Decision No. R14-0902

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

PROCEEDING NO. 13A-0836E

IN THE MATTER OF THE APPLICATION OF PUBLIC SERVICE COMPANY OF COLORADO FOR APPROVAL OF ITS 2014 RENEWABLE ENERGY STANDARD COMPLIANCE PLAN.

RECOMMENDED DECISION OF ADMINISTRATIVE LAW JUDGE G. HARRIS ADAMS GRANTING APPLICATION AND APPROVING COMPLIANCE PLAN WITH MODIFICATIONS

Mailed Date: July 31, 2014

TABLE OF CONTENTS

I. STATEMENT

A. Summary

1. This Recommended Decision approves Public Service Company of Colorado's (Public Service or Company) 2014 Renewable Energy Standard (RES) Compliance Plan with the changes discussed below, including acquisition levels for the on-site solar programs (*i.e.,* Solar*Rewards); a minimum and maximum for the Solar*Rewards Community program (*i.e.,* community solar gardens); Renewable Energy Credit (REC) payments for such on-site solar and community solar gardens programs; and new Recycled Energy and non-solar Distributed Generation programs.

2. The disputed issues in this proceeding are not how Public Service will comply with RES requirements in 2014. Rather, they regard what renewable energy resources the Company may acquire when it is already in compliance with the RES standard.[1]

3. For the Solar*Rewards program, the Company may acquire up to 65 Megawatts (MW) of solar including up to 45 MW in the Small program and 20 MW in the Medium program.[2] Public Service may acquire between 6.5 MW and 30 MW through its Solar*Rewards Community program. This Decision approves the Company's request for a recycled energy program and for a non-solar distributed generation program. Finally, this Recommended Decision denies Public Service's request to change the way that it prices its Windsource program.

B. Procedural Background

4. On July 24, 2013, Public Service filed an Application for Approval of its 2014 RES Compliance Plan (Application). Public Service seeks approval of its proposed amounts of on-site solar resources to be acquired through the Company's Solar*Rewards programs. Public Service also seeks approval of its proposed standard offer incentives for the purchase of RECs generated by these on-site solar systems. The Company further seeks approval of certain changes to its on-site solar programs and the associated tariffs.

5. In addition, the Application seeks Commission approval of: (1) a new tariffed rate for Public Service's Windsource program; (2) a tariff change allowing a charge for production meters for small Solar*Rewards customers who install on-site generation on or after

[1] Public Service has shown that it has sufficient Renewable Energy Credits to meet all three parts of RES requirements and therefore does not need to acquire additional RECs to be in compliance with the requirements in 2014.

[2] Pursuant to Decision No. C14-0701, Proceeding No. 14A-0414E, any of the capacity acquired under the approved settlement will be deducted from the capacity for the small and medium programs approved in this proceeding.

January 1, 2014; (3) a surcharge for new net metered customers to supplement their contributions to the Renewable Standard Adjust (RESA) account; (4) a new program to acquire recycled energy; (5) a new program to acquire retail renewable distributed generation from resources other than on-site solar; (6) acquisition and incentive levels for community solar gardens to be acquired through the Company's Solar*Rewards Community program; and (7) incremental and avoided cost calculations to determine the retail rate impact under § 40-2-124(1)(g), C.R.S.

6. By Decision No. C13-1102-I, issued September 6, 2013, the Commission referred the matter to an Administrative Law Judge (ALJ).

7. The Colorado Office of Consumer Counsel (OCC) and Staff of the Colorado Public Utilities Commission (Staff) timely filed notices of intervention by right.

8. The following timely filed requests for permissive intervention in this matter: Interstate Renewable Energy Council, Inc. (IREC); City of Boulder (Boulder); the Vote Solar Initiative (Vote Solar or VSI); Western Resource Advocates (WRA); Solar Energy Industries Association (SEIA); Colorado Solar Energy Industries Association (CoSEIA); Climax Molybdenum Company (Climax); The Heat is Power Association; The Alliance for Solar Choice (TASC); and, Noble Energy, Inc. and Ecana Oil & Gas (Colorado Gas Producers).

9. By Decision No. R13-1401-I, issued November 7, 2013, the Colorado Energy Office (CEO) was granted late intervention.

10. By Decision No. R14-0021-I, issued on January 8, 2014, Sunshare, LLC (SunShare) was granted late intervention.

11. By Decision No. R13-1543-I issued December 30, 2013, The Heat is Power Association withdrew from this proceeding.

12. The following are Parties to this proceeding: Staff, the OCC, CEO, Boulder, Vote Solar, CoSEIA, WRA, Climax, TASC, and SunShare.

13. The following are *amicus curiae* in this proceeding: IREC, Colorado Gas Producers, and SEIA.

14. By Decision No. R13-1079-I, issued September 9, 2013, the statutory period was extended for an additional 90 days pursuant to § 40-6-109.5(1), C.R.S.

15. By Decision No. R13-1225-I, issued on October 1, 2013, it was found that extraordinary conditions required further extension of the deadline for an additional 90 days, or until July 3, 2014. The decision also scheduled an evidentiary hearing to commence on February 3, 2014.

16. By Decision No. C14-0115-I, issued on January 29, 2014, the Commission withdrew the reference to an ALJ, vacated the procedural schedule and scheduled hearing, and scheduled a public comment hearing before an ALJ.

17. By Decision No. C14-0219-I, issued on February 27, 2014, the Commission modified the scope of the proceeding, ordered filing of revised and supplemental testimony based thereupon, and referred the matter to an ALJ.

18. On March 5, 2014 Public Service filed a notice confirming that the Company waived the applicable statutory period in § 40-6-109.5, C.R.S.

19. By Decision No. R14-0295-I, issued March 18, 2014, procedural matters were addressed and an evidentiary hearing was scheduled. At the scheduled time and place, a hearing was convened regarding the application.

