

Decision No. R08-1347

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

DOCKET NO. 08A-173E

IN THE MATTER OF THE PETITION OF PUBLIC SERVICE COMPANY OF COLORADO FOR A DECLARATORY RULING THAT NO CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY IS REQUIRED FOR PUBLIC SERVICE'S HAYDEN FUEL PROJECT, OR, IN THE ALTERNATIVE, APPLICATION FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY AUTHORIZING THE PROJECT.

**RECOMMENDED DECISION OF
ADMINISTRATIVE LAW JUDGE
G. HARRIS ADAMS
GRANTING APPLICATION**

Mailed Date: December 31, 2008

I. STATEMENT

1. On May 8, 2008, Public Service Company of Colorado (Public Service) filed a petition for declaratory ruling that no Certificate of Public Convenience and Necessity is required for Public Service's Hayden Fuel Project, or, in the alternative, an Application for a Certificate of Public Convenience and Necessity authorizing such project.

2. Public Service contemporaneously filed this Application with a separate application requesting authority to construct two grade separated highway-rail crossings of U.S. Highway 40 and Routt County Road 27 with the Hayden Rail Spur in Routt County, Colorado. Docket No. 08A-172R.

3. On May 14, 2008, the Commission provided notice of the Application.

4. The Commission reviewed the record in this matter and deemed the application was complete within the meaning of § 40-6-109.5, C.R.S., by minute entry at the Commission Weekly Meeting on June 25, 2008.

5. By Decision No. C08-0856, the Commission denied the petition for declaratory ruling, identified areas of inquiry, and referred the matter to an administrative law judge (ALJ) for disposition.

6. Pursuant to Decision No. R08-0816-I, a prehearing conference was conducted in accordance with Rule 1409(a) of the Rules of Practice and Procedure, 4 *Code of Colorado Regulations* (CCR) 723-1. During the course of the prehearing conference, Public Service requested that a procedural schedule not be established. Rather, an opportunity was requested to supplement its Application to address the subject matters identified by the Commission. Thereafter, the matter might be approved or a procedural schedule could be established.

7. On October 30, 2008, Public Service Company's Submission of Supplemental Evidence Related to Hayden Rail Spur and Hayden Steam Electric Generation Station Pursuant to Commission Decision Number C08-0856 was filed. Public Service substantially supplements its Application, including additional direct testimony in support of the supplemented application.

8. Public Service is the only party to this proceeding.

A. Public Service's Plans for the Future of the Hayden Steam Electric Generating Station

9. Public Service supplemented the direct testimony to provide additional information and background regarding the Hayden Steam Electric Generation Station (Hayden Station).

10. The Hayden Station has a 446-megawatt coal-fired, steam electric generating facility that operates continuously except during outages and scheduled maintenance, providing a highly reliable source of electricity.

11. Yampa Valley Electric Association, the local electric service provider, purchases 90 percent of its power from Public Service, the operator of the Hayden Station.

12. The Hayden Station is a critical regional energy resource that provides power to more than 400,000 households in northwestern Colorado. The plant supports regional operations beyond Public Service's territory by providing voltage support to help sustain and regulate operation of the western area power grid.

13. In 1996, the Hayden Station was retrofitted with highly efficient emission control equipment, resulting in the plant being one of the cleanest coal plants in the western region. Both generating units have three different emission control systems, including bag houses, dry scrubbing systems, and low-nitrogen oxide burners.

14. Public Service currently plans to operate the two coal-fired generation Units 1 and 2 at Hayden Station as baseload units over the next 30 years, and beyond if conditions warrant.

B. Life Expectancy of the Two Generating Units at the Station

15. The life expectancy of the Hayden Station is estimated to be 30 years. Although the stated book life of Hayden Unit 1 will expire in 2025, it is anticipated that capital investment and ongoing maintenance will extend the life of the plant to the expected retirement of Unit 2 in 2036. Unit 2 could be extended by approximately one year to match the depreciation schedule of the Hayden Fuel Project.

