

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

**PUBLIC SERVICE COMPANY OF COLORADO)
SENATE BILL 07-100 DESIGNATION OF) DOCKET NO. 09M-790E
ENERGY RESOURCE ZONES AND)
TRANSMISSION PLANNING REPORT)**

PUBLIC SERVICE COMPANY OF COLORADO'S REPLY COMMENTS

Introduction

Public Service Company of Colorado ("Public Service" or "Company") hereby submits reply comments in this proceeding, as provided for in Decision No. C09-1327.

In this proceeding, the Commission is addressing the Company's Senate Bill 07-100 Designation of Energy Resource Zones and Transmission Planning Report, filed on October 30, 2009 ("SB07-100 Report"). The Commission invited interested parties to file comments in response to the SB07-100 Report. The following parties did so: (i) Interwest Energy Alliance ("Interwest"); (ii) the Colorado Independent Energy Association ("CIEA"); (iii) Blanca Ranch Holdings, LLC and Trinchera Ranch Holdings, LLC (collectively, "Trinchera Ranch"); and (iv) TradeWind Energy, Inc. and Horizon Wind Energy (collectively, the "Wind Developers").

Because Interwest, CIEA, and Trinchera Ranch take the same general approach of attempting to invalidate the Company's report by criticizing the process that led to it, Public Service will first address their comments. It will then address the comments of the Wind Developers, who make a concrete proposal

regarding one of the transmission projects that the Company has proposed in its report.

Since the submission of its SB07-100 Report, the Company has established a website to inform stakeholders and the public regarding the Company's SB07-100 planning activities. Public Service will also use these reply comments to provide further information regarding this development.

Response to Interwest, CIEA, and Trinchera Ranch

In the Company's SB07-100 Report, the Company provided general descriptions of its planning activities, but, more importantly, it also identified and described the Energy Resource Zones ("ERZs" or "Zones") that the Company has designated, and listed specific proposed transmission projects with planned dates for the filing of certificates of public convenience and necessity ("CPCN") and project completion. See SB07-100 Report Table 5.1 – Transmission Projects Being Implemented, and Table 5.2 – Potential Transmission Projects. The Company also provided narrative descriptions and status reports for each of these projects.

There is a commonality to the comments of Interwest, CIEA, and Trinchera Ranch: all three attempt to undercut the validity of the SB07-100 Report by making vague and general assertions regarding the planning process that led to the conclusions in the report or how the report was written, but not by proposing any actual alternative projects to those the Company has proposed or an alternative prioritization of the identified projects.

Given the review that Commissioner Tarpey undertook last year in the investigatory docket (Docket No. 08I-227E), the current notice of proposed rulemaking addressing the Commission's CPCN rules (Docket No. 09R-904E), and the proceeding to address the Commission's transmission planning proposal (Docket No. 09M-616E), Public Service does not believe it would be particularly useful, productive, or even appropriate to try to give any detailed refutation of these parties' generalized comments here. To the extent these parties wish to express their concerns regarding transmission development and planning in Colorado, there has been in the past and will continue to be in the future ample opportunity to do so. Public Service has provided extensive information to the Commission and interested parties regarding how it conducts planning and will continue to do so in the newly opened Docket No. 09M-616E proceeding. That said, Public Service does believe it necessary here to explain its fundamental disagreement with these three commenters as to how transmission planning is to be conducted under SB07-100.

To elaborate, Interwest, CIEA, and Trinchera Ranch make arguments which, if accepted, would result in a significant change in terms of how the Company would analyze SB07-100 projects in the future. Specifically, each of these commenters faults the Company for not doing enough to analyze in its report potential generation resources. See, e.g., Interwest Comments at 8 ("Transmission plans filed to date contain cost estimates for transmission, but they do not characterize the generation additions that the transmission, if built, would enable."); CIEA Comments at 6 ("Transmission planning should be based

on a determination of where the best solar and wind resources are, what is the best deal for ratepayers, what mix of generation areas promotes decreased variability and increased reliability, and what will enable Colorado to achieve its environmental and carbon reduction goals.”); and Trinchera Ranch at 4 (“Compliance with §40-2-126(2)(b) requires that Public Service analyze in detail what beneficial energy resources will likely be developed and when that development will occur. Public Service then must study and explain how the development of its proposed transmission facilities is consistent with this timing and development.”).