20. Hearing Exhibits 2, 3, 4, 6 through 13, 15 through 18, 20 through 27, 200 through 203, 300 through 303, 400, 802 through 805, 900, 901, 1000 through 1005, 1100, 1101, 1300, 1301, and 1401 through 1409, 1411, and 1412 were identified, offered, and admitted into evidence. Hearing Exhibit 1410 was identified and offered, but not admitted.[3]

21. Hearing Exhibits 300C and 302C were admitted during the hearing in this matter designated with a "C" (*i.e.,* 300C) as confidential exhibits subject to protections, in accordance with the Commission's Rules of Practice and Procedure.

22. Hearing Exhibits 203D and 301D were admitted during the hearing in this matter designated with a "D" (*i.e.,* 203D) as highly confidential exhibits subject to extraordinary protections for Response and Highly Confidential Attachment 10.1A1 to CPUC 10-11 in Proceeding No. 11A-418E, in accordance with the Commission's Rules of Practice and Procedure.

23. During the course of the hearing, testimony was received from Robin L. Kittel, Jannell Marks, Steve Mudd, Debra Sundin, Scott Brockett, Kari C. Clark, Lee Gabler, Lynn L. Worrell, Sam Hancock on behalf of Public Service; Jessica Scott on behalf of the City and County of Denver; Walker Wright on behalf of TASC; Jason Wiener and John Bringenberg on behalf of CoSEIA; Gwen Farnsworth and Christine Brinker on behalf of WRA; Rick Gilliam on behalf of VSI; David Amster-Olszewski for SunShare; Chris Neil on behalf of the OCC; and William Dalton on behalf of Staff. At the end of the hearing, the matter was taken under advisement.

[3] Hearing Exhibit 1401 identifies pre-filed electronic hearing exhibits numbered less than 1401. The identified electronic records were admitted into evidence by administrative notice without objection. Rule 1501(b) of the Rules of Practice and Procedure, 4 *Code of Colorado Regulations* 723-1, is waived as to hearing exhibits numbered less than 1401.

24. In reaching this Recommended Decision, the ALJ has considered all arguments presented by the parties, including those arguments not specifically addressed in this Decision. Likewise, the ALJ has considered all evidence presented at the hearing, even if the evidence is not specifically addressed in this Decision.

25. In accordance with § 40-6-109, C.R.S., the ALJ now transmits to the Commission the record and exhibits in this proceeding along with a written recommended decision.

C. Severing Net Metering

26. In its Application, Public Service sought approval of a net metering incentive in its RESA with a corresponding adjustment to its Electric Commodity Adjustment.

27. By Decision No. C14-0291-I, the Commission severed issues related to net metering and struck corresponding portions of pre-filed testimony. The Commission also established new deadlines for filing revised testimony and directed Public Service to file Supplemental Direct Testimony limited to addressing proposed on-site solar acquisition levels, proposed standard offer incentive payments for RECs, and the associated direct costs, including any funds that may need to be advanced to the RESA. Finally, the Commission returned the RES Plan proceeding to the ALJ for a recommended decision.

II. DISCUSSION, FINDINGS, AND CONCLUSIONS

A. Compliance with the Renewable Energy Standard

28. Public Service files its 2014 Renewable Energy Standard Plan pursuant to the RES codified at § 40-2-124, C.R.S., as well as the applicable requirements of the Commission's Renewable Energy Standard Rules 3560 *et seq*., 4 *Code of Colorado Regulations* (CCR) 723-3 (RES Rules). Specifically, Commission Rule 3657 requires each investor owned

Qualifying Retail Utility (QRU) to file a RES plan detailing how the QRU intends to comply with the RES Rules.

29. Since its enactment in 2004, the Colorado Legislature (Legislature) has modified the RES several times. Amendments have raised the percentage of retail sales that a QRU must get from eligible energy resources and changed the requirements for the amount of energy that a QRU must generate (or cause to be generated) from retail distributed generation systems. In addition, House Bill 10-1342 established what are commonly referred to as community solar gardens (CSG). Public Service Solar*Rewards Community program, included in its 2014 RES Plan, is based on House Bill 10-1342 and conforms to the Commission rules on CSGs at Rule 3665.

30. Public Service must generate or cause to be generated electricity from eligible energy resources in the following amounts in 2014: 12 percent of its retail electricity sales with distributed generation (DG) equaling at least 1.25 percent of its retail electricity sales in 2014. In addition, at least half of the DG must come from retail distributed generation.[4]

31. The primary issue before the ALJ is what eligible energy resources Public Service may acquire in addition to what is necessary for compliance with the RES. Compliance with the RES requirements in 2014 is not an issue in this proceeding. Public Service's Application states and the Company's plan shows they have sufficient RECs to meet the RES requirement. Therefore the Company does not need to acquire additional eligible energy or RECs in 2014.[5]

[4] *See* § 40-2-124, C.R.S., and Commission Rules 3654 and 3655.

[5] *See* Hearing Exhibit 2, Attachment RLK-1, Version 4. Also, Application for Approval of its 2014 RES Compliance Plan, page 2. Finally, the Company reiterates in its Statement of Position (SOP) that it has sufficient RECs to meet the RES, including the retail distributed generation requirement, beyond 2020.

32. Both statutes and Commission rules provide guidance regarding how much eligible energy a QRU may acquire above its RES requirements. Rule 3651 of the Commission's Rules states, "it is in the best interests of the citizens of Colorado to develop and utilize renewable energy resources to the maximum practicable extent."

33. Section § 40-2-124(1)(g)(B), C.R.S., permits a QRU to acquire more than the minimum amount of eligible energy resources required for RES compliance as long as the retail rate impact of acquiring eligible energy resources does not exceed the statutory maximum impact of 2 percent of each customer's total annual electric bill. This bill impact, in part, sets an upper limit on the amount of eligible energy that a QRU can acquire.

