BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

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IN THE MATTER OF THE APPLICATION
OF PUBLIC SERVICE COMPANY OF
COLORADO FOR APPROVAL OF THE
600 MW RUSH CREEK WIND PROJECT
PURSUANT TO RULE 3660(H), A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY FOR THE RUSH CREEK WIND FARM, AND A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY FOR THE 345 KV RUSH CREEK TO MISSILE SITE TRANSMISSION LINE AND ASSOCIATED FINDINGS OF NOISE AND MAGNETIC FIELD REASONABLENESS.

PROCEEDING NO. 16A-0117E

IN THE MATTER OF THE PETITION OF
PUBLIC SERVICE COMPANY OF
COLORADO FOR A VARIANCE OF THE CONSTRUCTION SCHEDULE FOR THE PAWNEE TO DANIELS PARK 345 KV TRANSMISSION PROJECT.

PROCEEDING NO. 16V-0314E

NON-UNANIMOUS SETTLEMENT AGREEMENT

INTRODUCTION

Public Service Company of Colorado ("Public Service" or "Company"), Trial Staff of the Colorado Public Utilities Commission ("Staff"); the Colorado Office of Consumer Counsel ("OCC"); the Colorado Energy Office ("CEO"); Tri-State Generation and
Transmission Association, Inc. ("Tri-State");
1 CF&I Steel, L.P./Evraz ("Evraz"); Interwest Energy Alliance ("Interwest"); Colorado Energy Consumers ("CEC"); Southwest Generation Operating Company, LLC ("SWGen"); Western Resource Advocates ("WRA"), Rocky Mountain Environmental Labor Coalition ("RMELC") and Colorado Building and Construction Trades Council, AFL-CIO ("CBCTC") (jointly, "RMELC/CBCTC"); the Colorado Independent Energy Association ("CIEA"); the City of Boulder ("Boulder"); and the City and County of Denver ("Denver") (collectively the "Settling Parties"), hereby enter into this Settlement Agreement ("Agreement") to resolve all issues that have been raised in this proceeding.

In addition to the 14 Settling Parties, three other parties have intervened in this proceeding but have not joined in the Settlement Agreement. Non-joining parties who intervened and do not oppose the Agreement are: Climax Molybdenum Company, ("Climax"); Holy Cross Electric Association, Inc., Yampa Valley Electric Association, Inc., Intermountain Rural Electric Association, and Grand Valley Rural Power Lines, Inc. (collectively, "Joint Cooperatives");
2 and Sustainable Power Group, LLC ("sPower"). Non-joining parties who intervened and oppose the Agreement are a group of ratepayers known as the Ratepayers Coalition.

BACKGROUND

Rush Creek Wind Project

On May 13, 2016, Public Service filed its Verified Application for Approval of the 600 MW Rush Creek Wind Project pursuant to Rule 3660(h), a Certificate of Public

1 Tri-State supports the resolution of the transmission planning issues in this proceeding, but takes no position on the remaining provisions of the Settlement Agreement.
2 The Joint Cooperatives do not oppose the Settlement Agreement and may join the Settlement Agreement pending further discussion by and among its respective members.
Convenience and Necessity for the Rush Creek Wind Farm, and a Certificate of Public Convenience and Necessity for the 345 kV Rush Creek to Missile Site Generation Tie Transmission Line and Associated Findings of Noise and Magnetic Field Reasonableness ("Rush Creek Application"), along with the Direct Testimony of eleven witnesses, commencing Proceeding No. 16A-0117E. The Rush Creek Application also included a report from the Independent Evaluator ("IE"), Leidos, as required by Rule 3660(h)(V).³

In the Rush Creek Application, the Company sought approval to develop, own, and operate a new 600 MW nameplate capacity wind facility⁴ located in eastern Colorado ("Rush Creek Wind Project" or "Project"), comprised of the Rush Creek I and II sites. The Company also requested two Certificates of Public Convenience and Necessity ("CPCN"): (1) to construct and operate Rush Creek I and II, and (2) to construct and operate a 345 kV generation intertie ("Gen-Tie") to interconnect the Rush Creek Wind Project to the grid.

Rush Creek I wind generation facility is rated at 400 MW and sited on approximately 75,000 acres southeast of Limon, Colorado. Rush Creek II wind generation facility is rated at 200 MW and will be constructed on approximately 41,000 acres.

³ Rush Creek Application, Attachment 1, at 2 ("We conclude that the Project as proposed by PSCo, is reasonably likely to be developed, constructed, and operated at a lower levelized cost than the projects from which PSCo is currently purchasing energy.")

⁴ On March 11, 2016, Staff petitioned the Commission for a Declaratory Order in Proceeding No. 16D-0168E determining the amount of new eligible energy resources an investor-owned utility (such as Public Service) shall be allowed to develop and own as utility-rate based property without being required to comply with certain competitive bidding requirements. Rule 3660(h) implements § 40-2-124(1)(f)(l), C.R.S. On April 15, 2016, the Commission adopted Decision No. C16-0362, declaring in Ordering ¶ 11 "that 'twenty-five percent of the total new eligible energy resources' as of 'March 27, 2007' means the cumulative of all eligible energy resources that were not in existence prior to March 27, 2007, and should therefore be calculated as a cumulative percentage of eligible energy resources the utility acquires after March 27, 2007...."
acres east of Hugo, Colorado. Collectively across both sites, the Project will install 300 wind turbines with a capacity of 2 MW each.

In order to deliver power generated at Rush Creek I and II to the grid, Public Service will also construct (1) a 345 kV Gen-Tie interconnecting the new facilities to the Company's existing Missile Site Substation ("Missile Site"), and (2) a 345 kV transmission switching station at Rush Creek I. In the Rush Creek Application, the Company requested that the Commission make specific findings with respect to the reasonableness of the noise and magnetic field levels projected to result from operating the Gen-Tie.

Public Service estimates that the total cost of the Project will be $1.036 billion: this equates to $1,727 per kW on a total construction cost basis, and less than $0.03 per kWh on a levelized cost of energy ("LCOE") basis.\(^5\)

In addition to the development, construction, ownership, and operation of the Rush Creek Wind Project, the Company also requested approval of its cost recovery proposal, the baseline for future net economic benefits calculations under Rule 3660(g), and four (4) studies in support of the Rush Creek Application.

**Pawnee-Daniels Project**

On March 28, 2014, Public Service filed its Application for a Certificate of Public Convenience and Necessity for the Pawnee to Daniels Park 345 kV Transmission Project, and for Specific Findings with Respect to EMF and Noise ("Pawnee-Daniels Application") along with the Direct Testimony of five witnesses, commencing Proceeding No. 14A-0287E. In the Pawnee-Daniels Application, the Company requested

\(^5\) The total Project cost of $1727/kW contained in the Company's Application does not include the AFUDC cost. However, the AFUDC cost has been included in Section IV – Rush Creek Cost Cap.
Commission approval to construct a transmission project consisting of approximately 115 miles of new 345 kV transmission originating at the Pawnee Station near Brush, Colorado, and terminating at the Daniels Park Substation, north of Castle Pines, Colorado ("Pawnee-Daniels Project"). The Pawnee-Daniels Project also included a new Smoky Hill – Daniels Park 345 kV circuit and a new Harvest Mile substation.

By Recommended Decision No. R14-1405, the Administrative Law Judge ("ALJ") assigned to the case granted the CPCN with the condition that construction not begin prior to May 1, 2020. The Commission adopted that recommendation in Decision No. C15-0316 on March 11, 2015.

On April 29, 2016, Public Service filed its Verified Petition for Variance of Commission Decision for Accelerated Construction Schedule ("Petition"), commencing Proceeding No. 16V-0314E ("Pawnee-Daniels Variance"). In this Petition the Company requested that the Commission provide a variance from Decisions R14-1405 and C15-0316 to allow the Pawnee-Daniels Project to begin construction in 2017 with an in-service date of October 2019 to help accommodate the generation output of the Rush Creek Wind Project.