Public Service does not agree that SB07-100 transmission planning necessitates the type of granular generation analysis that these commenters seem to believe that it does. Instead, it actually agrees with the recognition in Interwest’s comments that the intent of SB07-100 was to solve the “chicken and egg” problem or “vicious cycle” that occurs in transmission planning by having utilities take a more anticipatory approach in their transmission planning so that transmission facilities are built in advance of renewable generation projects to thereby promote the development of those projects. See Interwest Comments at 7-8 (addressing the “chicken and egg problem” or the “vicious cycle”).

In developing its SB07-100 plans, Public Service has been informed by stakeholder input and other sources of information, including those cited by the three commenters, as to where renewable resources are likely to be developed. That has been the basis for the Zones that Public Service has described in its report. The Company’s SB07-100 Report then identifies specific proposed

projects to simultaneously strengthen its transmission “backbone” and increase the transmission capability to each of the Zones. CPCNs for certain projects have already been obtained, an application for one is presently pending, and applications for two CPCNs are targeted for later this year. Those CPCNs would be for the Lamar to Front Range Project, which would accommodate new resources in Zone 3 (southeast Colorado) – a project described in greater detail below – and for the Lamar to Vilas project, which would also accommodate new resources in Zone 3. In this manner, the Company’s SB07-100 Report demonstrates that the Company has fulfilled the purpose of the statute, which is to require utilities to “[d]evelop plans for the construction or expansion of transmission facilities necessary to deliver electric power consistent with the timing of the development of beneficial energy resources located in or near such zones.”

Where Public Service’s views diverge from Interwest, CIEA, and Trinchera Ranch is regarding the type of generation assessment that should be required to support an SB07-100 project. It is certainly true that one way to perform generation assessment is to conduct an RFP for generation resources. However, because developers may not even bid, much less build, the best resources if the transmission capacity is not already there to support the development of projects, this approach leads back to the chicken and egg problem, where one must know the best resources before building transmission. SB07-100 was intended to break this cycle by providing for the construction of

transmission projects even in advance of any particular definite generation development proposals.

The requirement in SB07-100 to develop transmission to support “beneficial energy resources,” does not require that there be definite plans to construct particular energy resources. Nor does developing transmission to support beneficial energy resources require that the Company determine with mathematical precision that the transmission projects that it proposes with the associated prioritization it proposes will lead to the development of the optimal generation resources first. A conclusion otherwise would be tantamount to a finding that the Company should plan and build transmission as needed exclusively for those generation projects that are identified in the Company’s generation planning. That would in effect take us full circle back to where we were prior to the enactment of SB07-100, when transmission planning was largely focused on expanding the grid to accommodate specifically planned resources that had been identified in the Company’s resource plan.

By the same token, SB07-100 did not contemplate that transmission to all unserved areas would be built at once, as Interwest suggests. See Interwest Comments at 7. While it is well-accepted that there needs to be an expansion of the grid in Colorado, it would not be cost-effective or in the public interest to try to do that all at once. Reasonable prioritizations of projects are necessary to ensure the development of projects in a cost-effective and logical manner, and consistent with the requirements of §40-2-126(b), C.R.S. In this regard, Public Service has in its SB07-100 Report proposed projects that will both strengthen

the backbone of the Public Service system, and increase transmission capacity to each of the Zones, which should thereby facilitate the development of beneficial energy resources as contemplated by §40-2-126(b), C.R.S. The result is an appropriate priority of projects.

Response to Wind Developers

In contrast to Interwest, CIEA, and Trinchera Ranch, the Wind Developers have used their comments to emphasize its views on the need to prioritize a specific project identified in the SB07-100 Report – specifically, the Lamar-Front Range project – and to make suggestions regarding how that project should be completed. As decided in the SB07-100 Report, the Lamar – Front Range Project is anticipated to include high voltage transmission from southeast Colorado to Public Service and Tri-State customer load centers. The project has the potential to coordinate with the High Plains Express Project, and also is to include the transmission component from Lamar to Vilas separately identified in the SB07-100 Report. A Colorado Coordinated Planning Group (“CCPG”) meeting has been scheduled for February 19th to kick off of the CCPG 2010 studies. The study scope for the Lamar – Front Range Project will be discussed along with other 2010 study plans. Stakeholders and interested transmission providers will be invited to participate in the various studies, which will be facilitated by subcommittees and work groups under CCPG.