34. The Commission also provided guidance in Decision No. C12-0606, Proceeding No. 11A-418E, issued June 8, 2012. The Commission stated that one of its goals was to reduce costs.[6] Further, the Commission stated that the central issue in approving that RES Compliance Plan was the determination of the appropriate amount of renewable resources considered against the reasonableness of the expected costs and the impacts on the RESA account.

35. Public Service has shown that it will have sufficient RESA funds to meet the cost of the resources proposed in the 2014 RES Compliance Plan and will not need to advance funds.[7] Further the Company projects that it will collect $64.1 million of RESA revenues in 2014 and that it will spend approximately $62.8 million on eligible energy resources. Thus, the Company projects it will have an estimated excess of RESA funds of roughly $1.5 million.[8]

[6] *Id.* at ¶ 20.

[7] Hearing Exhibit 23, page 12, lines 1-2. *See also* Hearing Exhibit 25, Attachment SJH-4, Table 7-2(C) and Hearing Transcript, Day 1, page 84, lines 14-17.

[8] Hearing Exhibit 25, Attachment SJH-4, Table 7-2(c).

36. The ALJ finds that the funds collected through the RESA for 2014 provide a reasonable cap on the Company's acquisition of eligible energy resources, including resources acquired through the Company's Electric Resource Plan (ERP) (Proceeding No. 11A-869E) and through its Solar*Rewards, Solar*Rewards Community, and other programs. Except as otherwise provided in this Decision, the amounts of resources approved in this Decision are maximums and may be acquired within the existing RESA funds.

37. Because Public Service has sufficient RECs to meet its RES requirements for 2014, this ALJ finds that it is not in the public interest to allow the Company to advance funds to the RESA account for the purpose of acquiring additional eligible energy resources. Therefore, any capacity levels approved are contingent on not requiring funds to be advanced to the RESA.

38. Finally, given the potential for a growing positive RESA balance, which Public Service projects to be a cumulative $312.6 million by 2020, the Commission may wish to consider the status of the RESA collection in a future proceeding.[9]

B. Period of the 2014 RES Compliance Plan

39. Given that calendar year 2014 is more than half over, there arises a question of the period for which Public Service's 2014 RES Plan is being approved. In Decision No. C14-0729, Proceeding No. 14V-0188E issued July 1, 2014, the Commission approved a settlement that stated that the 2014 RES Compliance Plan will remain in effect until the 2015 through 2016 RES Compliance Plan is approved.[10] The 2014 RES Compliance Plan was intended to come into effect in January 2014 and replace the 2013 RES Compliance Plan (and settlements) thereupon. Thus, the ALJ finds that the 2014 RES Compliance Plan covers the

[9] Hearing Exhibit 25, Attachment SJH-4, Table 7-2(c).
[10] Joint Motion for Approval of Stipulated Settlement, Page 3.

period from the approval of the plan to the approval of the 2015 through 2016 Compliance plan.[11]

40. In 2013 and 2014 the Commission approved settlements that provided capacity to the Solar*Rewards programs in addition to what had been approved in the respective plans. In approving additional capacity, the Commission balanced the cost of solar to ratepayers with the potential impacts to the solar industry from shutting the Solar*Rewards program.

41. In looking at the period approved in this proceeding, the ALJ seeks to promote continuity in the marketplace and to sustain the Solar*Rewards program. The Commission's decision in Proceeding No. 14V-0188E, provided 60 days from the date of a final decision in this proceeding for Public Service to file its next RES Plan. Taking this into consideration, the ALJ finds it reasonable that the 2014 RES Compliance Plan will cover a period of approximately 18 months from the date that a final decision is issued in this proceeding. The capacity levels approved in this Decision reflect this length of time.

C. Public Service Plan

42. The 2014 RES Compliance Plan shows that Public Service will meet the requirements of the RES and the Commission's RES Rules by retiring RECs acquired in previous years. The RES Compliance Plan also shows what eligible energy resources the Company proposes to acquire in 2014.

43. The Company expects to add any non-DG eligible energy resources through its ongoing ERP (Proceeding No. 11A-869E). The Company states that any future Wholesale DG

[11] In Decision No. C14-0729, Proceeding No. 14V-0188E, the Commission approved a settlement between Public Service and TASC stating that the 2015 through 2016 RES Compliance Plan will be filed no later than 60 days after a final decision in this proceeding.

acquisitions also should be reviewed as part of the Company's 2013 ERP.[12] Thus, Public Service's potential non-DG eligible energy acquisitions are not at issue in this proceeding.

44. Proposed acquisitions of new eligible energy resources in the 2014 RES Plan include: (1) on-site solar (or Solar*Rewards); (2) CSGs (Solar*Rewards Community); (3) a new program to acquire recycled energy; and (4) a new program to acquire retail renewable distributed generation from resources other than on-site solar.

D. Small Solar*Rewards Capacity Acquisition Proposals

1. Recommended Plan

45. Public Service's Recommended Plan for its 2014 solar programs proposes a total acquisition of 42.5 MW. They propose to acquire 24 MW in the small program and 12 MW in the medium program. The Company also proposes to acquire 6.5 MW through the Solar*Rewards Community Program.[13] No solar will be acquired through the large Solar*Rewards program.[14]

46. The Company suggests that the 24 MWs in the small program be acquired in four declining incentive steps of 6 MW each.[15] The Company argues that 24 MW is a reasonable goal for the 12 months of 2014 based on its analysis that it has been installing approximately

[12] Hearing Exhibit 2, Attachment RLK-1, Version 4, page 5.

[13] Approval of the Solar*Rewards Community Program is discussed separately in this Decision. Because all of the parties that proposed a solar plan in this proceeding included the cost of their proposed capacity acquisition for Solar*Rewards Community as part of the cost of their plan, those proposals are described here in a discussion of the cost of the proposed solar plans.

[14] In its 2014 RES Plan, Public Service proposes to change the demarcation point between its small and medium program from 10 kW to 25 kW. Thus, the request for the small program in the Company's preferred plan refers to systems that are up to 25 kW in size.