On May 18, 2016, OCC filed a motion to consolidate the Pawnee-Daniels Variance, Proceeding No. 16V-0314E, with the Rush Creek Wind Project, Proceeding No. 16A-0117E. By Decision No. C16-0458-I adopted on May 26, 2016, the Commission granted OCC's motion and consolidated the two proceedings. The Commission also set an intervention deadline of June 1, 2016 for both proceedings.

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6 OCC is an intervener by right.
7 The Commission also granted the consolidation in the Rush Creek Wind Project Proceeding No. 16A-0117E by Decision No. C16-0548-I adopted on June 15, 2016.
Consolidated Rush Creek Wind Project and Pawnee-Daniels Variance Proceedings

By Decision No. C16-0548-I adopted June 15, 2016 in the consolidated proceedings, the Commission acknowledged the interventions by right of Staff, OCC, and CEO. It also granted the permissive interventions of CEC, Interwest, the Joint Cooperatives, Boulder, Tri-State, Climax, CF&I/Evraz, CIEA, the Ratepayers Coalition, Denver, RMELC/CBCTC, sPower, SWGen, and WRA.  


The Commission set the procedural schedule in Decision No. C16-0548-I adopted on June 15, 2016. The schedule included Answer Testimony filed by July 27, 2016; Rebuttal Testimony and Cross-Answer Testimony filed by August 22, 2016; prehearing motions filed by August 29, 2016; responses to prehearing motions by September 1, 2016; a prehearing conference on September 2, 2016; hearings from September 7 to 9, 2016; and post-hearing statements of position by September 19, 2016.

8 The Commission granted Invenergy amicus curiae status in the same decision.
9 The Commission also referred the consolidated proceedings to an ALJ in this decision.
Also in Decision No. C16-0548-I, the Commission ordered Public Service to file an Amended Application and Direct Testimony to remove its request for the Commission to establish a baseline and methodology to determine the potential level of net economic benefits for a potential future request under Rule 3660(g). The Company filed the Amended Application on July 8, 2016 together with the supplemental Direct Testimony of two of the original eleven witnesses.

Nine parties filed Answer Testimony on July 27: WRA, RMELC/CBCTC, OCC, Tri-State, Staff, CEO, sPower, CIEA, and SWGen. The Ratepayers Coalition filed a motion for extension of time to file their Answer Testimony on July 29, and filed the testimony the same day; the Commission granted the motion after the fact by Decision No. C16-0748-I. Public Service filed Rebuttal Testimony on August 22, and three parties filed Cross-Answer Testimony on the same date: Tri-State, CIEA, and WRA.

The Parties began settlement negotiations on August 26, 2016, and the Settling Parties reached a settlement in principle on August 31, 2016. The Settlement Agreement filed here represents the comprehensive agreements of all Settling Parties to resolve the issues in these consolidated proceedings.

**SETTLEMENT TERMS AND CONDITIONS**

**I.  RUSH CREEK WIND PROJECT**

The Settling Parties agree that the Commission should grant the Rush Creek Application filed pursuant to § 40-5-101 and § 40-2-124, C.R.S., and Rules 3002(a)(III), 3002(b), 3002(c), 3102, 3206, and 3660(h) of the Commission’s Rules, and that the granting of the Application is within the public interest, consistent with the agreements below.

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10 Originally in the Rush Creek Application in Proceeding No. 16A-0117E.
II. **RUSH CREEK I AND II**

The Settling Parties agree that the Commission should grant the Rush Creek Application filed pursuant to Rule 3660(h) and grant an unconditional CPCN for Rush Creek I and II consistent with the agreements below.

A. **IN-SERVICE DATE**

In its direct case, the Company proposed an in-service date of October 31, 2018. The Settling Parties agree that Rush Creek I and II should be placed in service by October 31, 2018.

B. **USEFUL LIFE**

The Company proposed a useful life of 25 years for Rush Creek I and II in its direct case. The Settling Parties agree that the useful life for Rush Creek I and II should be set at 25 years.

C. **PERFORMANCE METRIC**

Given the 25-year useful life of Rush Creek I and II, the Settling Parties agree that a performance metric ("Performance Metric") shall be used with regard to the Project to alleviate performance concerns expressed by certain Parties in the outer years of the useful life. The generation performance of Rush Creek I and II as compared to the Performance Metric will be provided annually to the Commission in this proceeding each year on or before June 1 of each year that the Rush Creek Wind Project is in-service. The Settling Parties agree that the Company will implement a Performance Metric to assess the generation performance for years thirteen through twenty-five (2031 – 2043) of the Project, which may affect recovery of the revenue

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11 Rush Creek Application, at 17 (filed May 13, 2016); Amended Direct Testimony of Alice K. Jackson, at 15:1-4 (filed July 8, 2016).
12 Amended Direct Testimony of Alice K. Jackson, at 105:24-26 (filed July 8, 2016).
requirement during years sixteen through twenty-five as detailed below and as depicted in Attachment A - Performance Metric Description. In addition, the Performance Metric may affect the calculation of the sharing of capital cost savings during years thirteen through twenty-five as discussed later in this Settlement Agreement in Section IV.

The Performance Metric will function as follows. For the first five years that Rush Creek I and II is in-service, the Company will measure the actual wind speed at the facility site as well as the electrical production output from the facility and the resulting power curve for the facility. The measured wind speed data and electrical production during the first five years will be utilized to establish the Initial 5-year Farm Production. The Settling Parties have agreed upon an approach for establishing the Initial 5-Year Farm Production, and this approach is described in Attachment A – Performance Metric Description. An annual Baseline Performance Metric shall be calculated so that the Initial 5-Year Farm Production is degraded by 0.78% annually from year 1 through year 25.

The Performance Metric also includes a Reasonability Limit, calculated as follows. In direct testimony the Company showed that its Strategist modeling of the Rush Creek Wind Project resulted in $443 million of customer savings on a Net Present Value basis. In answer testimony, Staff modeled more restrictive assumptions that demonstrated that even under more restrictive scenarios, the Rush Creek Wind Project still resulted in customer savings. This more restrictive modeling result is used to establish a Reasonability Limit for the Performance Metric, such that, if the Performance Metric falls above the Reasonability Limit, the Reasonability Limit governs.
illustrative Performance Metric and Reasonability Limit is reflected in Attachment A - Performance Metric Description.\textsuperscript{13}

Beginning in year sixteen (2034) and ending in year twenty-five (2043) of the Project, if the actual normalized annual MWh production (i.e., wind-level normalized) in any year of the Project is less than the Performance Metric and the Reasonability Limit for the same year, then the Company will bear the burden to show that the revenue requirement recovery above that of production levels is justified.

In each year during years sixteen through twenty-five of the Project, the revenue requirement for that year is tied to the outcome of this evaluation. If the annual MWh production of Rush Creek I and II as normalized in any of those years meets or exceeds the Performance Metric or Reasonability Limit, whichever is less, the Company shall recover the entire revenue requirement for that year. If the annual MWh production of Rush Creek I and II as normalized in any of those years is below that of the Performance Metric and the Reasonability Limit, the Company shall recover pro-rata the revenue requirement based on the percentage of actual production compared to the Performance Metric or Reasonability Limit, whichever is less. For example, if in year 2040, the Performance Metric is 2,000 GWh, and the actual cumulative MWh production after being normalized is 1,500 GWh, this represents 75\% of the Performance Metric. In this example, the Company shall receive 75\% of the revenue requirement for the year 2040, and the Company shall have the burden of proof for any revenue requirement recovery above 75\% and up to 100\%.