The Wind Developers support the prioritization that Public Service is giving this project and have proposed that this project be completed using a

phased approach.¹ They propose as Phase I completion of a line from Missile Site to Burlington by 2016 or sooner. They propose as Phase II a line that would connect the Burlington area to Lamar using existing rights of way, to be completed by 2017-2018. Their Phase III would consist of upgrading the existing line to Comanche from Lamar “to complete a backbone loop in the eastern plains,” also to be in service by 2017-2018. The final phase would be a connection to the High Plains Express Project. See Wind Developers Comments at 11. The Wind Developers have also suggested routing alternatives to avoid environmentally sensitive areas “as a starting point for the forthcoming discussions at the CPCG.” Id. at 13.

The Company believes that the Wind Developers comments are the type of stakeholder input that can better inform the transmission planning process, and should be considered by the Company as it goes forward with planning for projects like the Lamar-Front Range project. It does not believe the Commission should act on these comments, however, for the simple reason that the considerations and approaches that the Wind Developers are advocating are really more appropriate for the upcoming planning Public Service is about to commence. While the SB07-100 Report identifies proposed projects in a general manner, the Company still needs to undertake planning studies for each of those projects.

In this connection, the Company is still at the early stages of its planning for this project. Until its planning studies are complete, the Company will not be

¹ CIEA likewise seems to believe the prioritization that Public Service has given this project is appropriate. See CIEA Comments at 5.

able to decide on alternatives, and will not be able to develop project schedules or more specific cost estimates. The Company is expecting that the more specific studies for this project will take approximately six months to complete. The Company would reiterate that this project is also an agenda item for the CCPG meeting to be held within a week. Moreover, more specific siting work is done at a later stage, and in Colorado requires the obtaining of permits at the county level. Also Public Service and Tri-State Generation and Transmission Association, Inc. ("Tri-State") have executed a letter of Agreement that states that the companies plan to work together on a joint Lamar to Front Range Project. Public Service's goal is to file for a CPCN for this project later this year.

In summary, the Company appreciates the Wind Developers comments and will factor in its suggestions as it conducts its planning studies for the project. While not enough information is presently known to determine the feasibility of its suggestions, the Wind Developers would be welcome to participate in the stakeholders group that will develop a scope of work and develop more specific studies.

New Public Service SB07-100 Website

Beginning in the fall of 2009, the Company began the development of a website to provide the public with information regarding its SB07-100 planning and projects. The site was launched in January of this year, and now provides online, in a user friendly format, information regarding the Company's efforts to expand its transmission capability in Colorado.

The website is an ideal medium for the dissemination of SB07-100 project information. It is an efficient communication vehicle for the Company to make available to interested persons, including stakeholders, information and news, maps, graphics, and photos relating to the Company's SB07-100 projects. Among other things, the website serves as a bulletin board with information about upcoming SB07-100 meetings and public events. Interested persons can also use the website as an interactive medium to send the Company questions.

The address for this site is as follows: <http://www.sb100transmission.com>.

Conclusion

In its SB07-100 Report, Public Service has identifies ERZs and proposed projects that are appropriately prioritized and that will meet the objectives of the General Assembly in enacting SB07-100. The Commission should so find in any order that it issues in response to the Company's submission of that report. Moreover, as Public Service goes forward with its planning for the Lamar-Front Range project, it will take into account the suggestions of the Wind Developers.

Dated this 15th day of February, 2010.

Respectfully submitted,

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**ATTORNEYS FOR PUBLIC SERVICE
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**CERTIFICATE OF SERVICE
09M-790E**

I hereby certify that on this 15th day of February, 2010, the original and seven (7) copies of the foregoing **“PUBLIC SERVICE COMPANY OF COLORADO’S REPLY COMMENTS”** were hand delivered on:

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and a copy was electronically served in Adobe .pdf format to the following:

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Blanca Trinchera
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