[15] For the purposes of discussing capacity acquisition targets, the ALJ adopts the existing framework of declining incentives, or steps, which decrease as capacity targets in each respective step are reached. The next section of this Decision discusses the appropriate incentive for each type. Thus, no particular incentives are endorsed or approved in the discussion in this section.

2 MW per month over the last 12 months. The Company further argues that the solar market does not support a larger acquisition of on-site solar.[16]

47. The 12 MW acquisition proposed for the medium program is predicated on a similar analysis, which shows that the Company has been installing just under 1 MW per month on average for the past year.

2. Positions of the Parties

48. The OCC suggests the Commission limit Public Service's acquisition of on-site solar through its Solar*Rewards program to what is required for compliance with the RES. Public Service does not require any additional retail distributed generation to meet its RES requirements in 2014. However, Public Service's plan suggests that acquiring approximately 6 MW of on-site solar is the minimum that the Company needs to keep it on a path to maintaining compliance in future years. In its case, OCC supports this level of acquisition.

49. Staff supports the acquisition levels for the Solar*Rewards and Solar*Rewards Community programs proposed by Public Service, but recommends pricing the REC payments for both the small customer-owned and third-party owned systems at the same level.[17]

50. WRA, TASC, and CoSEIA all support larger solar plans than the one put forward by Public Service. TASC advocates for a total of 65 MW in 2014. WRA advocates for a total of 75.5 MW and COSIEA suggests a total solar acquisition of 78.5 MW. As with Public Service, these totals are divided among the small and medium Solar*Rewards programs and the Solar*Rewards Community program.

[16] Hearing Exhibit 27, Supplemental Rebuttal Testimony of Lee Gabler, page 5, lines 13-15.
[17] Hearing Exhibit 301, page 30, Lines 5-7.

51. WRA and TASC argue that the Commission should approve 45 MW of capacity for the small program for 2014. CoSEIA suggests a slightly larger program at 48 MW.

52. In support of its plan, TASC witness Mr. Wright explains that TASC is proposing capacity acquisition levels for the small and medium programs that would sustain those programs at the same level of offering as 2013 through the period when the next RES Compliance Plan is approved.[18]

53. Mr. Wright explains that TASC's proposed 45 MW for the small Solar*Rewards program is intended to cover a period of 17 months. TASC further explains that it arrived at a 45 MW proposal by multiplying the 2.4 MW per month average monthly capacity installed during 2013 times 17 months and then adjusting this figure to account for changes in the size of systems in the small program that Public Service has requested.[19]

54. WRA proposes that Public Service acquire 45 MW in the small program over a 12-month period. WRA suggests that this is the amount needed to maintain the Solar*Rewards program at the same level that it was at in 2013.[20] In reaching this conclusion WRA relies on the capacity that was approved by the Commission as part of Public Service's 2012 RES Compliance Plan as well as an additional 33.6 MW that the Commission approved in Proceeding No. 13A-0527E. WRA notes this is the capacity that Public Service offered to customers, and subscribed, under the 2013 plan and settlement and is not the amount of capacity that was installed.[21]

[18] Hearing Exhibit 804, page 1, Lines 17-19.
[19] *Id,* page 12, Lines 10-15.
[20] Hearing Exhibit 1004, page 4, lines 5-7.
[21] *See* Decision No. C13-0703, Proceeding No. 13A-0572E issued June 18, 2013.

55. WRA further notes that Public Service's analysis of the appropriate market size for the Company's small Solar*Rewards program is based on the amount of solar capacity the Company installed, which for any year may be different than the capacity that the Commission has approved to be offered to customers in that year.[22] WRA suggests that past Solar*Rewards capacity offerings are a better metric for determining subsequent program size, in part because this approach is more predictable. WRA opines that this approach allows consistency from year-to-year and can more readily show growth in program size. In addition, WRA argues this method is consistent with the Commission's stated goal of maintaining steady levels of on-site solar purchases at reduced costs.[23]

56. CoSEIA similarly relies on past Solar*Rewards program offerings to support their respective proposed plans. In addition, CoSEIA argues that its plan for the small program (48 MW) has the best potential to reduce what it views as damaging stops and starts due to lack of capacity in the program.

E. Medium Solar*Rewards Capacity Acquisition Proposals

57. Public Service proposes to acquire 12 MW through its medium Solar*Rewards program. They argue that this offering is consistent with historically installed levels of solar in this program and thus represents the appropriate size for the program.

58. WRA and TASC advocate for a medium program capacity of 20 MW for 2014. CoSEIA puts forward a plan that suggests that Public Service acquire 24 MW.

59. Mr. Wright explains that TASC's proposal for 20 MW in the medium program was intended to cover the period between the approval of Public Service's

[22] Customers have up to one year to install their Photovoltaic systems once they have made a reservation for the capacity and been approved.

[23] Hearing Exhibit 1004, page 7, Lines 6-8.

2014 RES Compliance Plan and the approval of its next plan, which TASC suggests would be not less than 14 months.[24]

60. WRA notes that Public Service offered 16.4 MW through its medium program in 2013, which was all subscribed by customers. They further suggest that at the rate the program sold out, customers may have subscribed an additional 2 MW in 2013 had the capacity been available.[25]

1. Costs of the Program Proposals

61. By Decision No. C14-0219-I, mailed on February 27, 2014, the Commission directed Public Service to state the ongoing cost and RESA impacts for on-site solar that was acquired under previous RES Compliance Plans and settlements. In response, Public Service witness Ms. Kittel states that the Company has committed an average of $16.8 million per year over the next decade for on-site solar acquired in 2011 through 2013.[26] This is the RESA and non-RESA costs for solar. Attachment LEG-7 to Mr. Gabler's Supplemental Direct testimony shows that solar acquired in 2011 through 2014 will have an average annual RESA impact of $2.4 million over the next decade.[27]

62. In attachment LEG-8, Mr. Gabler projects that the REC costs for the solar acquired under the 2014 RES Plan would be $17,743,000 over 20 years. This attachment also shows that the Company projects that solar will have a net negative impact on the RESA each year through 2023.[28]

63. WRA states that its proposed 75.5 MW solar proposal would cost $26.9 million for RECs over 20 years assuming the step and incentive framework proposed by

[24] Hearing Exhibit 804, page 14, Lines 8-17.
[25] Hearing Exhibit 1004, page 8, Lines 11-13.
[26] Hearing Exhibit 23, page 10.
[27] Hearing Exhibit 24, Attachment LEG-7.
[28] Hearing Exhibit 27, Attachment LEG-8.