\textsuperscript{13} Although all parties have agreed to the approach used for establishing the Performance Metric, technical details regarding the implementation of the Performance Metric will be worked out and agreed upon by Staff and Public Service and filed in this proceeding no later than December 2, 2016.
The Settling Parties acknowledge that in the event that other entities interconnect to the Gen-Tie the measurement point or the line losses associated with the measurement point may need to be adjusted so that the measurement continues on an equivalent basis.

D. **BEST VALUE EMPLOYMENT METRICS**

In its direct case and as reiterated on its rebuttal case, the Company intends to comply with Rule 3102(f) with regard to best value employment metrics ("BVEM"). Furthermore, the Settling Parties agree that, in awarding the contracts for the Rush Creek I and II Balance of Plant ("BOP") and Rush Creek Gen-Tie, Public Service shall consider on a qualitative basis the factors that affect employment and the long-term economic viability of the Colorado communities identified as BVEM pursuant to § 40-2-129, C.R.S., the Colorado Renewable Energy Portfolio Standard (HB10-10001), as amended by the Keep Jobs in Colorado Act of 2013 (HB13-1292), as well as by Commission Rules set forth at Rule 3102(e) and Rule 3102(f) for CPCN applications to ensure that these projects provide economic benefits to Colorado and the local community.

III. **RUSH CREEK GEN-TIE**

The Settling Parties agree that the Commission should grant an unconditional CPCN for the Rush Creek Gen-Tie consistent with the agreements below. The Settling Parties further agree that the Commission should find that the noise and magnetic field levels projected to result from operating the Gen-Tie are reasonable pursuant to Rule 3102 and Rule 3206.\(^\text{14}\)

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\(^\text{14}\) Rush Creek Application, at 7 (filed May 13, 2016); Direct Testimony of Brad D. Cozad, at 14:1 – 30:5 (filed May 13, 2016).
A. TRANSMISSION CLASSIFICATION

The Settling Parties agree that the Rush Creek Gen-Tie shall be designated as "transmission serving generation" pursuant to FERC Guidelines. Entities seeking transmission service across the Gen-Tie will be subject to the Company's open-access transmission tariff ("OATT") rates for Wholesale services, until such time as the Gen-Tie becomes a network transmission resource.

B. TREATMENT IN ERP PHASE II

The Company will make the Gen-Tie available for other entities to interconnect to the Company's transmission system at the Missile Site substation once the Gen-Tie reaches commercial operation. Parties submitting proposals into any competitive generation resource acquisition process, including but not limited to Phase II ERP requests for proposals ("RFPs"), that utilize the Gen-Tie will not be allocated any costs detailed in section 9.9.2 of the Large Generator Interconnection Agreement ("LGIA") for usage of the Gen-Tie in the evaluation of their proposal, so long as they sell the entire output of the connected generator to Public Service.

In the event that such a proposal is selected and the party awarded a Power Purchase Agreement ("PPA") enters into a LGIA interconnecting its project to the Gen-Tie, an agreement will be structured to offset the payment that the party delivering energy to Public Service must make for use of Gen-Tie pursuant to the Company's OATT with reciprocal payments made coincident between Public Service and the contracting IPP. This agreement will be separate from the PPA for any capacity and energy from the resource and shall remain in effect as long as and to the extent that (1) the party is selling the entire output of the project to Public Service; and (2) to the extent
that the Gen-Tie is not interconnected as a network resource. This agreement would terminate at the same time as the OATT payment for use of the transmission line also terminates. The Gen-Tie will also be available for interconnection by other generators when the purchase of the generation of such generators is a third-party, and not Public Service, pursuant to the terms of the Company's OATT.

To provide greater detail, the Settling Parties agree that Public Service will develop a draft addendum or exhibit to its OATT that will set forth how the Company will develop the charge for interconnecting customers selling power to a third-party off taker. It is understood that the charge will be designed to cover cost components permitted by FERC to be included in the development of a directly assigned facilities charge, including, but not necessarily limited to, a return on the net book value of the asset, depreciation expense, O&M expenses, and taxes. The Company's return will be the same as reflected in the Company's OATT formula rate, and will be subject to modification over time.

Public Service may propose to develop a stated rate or a formula rate. Stated rates will be subject to change by making appropriate filings under Sections 205 and 206 of the Federal Power Act. If a formula rate, the rates will change automatically, per the formula, but consistent with the Company's other formulas, Public Service would file update filings with FERC. The formula rate will be subject to change by making appropriate filings under Sections 205 and 206 of the Federal Power Act. The Company recognizes that there is a preference to develop the Facilities Charge for the Gen-Tie as a formula rate, and will if feasible develop the rate on that basis.
Public Service will endeavor to have its draft rate available to CIEA and other interested parties within ninety (90) days of an order approving this Settlement Agreement. Public Service will confer with the CIEA and other interested parties and will consider modifications proposed by CIEA to achieve consensus on a filing that would be unopposed to the FERC. Notwithstanding that, it is understood that the Company reserves the right to file its proposed addendum or schedule with the FERC without modification, and CIEA and interested parties retain the right to oppose or seek modification of this filing if consensus is not reached.

The Settling Parties agree that this filing approach will satisfy open-access requirements. Any rates will be effective until the Gen-Tie becomes a network resource.

C. LOSSES

The Settling Parties agree that Rush Creek Gen-Tie line losses will be averaged and applied to all interconnected parties on the Rush Creek Gen-Tie.

D. FURTHER STUDY

The Company will take a leadership role in a Colorado Coordinated Planning Group ("CCPG") Task Force (or Sub-Group) to analyze the costs and benefits of alternative proposals to potentially integrate the Gen-Tie as a network transmission facility. The alternatives to be studied must be reviewed and determined to be a reasonable networking alternative to be evaluated by the CCPG Task Force. The Company commits that it will offer staff and computing resources from its Transmission Planning group, will use its best efforts to publish the CCPG report after stakeholder comment no later than 12 months after the settlement is filed with the Commission.
If the CCPG Task Force studies identify benefits associated with alternatives that integrate the Rush Creek Gen-Tie line as a network facility, and which alternatives address identified present or future needs, Public Service will initiate conversations with other transmission providers and stakeholders (as defined in Rule 3627) concerning the identified alternatives. Such discussions will include, but are not limited to, the interest in constructing an identified alternative, potential financial responsibilities associated with the alternative, the timing of a CPCN application to the extent a CPCN is required, and the proposed in-service date for the alternative. Notwithstanding the results of the CCPG Task Force studies or the outcome of such discussions, Public Service will include in its February 2018 filing under Rule 3627 the CCPG Task Force study results, a summary of the subsequent discussions, and a presentation of Public Service's position with respect to moving forward with any of the identified alternatives.

E. RUSH CREEK COST RECOVERY

The Company in its direct case presented cost recovery of the Rush Creek Wind Project through the Electric Commodity Adjustment ("ECA") and Renewable Energy Standard Adjustment ("RESA") until such time as the Company files a base rate case following the commercial operation date of the Project. The Settling Parties agree that the cost recovery approach proposed by the Company in its direct case is appropriate and should be approved by the Commission. Reporting of this cost recovery (i.e., the amounts recovered through the ECA and RESA until the Project is placed in base rates) will occur through Appendix E of each annual RES Compliance Report. Parties have the right, as is provided in the procedures to review the annual RES Compliance Reports, to

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15 See, e.g., Amended Direct Testimony of Alice K. Jackson, at 73:2 – 100:20 (filed July 8, 2016).
participate in that review process. In addition, the jurisdictional cost allocation will be based on an energy allocator for the Rush Creek Wind Project.