C. A Life-Cycle Economic Analysis of the Project and Its Alternatives

16. Confidential Exhibit JKW-1 to the Direct Testimony and Exhibits of James K. Witt, Principal Fuel Portfolio Coordinator for Xcel Energy Fuel Supply compares the expected economic costs of rail versus trucking delivery of coal to Hayden Station over the 2012 to 2037 timeline (since rail deliveries will not commence until 2012, and, as noted above, the life expectancy of the Hayden Station is 30 years from 2008).

17. The analysis compares the rail rate per ton with trucking rate per ton of coal delivered, and the diesel surcharge cost of each delivery type. Based upon the confidential analysis, Mr. Witt concludes that the cumulative cost of continued trucking delivery from 2012 to 2037 is \$610,258,774, whereas the cumulative cost of rail delivery over the same time period is \$417,472,121. Thus, the cost savings by switching to rail delivery is \$192,786,652 over the 26-year period.

D. A Life-Cycle Environmental Analysis of the Project and Its Alternatives

18. Public Service provided supplemental testimony to address the Commission's environmental inquiry, as summarized in Exhibit GJM, by comparing the estimated annual air emissions from transporting 1.8 million tons per year of coal to Hayden Station via trucking (assuming 25-ton trucks) versus rail (assuming 110-car trains). Truck and rail are the only known alternatives available to supply coal to the Hayden Station. The testimony demonstrates that delivery of coal by rail will significantly lessen air emissions truck over the 30-year remaining life of the plant. While this analysis does not, and perhaps cannot, analyze all environmental impacts or aspects (*e.g.*, aesthetic, noise, road wear, and traffic congestion impacts) the most substantial direct benefit will be to the local community by removing substantial 25-ton truck traffic from the roadways. This factor has clearly been recognized by

the Routt County Board of County Commissioners in light of persistent requests to convert to rail delivery.

E. Conclusions

19. The Commission gave notice to all interested parties. No intervention was received opposing the application.

20. This case presents alternative means to supply coal to the Hayden Station. Operation of the Hayden Station will continue under either alternative. Ratepayers have invested substantial sums in the Hayden Plant, specifically including improvements that make this one of the cleaner burning coal plants in the western region. Continued operations of this baseload plant in the most responsible manner, balancing the concerns of all, will allow ratepayers to achieve the benefit of investment while minimizing harm to the local community and the environment. The rate impact to customers cannot be determined at this time; however, implementation of rail delivery will substantially reduce Public Service's supply cost for the Hayden Station.

21. Because the application is unopposed, this matter is considered and will be approved upon the record, without a formal hearing under § 40-6-109(5), C.R.S., and Rule 1403, Commission Rules of Practice and Procedure, 4 CCR 723-1.

II. ORDER

A. It Is Ordered That:

1. Public Service Company of Colorado's (Public Service) Application for a Certificate of Public Convenience and Necessity authorizing the Hayden Fuel Project, filed May 8, 2008, is granted.

2. Public Service is authorized and ordered to proceed with the Hayden Fuel Project as described in the within Application, as supported and supplemented by the testimony filed herein.

3. This Recommended Decision shall be effective on the day it becomes the Decision of the Commission, if that is the case, and is entered as of the date above.

4. As provided by § 40-6-106, C.R.S., copies of this Recommended Decision shall be served upon the parties, who may file exceptions to it.

22. If no exceptions are filed within 20 days after service or within any extended period of time authorized, or unless the recommended decision is stayed by the Commission upon its own motion, the recommended decision shall become the decision of the Commission and subject to the provisions of § 40-6-114, C.R.S.

23. If a party seeks to amend, modify, annul, or reverse a basic finding of fact in its exceptions, that party must request and pay for a transcript to be filed, or the parties may stipulate to portions of the transcript according to the procedure stated in § 40-6-113, C.R.S. If no transcript or stipulation is filed, the Commission is bound by the facts set out by the administrative law judge; and the parties cannot challenge these facts. This will limit what the Commission can review if exceptions are filed.

5. If exceptions to this Recommended Decision are filed, they shall not exceed 30 pages in length, unless the Commission for good cause shown permits this limit to be exceeded.

THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

Administrative Law Judge