Public Service.[29] WRA projects that the small program of 45 MW and a medium program of 20 MW would result in a cost of $24.6 million over 20 years. Finally, WRA projects that under its proposal the RESA would remain positive, meaning that Public Service would not need to advance funds to acquire the solar proposed by WRA.

64. TASC estimates that its solar plan of 65 MW would cost $45.56 million over 20 years.[30] In its analysis, TASC also shows that the solar acquired under its proposal would have a net negative impact on the RESA for the years 2014 through 2023.

65. CoSEIA provided a cost estimate covering the RES planning period (2013 to 2023). It projects that its proposed 78.5 MW plan would cost $15.98 million over that period.

2. Discussion and Findings

66. The cost of the Solar*Rewards program and its impact on the RESA deferred account are important considerations in the amount of eligible energy resources, in this case on-site solar, that Public Service may acquire. The cost of the respective programs that the parties put forward are based on the proposed capacity levels and assumed REC prices. The final costs of the program approved here will thus be a function of the acquisition levels and the REC payment price approved, which is discussed in the subsequent section of this Recommended Decision.

67. As discussed above, the Commission approved the 2014 RES Compliance Plan being in force until the Company's 2015 through 2016 RES Compliance plan is approved. The ALJ finds that 18 months is a reasonable expectation of the amount of time that this 2014 plan will be in place.

[29] Hearing Exhibit 1004, Attachment GF-9 provides WRA's estimate of cost for its proposal. In hearing Exhibit 1005, page 3, lines 3-16, WRA states that the costs in Attachment GF-9 should be reduced by $3,148,000. WRA restates this in footnote 5 of its SOP, page 21.

[30] Hearing Exhibit 804, Attachment MRN-7.

68. The plans proposed by the parties have a cost ranging from $2.65 million for the plan suggested by the OCC to $46.56 million for the 65 MW plan proffered by TASC. Public Service and WRA's respective proposals fall between these. CoSEIA did not provide a 20-year cost estimate for its proposal. WRA suggests that acquiring 65 MW in the small and medium program would cost $24.6 million over 20 years assuming Public Service incentive steps and REC payments. WRA argues that its proposal will not require funds to be advanced to the RESA. Given that this greater cost will still not require an advance of funds to the RESA account and will be used to acquire solar a period of 18 months, the ALJ finds this cost reasonable.

69. Public Service argues that 2 MW is an appropriate size for the small program and is justified by the average monthly installations in 2013. However, in rebuttal, the Company shows that the actual monthly average was closer to 2.4 MW.[31]

70. Using Public Service's approach of multiplying the average MW installed per month (2.4) by the number of months the plan will cover (18 months) suggests a small Solar*Rewards program of 43.2 MW. This is close to the 45 MW advocated for by TASC and WRA. While the capacity approved is larger than the amount put forward by Public Service, the length of the plan approved here is also 50 percent longer than proposed.

71. Finally, several parties advocate that capacity approved in the 2014 plan should be carried forward (*i.e.,* be available to customers) until the capacity is exhausted or the next RES Compliance Plan is approved. [32] While Public Service opposed this request originally,

[31] Hearing Exhibit 13, page 3, lines 16-19.

[32] Pursuant to Decision No. C14-0729, Proceeding No. 14V-0188E, Public Service shall file a 2015 through 2016 RES Compliance Plan not later than 60 days after the final Commission decision in this proceeding. Decision No. C14-0729 further approves the agreement in the settlement that the 2014 RES Plan shall continue in full force until the Commission issues a final decision on the 2015 through 2016 RES plan (see page 2).

in supplemental testimony, the Company endorses the carrying forward of capacity approved in this plan until the 2015 RES Plan is approved. The ALJ has taken this into consideration in approving an 18-month period for the 2014 RES Plan.[33]

F. Solar*Rewards Incentive Levels

1. Recommended Levels

72. In its Preferred Plan, Public Service proposes to offer four REC incentive steps of 6 MW each for its small program with different REC pricing steps for the customer-owned and third-party owned systems. The plan also offers two REC incentive steps of 6 MW each for the medium Solar*Rewards program.

73. For the small program, the Company bases the proposed incentive pricing levels on its analysis of: (1) the cost of installed Photovoltaic (PV) systems; (2) participation in the program; and (3) research concerning the value of RECs on the open market.[34]

74. The Company argues that its proposed REC incentive levels continue the declining pricing levels put forward in the Company's 2012 RES Compliance Plan and approved by the Commission in Decision No. C12-0606.[35]

75. Public Service also recognizes that some of the REC prices proposed for the 2014 RES Compliance Plan diverge from the approved 2012 RES Compliance Plan.[36] The Company argues this divergence is explained by different market conditions and that all of its proposed REC incentives in its plan are intended to provide the needed level of support to the market segment. It argues that application levels are the primary indicator of market activity for

[33] Hearing Exhibit 23, page 4, lines 7-14.
[34] Hearing Exhibit 9, page 9, lines 7-15.
[35] *Id.,* page 6, line 3 through page 7, line 11.
[36] *Id.,* page 7, lines 1-8.

a given program (*e.g.,* small versus medium or large Solar*Rewards program).[37] The Company maintains that the volume of applications for third-party owned systems, even at declining REC payment levels, supports reducing the payments.[38] Using this rationale, the Company proposes Steps 12 through 15 of the third-party owned systems be offered a REC incentive price of $0.00125 per kWh.