IV. RUSH CREEK COST CAP

Due to the unique circumstances of a Rule 3660(h) approval, as well as the expedited timeframe in which this project has been reviewed, the Settling Parties agree to institute a hard cost cap for the cost of the Rush Creek I and II and Gen-Tie CPCNs with a sharing of capital cost savings between customers and the Company if capital costs are less than $1.0958 billion (inclusive of AFUDC). The Settling Parties further agree that the hard cost cap includes the costs in the table below but will be evaluated on a total basis and not based upon the individual cost components of the Rush Creek Wind Project.

<table>
<thead>
<tr>
<th>Plant</th>
<th>Plant Cost</th>
<th>AFUDC</th>
<th>Total</th>
</tr>
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<tbody>
<tr>
<td>Rush Creek I and II</td>
<td>$915,000,000</td>
<td>$52,147,229</td>
<td>$967,147,229</td>
</tr>
<tr>
<td>Rush Creek Gen-Tie</td>
<td>$114,916,000</td>
<td>$6,908,070</td>
<td>$121,824,070</td>
</tr>
<tr>
<td>Network Trans</td>
<td>$6,491,000</td>
<td>$337,141</td>
<td>$6,828,141</td>
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<tr>
<td><strong>Total Project Cost</strong></td>
<td><strong>$1,036,407,000</strong></td>
<td><strong>59,392,440</strong></td>
<td><strong>$1,095,799,440</strong></td>
</tr>
</tbody>
</table>

The Settling Parties agree that, as part of the implementation of the hard cost cap, a sharing of any savings will be instituted as follows. For each $10 million in capital cost savings for the construction of the Project, i.e., total capital costs less than the overall cost cap of $1.0958 billion, the parties agree that the Company and the customers will share the capital cost savings, with 82.5% retained by customers, and 17.5% retained by the Company. Attachment B to the Settlement Agreement details the annual capital cost sharing that will be provided to the Company dependent on the initial capital cost savings. This Attachment B schedule is designed such that the shape of
the sharing is reflective of the savings that customers would see over time, with a larger dollar level in the earlier years and a smaller dollar level in the latter years. It is also designed such that Customers retain 82.5% of the Net Present Value of the savings over the life of the project. The capital cost sharing will be reflected in the ECA after the level of capital cost savings is determined.

Notwithstanding the foregoing, the Settling Parties agree that the Performance Metric shall apply with regard to the sharing of any capital cost savings in Years 13 through 25. Specifically, in the event that during Years 13 through 25 the Company has not met the lower of the Performance Metric or the Reasonability Limit for a particular year, the Company's share of the capital cost savings would be reduced proportionally by the percentage that the Company missed the Performance Metric for that year. For example, if in Year 17 the Performance Metric is 2,000 GWh, and the Company's actual production was 1,800 GWh (i.e., 10% below the metric), the Company's share of the capital cost savings would be reduced by 10%.

V. REASONABLE COST FINDING

The Settling Parties agree that the Rush Creek Wind Project satisfies the reasonable cost standard in § 40-2-124(1)(f)(l), C.R.S., and Rule 3660(h) applicable to utility ownership of up to 25 percent of the total new eligible energy resources acquired after March 27, 2007.

VI. NET ECONOMIC BENEFIT

The Settling Parties agree that the Company will forego any claim, at this time or any time in the future, to file for or receive a net economic benefit associated with the Rush Creek Wind Project under Rule 3660(g).
VII. **PAWNEE-DANIELS PARK**

The Settling Parties agree that the Company's request to accelerate the in-service date for the Pawnee-Daniels Park Project to October 2019 is within the public interest and that the Company's Petition for Variance should be granted by the Commission. No costs associated with this transmission project will be allocated to the Rush Creek Wind Project or taken into account to determine if the Project meets the reasonable cost standard. No costs associated with Pawnee-Daniels Park Project will be assigned to ERP bids that propose to interconnect to the Rush Creek Gen-Tie. As detailed in Decision No. R14-1405 in Proceeding No. 14A-0287E, the Company will file semi-annual status reports, including costs incurred as compared to the Company's budget. The Company will file an estimate "revised to plus or minus 10 percent prior to commencement of construction" in this proceeding, i.e., Proceeding No. 16V-0134E. The Company will file this cost estimate with the Commission within 30 days of receiving the final cost estimate and prior to commencing construction of the Pawnee-Daniels Park Project.

VIII. **STUDIES AND OTHER POSTING ISSUES**

The Settling Parties agree that the four studies filed in this proceeding with regard to the Rush Creek Wind Project shall be evaluated and decided upon in the ERP proceeding (Proceeding No. 16A-0396E). These studies include (1) Coal Cycling Cost, (2) Flex Reserve Adequacy, (3) Effective Load Carrying Capacity, and (4) Wind Integration. In addition, the Settling Parties agree that the Company shall post the Available Transfer Capability ("ATC") of the Rush Creek Gen-Tie on its OASIS site as may be required by the FERC's requirements to post transmission information on the
Company's OASIS. The Company agrees to, at a minimum, identify the location of posting of the ATC information for the Gen-Tie and the template agreement associated with interconnection to the Gen-Tie, if materially different than its pro forma LGIA, with sufficient time for parties to evaluate prior to the submission deadline for the receipt of bids pursuant to its next Phase II ERP process.

IX. MISCELLANEOUS

The Settling Parties agree that sPower may file a pleading in the ERP proceeding (Proceeding No. 16A-0396E) seeking to adjudicate whether the Commission's ERP rules are PURPA-compliant by October 14, 2016. This pleading will state with specificity the issues that sPower proposes to be addressed and its position on those issues with any legal support. This filing shall also propose a procedure whereby Public Service and other interested parties will have until December 9, 2016 to respond to sPower's pleading.

While the Settling Parties may not oppose this pleading on the basis that it is outside of the scope of Proceeding No. 16A-0396E, any party may oppose the pleading on any other basis, including, without limitation, that the pleading requests relief that can only be granted in a rulemaking or some other proceeding and that the existing Commission PURPA-implementation rules are appropriate.

Given that sPower may be raising PURPA compliance issues that affect parties other than Public Service or other parties in the ERP proceeding, the Settling Parties believe that responses to the sPower pleading should be permitted by any entity.
GENERAL PROVISIONS

1. The Settling Parties understand and agree that this Settlement Agreement represents a negotiated resolution of all issues that the Settling Parties either raised or could have raised in this proceeding. The Settling Parties understand that the Commission's approval of this Settlement Agreement shall constitute a determination that the Settlement Agreement represents a just, equitable, and reasonable resolution of these issues. Accordingly, the Settling Parties state that reaching resolution of these issues in this proceeding through this negotiated Settlement Agreement is in the public interest and that the results of the compromises and agreements reflected in the Settlement Agreement are just, reasonable, and in the public interest.

2. The Settling Parties agree to join in a motion that requests that the Commission approve this Settlement Agreement, and to support the Settlement Agreement in any subsequent pleadings or filings. Each Settling Party further agrees that in the event that it sponsors a witness to address the Settlement Agreement at any hearing that the Commission may hold to address it, the Settling Party's witness will testify in support of the Settlement Agreement and all of the terms and conditions of the Settlement Agreement. The Settling Parties agree to reasonably seek approval of this Settlement Agreement before the Commission against challenges that may be made by non-executing parties.

3. The Settling Parties agree that all their pre-filed testimony and exhibits shall be admitted into evidence in this proceeding without cross examination by the Settling Parties.

4. Except as expressly stated herein, nothing in this Settlement Agreement shall resolve any principle or establish any precedent or settled practice.
5. Nothing in this Settlement Agreement shall constitute an admission by any Settling Party of the correctness or general applicability of any principle, or any claim, defense, rule, or interpretation of law, allegation of fact, regulatory policy, or other principle underlying or thought to underlie this Settlement Agreement or any of its provisions in this or any other proceeding. As a consequence, no Settling Party in any future negotiations or proceedings whatsoever (other than any proceeding involving the honoring, enforcing, or construing of this Settlement Agreement in those proceedings specified in this Settlement Agreement, and only to the extent, so specified) shall be bound or prejudiced by any provision of this Settlement Agreement.

