C18-0761 ¶ 101, Proceeding No. 16A-0396E (mailed Sept. 10, 2019).

V. ADDITIONAL INFORMATION REQUIRED BY RULE 3002

27. **Rule 3002(b)(I):** Public Service is an operating public utility subject to the jurisdiction of this Commission, engaged, *inter alia*, in the transmission, distribution and purchase of electricity and gas in various areas in the State of Colorado. The name and address of the Applicant is:

Public Service Company of Colorado
1800 Larimer Street, Suite 1400
Denver, CO 80202

28. **Rule 3002(b)(II):** All operations conducted by the Company in Colorado are conducted under the name of Public Service Company of Colorado, under the trade name of Xcel Energy.

29. **Rule 3002(b)(III):** Please send copies of all inquiries, notices, pleadings, correspondence, and other documents regarding this Application to:

Jack Ihle
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1800 Larimer Street, Suite 1400
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30. **Rule 3002(b)(VII):** In lieu of the separate statements required by subpart (b)(IV) through (VI) of Rule 3002, Public Service states that it has read, and agrees to abide by, the provisions of subparagraphs (b)(IV) through (VI) of this rule.

31. **Rule 3002(b)(VIII):** Public Service's existing operations and general service areas in Colorado are set forth in the Company's tariffs on file with the Commission.

32. **Rule 3002(b)(IX) and Rule 3002(c):** Pursuant to 3002, subparts (b)(IX) and (c), Public Service hereby incorporates by reference the following information required by Rule 1310, which is on file with the Commission in Proceeding 06M-525EG:

- a. A copy of Public Service's Amended Articles of Incorporation, which was last filed on October 3, 2006;
- b. The name, business address and title of each of Public Service's officers and directors, which was last filed on March 28, 2019;
- c. The names and addresses of affiliated companies that conduct business with Public Service, which was last filed on March 28, 2019;
- d. The name and address of Public Service's agent for service of process, which was last filed on March 28, 2019; and
- e. A copy of Public Service's most recent audited balance sheet, income statement, and statement of retained earnings which was last filed on March 28, 2019.

33. **Rule 3002(b)(X):** Public Service requests that if this Application is unopposed, it be granted without a hearing. However, if a hearing is held, Public Service requests that it be held at the Commission's offices in Denver, Colorado.

34. **Rule 3002(b)(XI):** Public Service acknowledges that it has read and agrees to abide by the provisions of 4 CCR 723-3002(b)(XI)(A) through (C).

35. **Rule 3002(b)(XII):** Jack W. Ihle, Director – Regulatory and Strategic Analysis, states under penalty of perjury that the contents of this Application are true, accurate, and correct to the best of his knowledge. His affidavit is attached to this Application.

VI. CONCLUSION

Wherefore, Public Service Company of Colorado respectfully requests that the Commission: (1) grant this Application and issue CPCNs for approval of the Company's acquisition of the Manchief Facility and Valmont 7 & 8; (2) approve the above-contemplated Early Purchase Option for Valmont 7 & 8; and (3) approve the Company's cost recovery proposal as it relates to the Manchief Facility and Valmont 7 & 8.

Dated this 23rd day of July, 2019.

Respectfully submitted,

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