76. For customer-owned systems the Company proposed to offer Step 12 at $0.02 per kWh, Step 13 at $0.01 per kWh, and the additional two steps (14 and 15) at $0.00125 per kWh.

77. For the medium program, the Company proposes to offer Step 5 at $0.06 per kWh and Step 6 at $0.06 per kWh.

2. Position of the Parties

78. WRA supports declining incentives as capacity steps are subscribed. In responding to proposals by other parties, it also opines that REC payment levels should not be set higher than the last capacity program step available when the 2014 RES Compliance Plan opens.[39]

79. While WRA uses Public Service proposed REC payment prices in analyzing the cost of its solar proposal, it does not endorse them and submits that the transition from $.01 to $.00125 is too steep.[40] WRA does not propose an alternative.

[37] Hearing Exhibit 9, page 8, lines 15-21.

[38] Because applications have slowed for the small customer-owned and medium segments, the Company proposes keeping the current incentive level steps in 2014.

[39] Hearing Exhibit 1005, page 5, line 14-16.

[40] Hearing Exhibit 1004, page 14, lines

80. In his Supplemental Cross-Answer Testimony, TASC witness Mr. Wright states that TASC shares WRA's concern that Public Service's proposed reduction to $0.00125 is too substantial.[41]

81. CoSEIA proposes incentive levels of $0.03 per kWh for customer-owned systems and $0.01 for third-party owned systems.

3. Findings and Conclusions

82. This ALJ agrees with Public Service and WRA that the current level of applications in the small Solar*Rewards programs, in particular the third-party owned segment, are indicative of continued customer interest.

83. With the exception of the OCC, the other parties that proposed solar plans in this proceeding, including COSIEA, TASC, and WRA, agree with the Company's proposed incentive levels for the medium program. Since those levels are reasonable and largely unopposed, they will be approved.

84. The undersigned agrees with Public Service and WRA that the Commission's policy has been to reduce the incentives paid for on-site solar. Further, capacity reservations and customer installation levels are strong indicators of customer interest and thus of the appropriateness of the incentive in the market. Public Service's proposed incentive levels for the small program will be approved. For third-party owned systems, the incentives of $.00125 per

[41] Hearing Exhibit 805, page 9, line 13 through page 10, line 1.

85. kWh will be approved. The incentives for the small customer-owned systems shall be as follows:

Year	Small Program Step	Capacity In MW	REC Payment ($/kWh)
2014	Step 12	11.25	$0.02
	Step 13	11.25	$0.01
	Step 14	11.25	$0.00125
	Step 15	11.25	$0.00125

G. Reserving Small Solar*Rewards Capacity

86. The OCC recommends that 10 percent of the small Solar*Rewards program capacity be reserved for customer owned systems.[42] The OCC notes that customer and third party-owned systems are currently treated together in an incentive step. The OCC argues that reserving some capacity for customer-owned systems will reduce solar costs by ensuring that the market for customer-owned systems remains competitive.

87. WRA supports the OCC's recommendation to reserve some capacity in the small program for customer-owned systems to preserve and support different market segments. With third party-owned systems currently subscribing most of the capacity in the small program, they set the pace for the incentives for both the customer-owned and third-party owned systems. Since the incentives for both types of systems are moving together, this is resulting in the

[42] Hearing Exhibit 202, page 21, lines12-19.

higher incentive levels for customer-owned systems being driven down by installation rates of non-customer owned systems.

88. Public Service opposes this proposal and suggests that this change would change the small program significantly.

89. The OCC's suggestion does not appear to alter the current split between customer and third-party owned systems.[43] The change appears to affect when incentives for each of the system's types would move from one incentive step to the next lower incentive step.

90. Currently, third-party owned systems have a strong influence on the level of incentive that is being paid to customers installing customer-owned systems.

91. The Commission has historically offered higher incentives to customer-owned systems, reflecting the difference in cost and economics as well as supporting that market segment to ensure that customers continue to have the option to install and own systems. It is reasonable to continue supporting the customer-owned market.

92. Of the capacity approved for the small Solar*Rewards program, Public Service shall ensure a minimum of 10 percent is available for customer-owned systems. Further, the incentive offered to customer-owned systems shall move to the next step only once the incentive step capacity for the customer-owned systems is exhausted. While this may add some cost to the overall program, those costs should not be significant given several factors including that this approach does not alter the current distribution of systems, the small amount of capacity involved, and the low level of incentives being offered. Should demand for customer-owned

[43] Public Service states that 84 percent of applications for the small Solar*Rewards program were for third-party systems. See Hearing Exhibit 2, Attachment RLK-1, Version 4, at page 33.

systems fail to materialize despite support for the market segment, the Company or other interested parties could address this in a future RES Compliance Plan proceeding.

H. Community Solar Gardens

1. Recommended Levels

93. In its 2014 RES Plan, Public Service proposes to offer 6.5 MW of capacity through its Solar*Rewards Community program. The Company proposes that this capacity be split between its small program (500 kW total acquisition), which has a standard offer rebate, and a competitive solicitation (6 MW total acquisition). Public Service proposes that the price that it receives in the solicitation will determine the price for the incentive offered in the small program.

94. Public Service argues that 6.5 MW is appropriate because the Solar*Reward community is still new and many of the projects acquired have not been constructed. In short, it suggests that the current program is still being tested in the market. It recommends that this Commission wait to see if this program is sustainable at current levels before approving expanded capacity acquisitions.

2. Position of the Parties

95. WRA recommends an increase of 4 MW in the Request for Proposal (RFP) portion of the Solar*Rewards Community program (10.5 MW total).[44] WRA argues that the pace at which Public Service's Solar*Rewards Community offerings were subscribed in 2012 and 2013 indicates market demand and interest.