6. The discussions among the Settling Parties that have produced this Settlement Agreement have been conducted with the understanding, pursuant to Colorado law, that all offers of settlement, and discussions relating thereto, are and shall be privileged and shall be without prejudice to the position of any of the Settling Parties and are not to be used in any manner in connection with this or any other proceeding.

7. This Settlement Agreement shall not become effective until the issuance of a final Commission Decision approving the Settlement Agreement, which Decision does not contain any modification of the terms and conditions of this Settlement Agreement that is unacceptable to any of the Settling Parties. In the event the Commission modifies this Settlement Agreement in a manner unacceptable to any Settling Party, that Settling Party shall have the right to withdraw from this Agreement and proceed to hearing on the issues that may be appropriately raised by that Settling Party in this proceeding. The withdrawing Settling Party shall notify the Commission and the Settling Parties to this Agreement by e-mail within three business days of the Commission modification that the party is
withdrawing from the Settlement Agreement and that the party desires to proceed to hearing; the e-mail notice shall designate the precise issue or issues on which the party desires to proceed to hearing (the "Hearing Notice").

8. The withdrawal of a Settling Party shall not automatically terminate this Agreement as to any other party. However, within three business days of the date of the Hearing Notice from the first withdrawing party, all Settling Parties shall confer to arrive at a comprehensive list of issues that shall proceed to hearing and a list of issues that remain settled as a result of the first party's withdrawal from this Settlement Agreement. Within five business days of the date of the Hearing Notice, the Settling Parties shall file with the Commission a formal notice containing the list of issues that shall proceed to hearing and those issues that remain settled together with a proposed procedural schedule. The Settling Parties who proceed to hearing shall have and be entitled to exercise all rights with respect to the issues that are heard that they would have had in the absence of this Settlement Agreement.

9. All Parties have had the opportunity to participate in the drafting of this Settlement Agreement and the term sheet upon which it was based. There shall be no legal presumption that any specific Settling Party was the drafter of this Settlement Agreement.

10. This Settlement Agreement may be executed in counterparts, all of which when taken together shall constitute the entire Settlement Agreement with respect to the issues addressed by this Agreement.
Dated this 2nd day of September, 2016.

Agreed on behalf of:

PUBLIC SERVICE COMPANY
OF COLORADO

By: Alice K. Jackson
Regional Vice President, Rates and Regulatory Affairs

Approved as to Form:

By: William M. Dudley
Lead Assistant General Counsel
Agree on behalf of: Colorado Office of Consumer Counsel

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DATED this 2d day of September, 2016.

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Rush Creek Year 13-25 Performance Metric

1. Establish the “Initial 5-Year Farm Production” (ISFP)
   a. Collect actual 8760 hourly Wind & Generation data from the Rush Creek wind farm for years 1-5 post COD.
      i. Wind speed data to be collected using meteorological data from each farm
      ii. Generation data to be collected at the low side of the GSU at each farm
   b. Eliminate hourly data associated with
      i. Periods when Rush Creek wind was curtailed due to system bottoming or transmission limitations for example
      ii. Erroneous or bad data
   c. Using the wind speed and generation data from 1b above, develop an “Initial Empirical Power Curve” (IEPC) for the Rush Creek Wind farm
   d. Using the wind speed data from 1b above, develop a “Nominal Wind Speed Distribution” (NWSD) for the farm. Populate column B of Figure 1 with the NWSD
   e. Calculate the ISFP value in GWh by taking the IEPC and multiplying it times the Nominal Wind Speed Distribution (NWSD). See Figure 1 cell D45 for an example calculation of the resulting ISFP.

2. Establish the Performance Metric
   a. Starting in year 1, degrade the ISFP from 1d-1e above at -0.78% annually to year 25.
   b. Compare the degraded ISFP GWh values from 2a above to 2,311 GWh degrading at -0.78% annually starting in year 6 and continuing to year 25.
   c. The lesser curve from the comparison in 2b sets the Performance Metric for years 13-25. See Figure 2 for example.

3. Determine Year 13 Farm Production
   a. Collect actual 8760 hourly Wind & Generation data from the Rush Creek wind farm for year 13 post COD
      i. Wind speed data to be collected using meteorological data from each farm
      ii. Generation data to be collected at the low side of the GSU at each farm
   b. Eliminate hourly data same as 1b above.
   c. Develop a Year 13 Empirical Power Curve for the Rush Creek Wind farm using the data from 3b above.
   d. Calculate the Year 13 Farm Production in GWh by taking the Year 13 Empirical Power Curve and multiplying it times the NWSD. See Figure 3 cell F45 for example calculation of the resulting Year 13 Farm Production.

4. Check Year 13 Farm Degradation

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1 As noted in the Settlement Agreement, the Settling Parties agree that the Company will implement a Performance Metric to assess the generation performance for years thirteen through twenty-five (2031 – 2043) of the Project, which may affect recovery of the revenue requirement during years sixteen through twenty-five (2034-2043). In addition, the Performance Metric may affect the calculation of the sharing of capital cost savings during years thirteen through twenty-five.
a. Compare the Year 13 Farm Production GWh from 3d above with the Performance Metric for year 13.

5. Repeat Steps 3 and 4 above for each year beyond year 13 to year 25.
**Figure 1**

(Illustration only)

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**Attachment A**

Decision No. C16-0958
Proceeding Nos. 16A-0117E & 16V-0314E
Page 41 of 43
Figure 2
(Illustration only)

Actual annual farm production for the first 5-years

Calculate the Initial 5-Year Farm Production (ISFP)

2,311 GWh degrading @ 0.78% starting year 6 "Reasonability Limit"

Degraded the Initial 5-Year Farm Production (ISFP) at 0.78% annually

The lesser of these two curves sets the performance metric to be used in years 13-25

Note: In the example above, the Initial 5-Year Farm Production degraded at -0.78% annually falls below the 2,311 GWh level degraded at -0.78%. In the event the Initial 5-Year Farm Production degraded at -0.78% annually falls above the 2,311 GWh level degraded at -0.78%, the lesser curve (i.e., the 2,311 curve) would set the performance metric.
### Figure 3

(Illustration only)

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IN THE MATTER OF THE APPLICATION OF PUBLIC SERVICE COMPANY OF COLORADO FOR APPROVAL OF THE 600 MW RUSH CREEK WIND PROJECT PURSUANT TO RULE 3660(H), A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY FOR THE RUSH CREEK WIND FARM, AND A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY FOR THE 345 KV RUSH CREEK TO MISSILE SITE GENERATION TIE TRANSMISSION LINE AND ASSOCIATED FINDINGS OF NOISE AND MAGNETIC FIELD REASONABILITY.

IN THE MATTER OF THE PETITION OF PUBLIC SERVICE COMPANY OF COLORADO FOR A VARIANCE OF THE CONSTRUCTION SCHEDULE FOR THE PAWNEE TO DANIELS PARK 345 KV TRANSMISSION PROJECT.

DECISION APPROVING SETTLEMENT AGREEMENT; APPROVING APPLICATION AS MODIFIED BY THE SETTLEMENT AGREEMENT; GRANTING CERTIFICATES OF PUBLIC CONVENIENCE AND NECESSITY; AND GRANTING PETITION

Mailed Date: October 20, 2016
Adopted Date: September 30, 2016

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   E. Findings and Conclusions .............................................................................................11

II. ORDER ....................................................................................................................................15
    A. The Commission Orders That: ......................................................................................15
BY THE COMMISSION

A. Statement

1. This Decision approves the Non-Unanimous Settlement Agreement (Settlement) filed in these consolidated proceedings by Public Service Company of Colorado (Public Service or Company) on September 2, 2016. Consistent with the discussion below, we approve the application filed in Proceeding No. 16A-0117E and grant a Certificate of Public Convenience and Necessity (CPCN) for the Rush Creek Wind generation facility. We also grant a CPCN for the associated generation tie (Gen-Tie) line and enter findings on its expected noise and magnetic fields. We further grant the petition for an accelerated construction schedule for the Pawnee to Daniels Park transmission line.

B. Procedural Background

2. On May 13, 2016, in Proceeding No. 16A-0117E, Public Service filed an Application for Approval of the 600 MW Rush Creek Wind Project, Certificate of Public Convenience and Necessity for the Rush Creek Wind Farm, and a Certificate of Public Convenience and Necessity for the 345 kV Rush Creek to Missile Site Transmission Line.

3. Public Service states that the Rush Creek Wind Project will include 300 Vestas model V110 wind turbines, which will be built in Colorado, each with a nameplate capacity of 2 MW. The project will comprise two wind farms (Rush Creek I and II) and a new 90-mile 345 kV Gen-Tie transmission line to interconnect with the Company’s system at the Missile Site Substation. Public Service estimates that the total cost of the project will be $1.036 billion:
$915 million is the projected construction costs of the wind generation facilities and $121.4 million is the cost of the Gen-Tie line. Both phases of the Rush Creek Wind project are anticipated to be in service by October 31, 2018. The Gen-Tie line will be complete by August 31, 2018.

4. The full cost of the Gen-Tie line is included within the overall project economics. However, the transmission line will have additional capacity beyond that needed for the two proposed Rush Creek wind facilities and thus provides a transmission extension into eastern Colorado to meet future additional wind generation or other transmission needs.

5. Invenergy Wind Development North America, LLC (Invenergy) currently is developing the Rush Creek I and II sites. Public Service has entered into a Purchase and Sale Agreement for the sites, such that when they are “construction-ready” and meet other conditions precedent to closing, the Company will acquire a 100 percent equity stake in both. Public Service explains that the opportunity to partner with Invenergy enables the project to take advantage of the full benefits of the federal Production Tax Credit (PTC) for wind generation facilities.

6. In its application filed in Proceeding No. 16A-0117E, Public Service initially sought the following items from the Commission:

1) Approval to develop, own, and operate the Rush Creek Wind Project pursuant to § 40-2-124(1)(f)(I), C.R.S., and Rule 3660(h);

2) A CPCN for Rush Creek I and II;

3) A CPCN for the Rush Creek 345 kV Gen-Tie line;

4) Findings on noise and magnetic fields for the Gen-Tie line;

5) Approval of a cost recovery proposal pursuant to § 40-2-124(1)(f)(IV), C.R.S., and Rule 3660(i);
6) Approval of baseline and calculation methods for potential future use by the Company to earn a percentage of the savings from the project pursuant to § 40-2-124(1)(f)(II), C.R.S., and Rule 3660(g); and

7) Approval of four supporting studies, including the Coal Cycling Cost Study, Flex Reserve Adequacy Study, Wind Effective Load Carrying Capacity Study, and Wind Integration Study.

7. Public Service further requested waivers from certain Electric Resource Plan (ERP) Rules found at 4 Code of Colorado Regulations (CCR) 723-3-3600, et seq. On July 15, 2016 in Decision No. C16-0662-I, we granted Public Service a waiver from Rule 4 CCR 723-3-3611(e).


9. The Pawnee-Daniels Park Project includes a new 345 kV transmission line between the Pawnee Generating Station and the Daniels Park Substation, a new Harvest Mile Substation, and a new 345 kV circuit from Smoky Hills to Daniels Park.

10. Decision No. R14-1405 established, and Decision No. C15-0316 affirmed, a construction schedule allowing Public Service to begin work on the Pawnee-Daniels Park Project no earlier than May 1, 2020. In its Petition, Public Service seeks to begin the project in 2017, with an in-service date of October 30, 2019.

---

¹ In Decision No. C16-0662-I we determined that the net economic benefit baseline issue pursuant to § 40-2-124(1)(f)(II), C.R.S., and Rule 3660(g) would not be addressed in this proceeding.
² Proceeding No. 14A-0287E.
11. Public Service states that there is a need for an expedited construction schedule, as evidenced by eight interconnection study requests for interconnection at the Missile Site Substation. The Company states that four of the study requests were withdrawn after the need for the Pawnee-Daniels Park Project was identified by studies. Additionally, Public Service asserts that the expedited construction schedule will allow the Company, and its rate payers, to take advantage of the PTC available for wind renewable energy resources.

12. Public Service filed Direct Testimony with the Application filed in Proceeding No. 16A-0117E.

13. On May 19, 2016 by Decision No. C16-0423-I, we set the Rush Creek Wind Project Application for hearing before the Commission en banc. We also established a notice and intervention period for Proceeding No. 16A-0117E requiring intervention filings to be filed no later than June 1, 2016.

14. We deemed the Rush Creek Wind Project Application complete by minute entry on June 8, 2016. Based on that date, the 120-day deadline for a final Commission decision would have been October 6, 2016 pursuant to § 40-6-109.5, C.R.S. However, on June 17, 2016 in Decision No. C16-0548-I, we extended the deadline for a final decision by an additional 90 days pursuant to § 40-6-109.5, C.R.S., establishing the 210-day statutory deadline as January 4, 2017.

15. On June 17, 2016 by Decision No. C16-0548-I, we consolidated Proceeding Nos. 16V-0314E and 16A-0117E, adopted a procedural schedule, and established the parties to the consolidated matter. The parties include Public Service; Staff of the Colorado Public Utilities Commission (Staff); the Colorado Office of Consumer Counsel (OCC); the Colorado Energy Office (CEO); Holy Cross Electric Association, Inc., Yampa Valley Electric Association, Inc., Intermountain Rural Electric Association, and Grand Valley Rural Power Lines, Inc.; the City of
Boulder (Boulder); Tri-State Generation and Transmission Association, Inc. (Tri-State); Climax Molybdenum Company (Climax); CF&I Steel, L.P. (CF&I); Interwest Energy Alliance (Interwest); Colorado Energy Consumers (CEC), the City and County of Denver (Denver); Southwest Generation Operating Company, LLC (SWGen); Western Resource Advocates (WRA); Rocky Mountain Environmental Labor Coalition and Colorado Building and Construction Trades Council, and AFL-CIO (jointly, RMELC/CBCTC); the Colorado Independent Energy Association (CIEA); Sustainable Power Group, Inc. (sPower); and a coalition of ratepayers (Ratepayers Coalition or Coalition).³

16. On July 8, 2016, Public Service filed an amendment to the Application with amended Direct Testimony of Company witness Alice Jackson for the purpose of removing all references to seeking any net economic benefits as permitted by § 40-2-124(1)(f)(II), C.R.S., and Rule 3660(g). The Company also filed Supplemental Direct Testimony of Betty Mirzayi addressing the Pawnee Daniels Park Project following the consolidation of the two proceedings.

17. On July 27, 2016, WRA, RMELC/CBCTC, OCC, Tri-State, Staff, CEO, sPower, CIEA, and SWGen filed Answer Testimony.

18. On August 12, 2016, we granted an extension of two days to file Answer Testimony to the Ratepayers Coalition.⁴


³ NextEra Energy Resources, LLC, Invenergy, Solar Star Colorado III, LLC, and Leidos Engineering, LLC were granted limited intervention status for the purpose of protecting confidentiality provisions for existing generation.