96. SunShare argues that Public Service has not met its burden in supporting the 6.5 MW program size in its application because the Company has not demonstrated that this level of acquisition is consistent with market demand. Thus, it fails to provide any other

[44] Hearing Exhibit 1004, page 15, lines 1-2.

rationale to support lowering the program offering in 2014 when compared to prior years.[45] SunShare contends that the statute directs the Commission to consider customer interest, among other factors, in setting the parameters for community solar gardens in 2014.[46]

97. SunShare also properly notes that the CSG Statute (§ 40-2-127(5)(a)(IV), C.R.S.) removes the 6 MW annual cap in 2014 and directs the Commission to establish both a minimum and maximum capacity that may be acquired through a utility's CSG program.

98. SunShare argues for a minimum program size of 30 MW and that the maximum amount of solar that can be acquired through CSGs should be determined by market interest. In support of removing a program acquisition cap, SunShare submits that it has received inquiries for 80 MW of CSG from Douglas County alone. Finally, SunShare argues that a CSG can be acquired without substantial RESA impacts.[47]

3. Findings and Conclusions

99. This ALJ agrees with SunShare that § 40-2-127(5)(a)(IV), C.R.S., removes the 6 MW per year cap on CSGs and instead directs the Commission to set both a minimum and maximum level of community solar that should be acquired in 2014.

100. Public Service has not provided a range, but instead provided a point estimate (6.5 MW) that it advocates is appropriate for its CSG acquisition in 2014.

[45] SOP of SunShare LLC at pages 5 through 7.

[46] Transcript, Vol. 1, page 130.

[47] SunShare argues that REC prices for all CSG be set at the lowest bid price received through the RFP process. They suggest that based on past experience (including bids submitted to Public Service), REC prices may fall between $.001 and $.01 per kWh. At $.01 per kWh 30 MWs of CSG would have a total cost of $480,000.

101. In determining the program size, the undersigned is presented with the question of whether Public Service's Solar*Connect program provides evidence that there is a market for up to 50 MW of community solar in its service territory.

102. Public Service has proposed a Solar*Connect Program outside of this proceeding. It is a premium-based program, modeled similarly to Windsource, where customers can purchase solar power to offset 100 percent of their energy usage, at a premium price. Vol. I, (Pages 158:11 to 158:15). Customers residing in the same county as a solar garden are considered eligible customers for the Solar*Rewards Community Program. Vol. I, (Pages 151:14 to 151:16). Customers eligible for the Solar*Connect program are a similar classification. Like the Solar*Rewards Community Program, the Solar*Connect Program is not customer sited. Vol. I, (Pages 158:18 to 158:18).

103. It is found more probable than not that both Solar*Rewards Community and Solar*Connect are intended to provide similar services to similar customers.[48] The record also supports that Public Service has done due diligence to determine the 50 MWs that it is requesting for its Solar*Connect program is supported in the market. Vol. I, (Pages 152:5 to 152:15). The fact that Solar*Connect is designed as a premium cost product, which is not necessarily true for the Solar*Rewards Community Program, further indicates demand at a lesser price.

104. Consistent with the statutory requirement to set both a lower and an upper acquisition level, 6.5 MW will be approved as the lower end of Public Service's Community Solar Garden program in 2014. Further, 30 MW is within a range of reasonableness advocated by SunShare and will be adopted as the maximum capacity level that may be acquired for CSGs

[48] Transcript, Vol. 1, pages 151-158.

in 2014. Of this capacity, .5 MW will be approved for the small program and the remainder will be available through the Company's large Solar*Rewards Community program.

105. In addition, the undersigned approves the Company's approach of using the price it receives in the solicitation in the large program to determine the price for the incentive offered in the small program.

I. Windsource

106. Windsource is a voluntary program that allows customers to purchase renewable energy. Under the current program, Public Service retires RECs in the amount of the Windsource sales.[49]

107. Public Service proposes four changes to the current Windsource program. First, the Company proposes to change from a cost-based approach to determining the premium that customers pay for Windsource to what it terms a market based approach. Second, based on what it believes to be the current market price, the Company proposes to reduce the Windsource premium by 30 percent to $1.50 per kilowatt-hour block. Third, the Company proposes to retire only non-DG RECs to meet Windsource obligations. Fourth, the Company proposes to eliminate minimum contract terms.

108. Since the third and fourth requests are reasonable and unopposed, they are approved. The other changes that Public Service seeks are denied consistent with the discussion below.

1. Position of the Parties

109. Staff generally supports the Company's request to transition to market based pricing, but notes that the Company admitted at hearing that it would not use the same process

[49] The RECs that the Company retires for Windsource in a given year are in addition to the RECs that it retires to comply with its RES obligations in the same year.

again to determine market prices for Windsource.[50] Staff recommends that the Commission require the Company to do a formal, objective analysis of current market prices before it approves the change.

110. WRA concurs that current Windsource pricing is too high.[51] Like Staff, WRA opposes the market based approach that Public Service has put forward in this proceeding stating that it is concerned that the approach is too simplistic and does not reflect the cost that Public Service will incur to acquire additional eligible energy resources.

2. Findings and Conclusions

111. While reducing the Windsource premium may attract additional customers, the record in this proceeding does not support the Company's request to move to a market-based price based on the methodology proposed. The Company failed to meet its burden to show a market price determination methodology for Colorado with sufficient depth and clarity. In addition, this ALJ notes that at hearing Company witness Mr. Mudd stated that the Company would not use the same process for establishing Windsource pricing in the future.[52] This confirmed Mr. Mudd's statement in his Rebuttal testimony that the Company would not employ the same process again to change the premium.[53]

112. Market pricing based on a comparison of Windsource costs to the cost of green pricing utility programs in other jurisdiction's service fails to demonstrate a market price in Colorado and the reasonableness of the Windsource premium.

[50] SOP of Staff, page 15.
[51] SOP of WRA, page 17.
[52] Hearing Transcript, day 1, page 210, lines 12-19.
[53] Hearing Exhibit 21, page 5, line 3.