⁴ Decision No. C16-0748-I, issued August 12, 2016, in Proceeding Nos. 16A-0117E and 16V-0314E.
20. On September 2, 2016, Public Service filed a Joint Motion to Approve Non-Unanimous Settlement Agreement. The Company asserts that the Settlement is either supported or unopposed by all parties except for the Ratepayers Coalition. Specifically, the Settling Parties include Public Service, Staff, OCC, CEO, Tri-State, CF&I, Interwest, CEC, SWGen, WRA, RMELC/CBCTC, CIEA, Boulder, and Denver (collectively, the Settling Parties). Non-joining parties that do not oppose the Settlement include Climax; Yampa Valley Electric Association, Inc.; Grand Valley Rural Power Lines, Inc.; and sPower.


23. Prior to hearing, the Ratepayers Coalition waived cross-examination of witnesses upon conferral with Public Service on the development of a witness list with cross-examination times. We conducted a hearing on the Settlement on September 9, 2016. Hearing Exhibits 1 through 54 were offered and admitted into the evidentiary record for this Proceeding.

24. On September 19, 2016, the Settling Parties filed a Statement of Position in support of approval of the Settlement and the Ratepayers Coalition filed a position statement in opposition to the proposed Settlement.

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5 See Notice of Filing of Exhibit List and Cross-Examination Matrix filed by Public Service on September 7, 2016.

6 Counsel for the Ratepayers Coalition did not enter an appearance at the September 9, 2016 hearing.
C. Terms of the Settlement Agreement

25. The Settlement filed by Public Service on September 2, 2016 is attached to this Decision as Attachment A.

26. The Settling Parties agree that the Commission should find that the Rush Creek Application as filed, with certain modifications as listed in the Settlement, is in the public interest. The Settling Parties agree that the Rush Creek Wind Project satisfies the reasonable cost standard in § 40-2-124(1)(f)(I), C.R.S., and Rule 3660(h) applicable to utility ownership of up to 25 percent of the total new eligible energy resources acquired after March 27, 2007. As a concession relative to the Company’s initial application filing, Public Service agreed to forego any claim, at this time or any time in the future, to file for or receive a net economic benefit associated with the Rush Creek Wind Project under Rule 3660(g).

27. The Settlement adopts a 25-year useful life for the wind generation facilities as advocated by Public Service, but, in connection with Staff’s recommendations to the Commission as set forth in its Answer Testimony, the Settlement also includes a performance metric to ensure that ratepayers are not harmed if facility performance deteriorates in the later years of the 25-year life. The generation performance of Rush Creek I and II as compared to the performance metric will be provided annually to the Commission in this Proceeding on or before June 1 of each year that the Rush Creek Wind Project is in-service. If the actual normalized annual MWh production is less than the performance metric, the Company will bear the burden to show that the revenue requirement recovery above that production level is justified.

28. The Settlement proposes that the Commission should grant an unconditional CPCN for the Rush Creek Gen-Tie, and it will be designated as “transmission serving generation” pursuant to Federal Energy Regulatory Commission (FERC) Guidelines.
Entities seeking transmission service across the Gen-Tie will be subject to the Company’s open-access transmission tariff (OATT) rates for wholesale services. However, other electricity generators who want to use the Gen-Tie line will not be allocated any costs for usage of the Gen-Tie in the evaluation of their bids to Public Service’s competitive resource solicitation, including its Electric Resource Plan (Proceeding No. 16A-0396E), so long as they sell the entire output of the connected generators to Public Service. The Settlement specifies how Public Service will work with parties and file OATT tariffs with the FERC.

29. Public Service agrees to take a leadership role in a Colorado Coordinated Planning Group (CCPG) Task Force, and potentially with other transmission providers and stakeholders, to analyze the Gen-Tie as a network transmission facility. The Settling Parties agree that the noise and magnetic field levels projected to result from operating the Gen-Tie are reasonable pursuant to Rule 3102 and Rule 3206.

30. The Settlement proposes that the Commission grant the Company’s request to accelerate the in-service date for the Pawnee-Daniels Park Project to October 2019.

31. Furthermore, under the terms of the Settlement, cost recovery of the Rush Creek Wind Project will be through the Electric Commodity Adjustment and Renewable Energy Standard Adjustment until such time as the Company files a base rate case following the commercial operation date of the facilities. Moreover, the Settlement includes a hard cost cap for the cost of Rush Creek I and II and the Gen-Tie CPCNs with a sharing of capital cost savings between customers and the Company if capital costs are less than $1.0958 billion.

32. Public Service will implement best value employment metrics to ensure that the projects provide economic benefits to Colorado and the local community.
33. Finally, the four studies Public Service proposed in this proceeding will be addressed in the Company’s pending ERP, Proceeding No. 16A-0396E. These include the Coal Cycling Cost, Flex Reserve Adequacy, Effective Load Carrying Capacity, and Wind Integration studies.

D. Ratepayers Coalition Opposition

34. Ratepayers Coalition filed a Statement of Position on September 19, 2016. Ratepayers Coalition opposes the Rush Creek project and the Settlement.

35. The Coalition asserts that the process employed to promote the project was so rushed as to deny this Commission and the public reasonable opportunity to examine, understand, and reach informed conclusions about the merits of the project. Ratepayers Coalition argues that reviews of this magnitude commonly require a year or considerably longer, but in this case, the Company proposed an inadequate schedule of five months’ consideration and two months for the Commission to make its determination.

36. Ratepayers Coalition further asserts that the Rush Creek Project is a “bad deal” for consumers. The coalition argues the Company uses unreasonable methodology and assumptions, resulting in an outcome that will enrich shareholders and leave “all the risk on the backs of [] ratepayers.”

37. Ratepayers Coalition claims it provided the only testimony on behalf of consumers’ economic interest in direct challenge to the project and asserts Public Service’s analysis understates costs and overstates benefits.

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38. Ratepayers Coalition cites § 40-2-123, C.R.S., and claims it requires the Company to discuss the anticipated environmental impact of the project in its application. Similarly, the Coalition states that the Company failed to consider the carbon emissions associated with the production of the turbines for use with the Rush Creek Wind Project and the associated social cost of carbon associated with these emissions.

E. Findings and Conclusions

39. We find that the Rush Creek project satisfies the standards for project approval in § 40-2-124(1)(f)(I), C.R.S., and Rule 3660(h).

40. Public Service provides a detailed analysis comparing the levelized cost on a dollar per megawatt-hour (MWh) of similar resources to the Rush Creek Wind Project.\(^8\) The analysis supports a finding that the levelized cost of the Rush Creek Wind Project, at under $29.00/MWh, is reasonable compared to the cost of wind projects offered to the Company in its recent wind resource solicitations. We agree with Public Service that wind prices offered to the Company have generally been decreasing over time and concur with the Company’s conclusion that if those historic trends continued into the future, it is likely that Rush Creek would be lower or comparable with prices in any bid solicitations in the near future.\(^9\) The Company’s analysis comparing the cost of the Rush Creek Wind Project to the cost of all 2,560 MW of existing wind power purchase agreements on its system further demonstrates that the project compares favorably with similar resources available to the Company.\(^10\)

\(^8\) See Figures JFH-1 and JFH-2, Direct Testimony of James Hill, pp. 25 and 30, respectively.

\(^9\) However, § 40-2-124(1)(f)(I), C.R.S., states “…the qualifying retail utility shall not be required to comply with the competitive bidding requirements of the commission’s rules.” A direct comparison between the projected costs for the Rush Creek Wind Project and a future bid solicitation such as the upcoming ERP solicitation in Proceeding No. 16A-0396E is not required for a determination that the project “can be constructed at reasonable cost compared to the cost of similar eligible energy resources available in the market.” \textit{Id.}

\(^10\) See Figure JFH-3, Direct Testimony of James Hill, p. 31.
41. We also agree with the Settling Parties that the Rush Creek project will provide economic benefits to customers. The project primarily saves customers money by displacing other more expensive system energy costs. Public Service projects $443 million in cost savings to customers on a net present value basis under its base natural gas price forecast.\(^\text{11}\) The Company further shows that the project provides savings under a low natural gas price forecast.\(^\text{12}\) Moreover, Staff thoroughly analyzed the inputs and assumptions used to evaluate the potential costs or savings to customers and also determined that, even with more conservative assumptions, the project provides economic benefits to customers, though a smaller level of savings than Public Service predicts.\(^\text{13}\) Therefore, we disagree with Ratepayers Coalition’s assertion that the Rush Creek project will not be a benefit to customers.

42. Further, the Settlement adds significant protections to consumers, such as the cost cap for Rush Creek I and II and the Gen-Tie line, the sharing of lower overall project costs, the performance metrics, and the Company’s concession to forego future net economic benefits. Under the terms of the Settlement, other generation may use the Gen-Tie line without cost penalties in bids submitted pursuant to the Company’s ERP, and the CCPG Task Force will analyze the potential integration of the Gen-Tie as a network transmission facility. The best value employment metrics also will be used as intended.

43. In sum, we agree with the Settling Parties that the record in this Proceeding supports a finding that the costs of the Rush Creek project are reasonable as compared to the cost

\(^{11}\) See Figure JFH-6, Direct Testimony of James Hill, p. 52.

\(^{12}\) See Figure JFH-11, Direct Testimony of James Hill, p. 65.

\(^{13}\) Staff’s analysis indicates that if a 15-year life is used rather than Public Service’s proposed 25-year life, the project could have a small overall cost to customers. However, the Settlement addresses this shorter life issue by requiring Public Service to bear the costs of any reduced facility output in the later years of the 25-year facility life. Absent this shortened life assumption, Staff’s analysis indicates a net savings to customers.
of other wind resources available in the market, and the project can be developed and owned by Public Service pursuant to § 40-2-124(1)(f)(I), C.R.S., and Rule 3660(h).

44. We reject the objections raised by Ratepayers Coalition. Contrary to its claim that it alone provided the only testimony on behalf of consumers’ economic interest in direct challenge to the project, we find that Staff took a lead role in analyzing the potential benefits to ratepayers and challenging Public Service’s savings claims. In addition, the OCC, as statutorily directed, participated in the case. Although Coalition witnesses challenged Public Service’s gas costs and estimated load factor for the project, we find that Staff thoroughly investigated the entirety of assumptions used in evaluating the project. Further, the Company proposed a range of gas price forecasts in its various scenarios, which largely answers the Coalition’s concerns about forecast gas prices. Although the Company’s proposed load factor is higher than historical factors, wind generation load factors have been steadily increasing over time due to advances in wind turbines and blade technology.

45. We disagree with the Ratepayers Coalition’s argument that the Commission and parties did not have adequate time to review the project. Section 40-6-109.5, C.R.S., requires the Commission to issue a decision on applications within 120 days of deeming complete, and allows an extra 90 days if the Commission finds that additional time is required. While we took steps to expedite the procedures to maximize federal tax benefits for ratepayers, we were not able to issue a decision in this matter within 120 days,\textsuperscript{14} and thus issued a decision extending the deadline by an additional 90 days. We followed reasonable procedures and allowed sufficient time for parties to adequately scrutinize the proposal, consistent with § 40-6-109.5, C.R.S.

\textsuperscript{14} As discussed in the Background section, above, the 120-day deadline is October 6, 2016.
46. We also disagree with the Ratepayers Coalition’s assertion that the environmental analysis of the project was inadequate regarding life-cycle carbon analyses, imputed carbon costs, and impacts on birds and other wildlife. The application filed in Proceeding No. 16A-0117E was made pursuant to § 40-2-124, C.R.S. The environmental requirements in § 40-2-123, C.R.S., cited by the Ratepayer Coalition do not apply. It is further within our discretion to assess which costs should be included in the analysis, and we agree with Public Service that it is not appropriate to consider the social carbon impacts here. Further, as we discussed above, approval of this project is primarily based on economic savings to customers, not environmental benefits. Nevertheless, although not required by § 40-2-124, C.R.S., or our rules, we note that Public Service provided details of the Company’s extensive efforts to address potential impacts to birds and other wildlife species.

47. Based on the foregoing, we approve the Settlement without modification. We approve the application filed in Proceeding No. 16A-0117E, as modified by the Settlement, and grant a CPCN for the Rush Creek Wind generation facility. We also grant a CPCN for the Gen-Tie line and enter findings on its expected noise and magnetic fields. We further grant the petition for an accelerated construction schedule for the Pawnee to Daniels Park transmission line.

48. As we stated in June, when we granted Public Service waivers from certain rules governing our consideration of utility ERPs, we would have preferred that Public Service had proposed to develop and to own the Rush Creek Wind Project as part of its ERP filed in

15 The project at issue in this case is a wind project that qualifies as an “eligible energy resource” pursuant to § 40-2-124, C.R.S. The project is not a "new clean energy and energy-efficient technology," which includes integrated gasification combined-cycle, solar, geothermal, biomass, hydroelectricity, or biogenic methane facility as addressed by § 40-2-123, C.R.S.
Proceeding No. 16A-0396E. Our approval of the Settlement has not changed our preference, and we advise the Company that it is the Commission’s longstanding policy to review the acquisition of new utility resources exclusively within the context of an ERP.

II. ORDER

A. The Commission Orders That:

1. The Joint Motion to Approve Non-Unanimous Settlement Agreement (Settlement Agreement) filed by Public Service Company of Colorado (Public Service) on September 2, 2016 is granted. The Non-Unanimous Settlement Agreement, Attachment A to this Decision, is approved without modification.

2. The Application for Approval of the 600 MW Rush Creek Wind Project Pursuant to Rule 3660(h) of the Rules Regulating Electric Utilities, 4 Code of Colorado Regulations (CCR) 723-3, a Certificate of Public Convenience and Necessity (CPCN) for the Rush Creek Wind Farm, and a CPCN for the 345 kW Rush Creek to Missile Site Generation Tie Transmission Line filed by Public Service on May 13, 2016 in Proceeding No. 16A-0117E is approved as modified by the Settlement Agreement.

3. Public Service is granted a CPCN to develop, own, and operate the Rush Creek Wind Project, including Rush Creek I and II wind facilities, consistent with the discussion above. Public Service is authorized to develop and own the facilities pursuant to § 40-2-124(1)(f)(I), C.R.S., and Commission Rule 4 CCR 723-3-3660(h).

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4. Public Service is granted a CPCN to construct and operate the Rush Creek to Missile Site Generation Tie Transmission Line to interconnect the Rush Creek Wind Project to Public Service’s system, consistent with the discussion above.

5. The expected magnetic field values and audible noise values from the Rush Creek to Missile Site Generation Tie Transmission Line meet the conditions of 4 CCR 723-3-3206(e)(III) and 4 CCR 723-3-3206(f)(III) and are therefore considered reasonable and need not be mitigated, consistent with the approval of the Settlement Agreement.


7. The 20-day period provided for in § 40-6-114(1), C.R.S., in which to file applications for rehearing, reargument, or reconsideration begins on the first day following the effective date of this Decision.

8. This Decision is effective upon its Mailed Date.
B. ADOPTED IN COMMISSIONERS’ DELIBERATIONS MEETING
   September 30, 2016.

   ATTEST: A TRUE COPY

   Doug Dean,
   Director

   THE PUBLIC UTILITIES COMMISSION
   OF THE STATE OF COLORADO

   JOSHUA B. EPEL

   GLENN A. VAAD

   FRANCES A. KONCILJA

   Commissioners