113. If the current premium for Windsource reflects excessive costs, then the costs should be reviewed. However, this fact does not support moving from a cost-based approach to pricing. Moreover, the evidence does not support moving from traditional cost-of-service based approaches to pricing based on what customers in other markets may be paying for similar products.

J. Recycled Energy

1. Recommended Levels

114. In its plan, Public Service puts forward a Recycled Energy[54] program that will allow the Company to acquire generation attributes from these recycled energy projects for the purpose of compliance with the RES. The Company proposes a total program size of 5 MW in 2014 with no single project being larger than 2 MW. The Company estimates that it might receive only 3 or 4 proposals in 2014, which is attributed to the complexity of developing these types of projects.[55] If the 5 MW is fully utilized, Public Service estimates that the program would cost $243,440 in 2014.

115. As part of its Recycled Energy proposal, Public Service requested Commission approval to introduce Recycled Energy RECs, or R-RECs, to demonstrate compliance with the RES. At hearing, Company witness Ms. Kittel stated that the Company is no longer pursuing its R-REC proposal in light of the Commission decision in Proceeding No. 13R-0901E

[54] Recycled energy is defined in Commission Rule 3652(q): "Recycled energy" means energy produced by a generation unit with a nameplate capacity of not more than 15 megawatts that converts the otherwise lost energy from the heat from exhaust stacks or pipes to electricity and that does not combust additional fossil fuel. Recycled energy does not include energy produced by any system that uses energy, lost or otherwise, from a process whose primary purpose is the generation of electricity, including, without limitation, any process involving engine-driven generation or pumped hydroelectricity generation.

[55] Hearing Exhibit 2, Attachment RLK-1, page 58.

(Decision No. C14-0390) issued April 14, 2014.[56] Based thereupon, the introduction of R-RECs is not approved.

116. Public Service presents several justifications in support of its limited proposed program size and incentive level. First, the Company states that it will meet its 2014 RES compliance obligations without the Recycled Energy program.[57] In addition, the Company argues that the 5 MW program is appropriate because it allows the Company to balance the goals of minimizing additional RESA spending with introducing a new eligible energy program for customers.[58] Further support for this limited program size comes from modest interest that the Company says that it has seen from customers.[59]

2. Position of the Parties

117. Both WRA and the OCC support Public Service's request to be able to acquire Recycled Energy projects. Both take issue with aspects of the program as proposed in the 2014 RES Plan. Staff does not oppose the program, but opines that the Company should use an RFP process to acquire these projects as opposed to offering a standard rebate as proposed by Public Service and supported by WRA and the OCC.

118. While OCC supports the implementation of recycled energy projects, it rejects the Company's claim that customers who install them should have to take service under a standby tariff. OCC notes that Public Service has provided no evidence demonstrating that these types of projects have higher outage rates than other types of conventional generation and that absent such evidence there is no support for requiring these customers to take service under a

[56] Transcript page 50, line 23 through page 51 line 3.
[57] Sundin, Hearing Exhibit 20, page 2, line 22.
[58] Hearing Exhibit 20, page 2
[59] Hearing Exhibit 22, Attachment RLK-1, Version 4, page 58. See *also* Hearing Exhibit 20.

standby tariff.[60] At hearing the ALJ asked Ms. Sundin if the Company had reviewed other utilities' recycled energy projects in developing their program proposal including forced outage rates. Ms. Sundin testified that the Company had relied on its experience with these types of projects in Minnesota exclusively and that she was not aware of the outage rate for these projects.[61]

119. WRA supports the concept of Public Service's Recycled Energy program, but contends that without changes the program may not be able to attract participants. WRA suggest the following changes: (1) increase the total program size to 20 MW; (2) increase the individual project limit to 10 MW; and, (3) annuitize the Company's recommend incentive over 10 years instead of 20 years as proposed. In addition, WRA suggests that the Commission consider removing the requirement that customers installing recycled energy projects be required to take service under the Company's standby rate.[62]

120. In support of its recommendation that the Commission allow individual projects up to 10 MW, WRA cites Colorado's RES and Commission Rules and the experience of at least one project developer. First, § 40-2-124(1)(a)(VI), C.R.S., and Rule 3652(q) define eligible recycled energy projects as being up to 15 MW. WRA suggest that this shows that the Legislature intended to include larger projects within such a program. WRA notes that recycled energy projects larger than 10 MW are permitted to bid into Public Service's all-source solicitation in the Company's ERPs. Under Public Service's proposal, customers interested in bringing forward recycled energy projects between 2 MW and 10 MW would not be able to participate in the RES.

[60] Hearing Exhibit 200, Revision 4, page 6, line 15 and at page 30, lines 12-15.
[61] Transcript, Page 83, lines 3-16.
[62] Hearing Exhibit 1001, Page 3, lines 12-19.

121. WRA showed that Ormat Technologies has 21 recycled energy projects installed in the U.S., more than any U.S. developer. None of those projects is under 2 MW and only one project is smaller than 3.5 MW. Based on the experience of this developer, WRA contends that Public Service's proposed 2 MW project limit may to be too small to attract developers and eliminate viable projects between 2 and 10 MW.[63]

122. In addition, WRA suggests that Public Service has not done a market potential study. Its information regarding customer interest is at best anecdotal and therefore not a sound foundation for determining the program size. For example, in its statement of position (SOP), WRA argues that Public Service indicates that its primary source of information about customer interest in deploying recycled energy projects comes from proactive inquiries through the Company's Demand Side Management. This does not necessarily represent the market potential for recycled energy in Colorado.[64]

123. Consistent with its interest in allowing larger individual projects to be developed, WRA suggests a 20 MW capacity for the Recycled Energy program. This would allow the program to accommodate up to two 10 MW projects or several smaller ones.[65]

3. Incentives

124. Public Service proposes a $500 per kW incentive to be paid on a performance basis over a 20-year contract period. Based on the Company's testimony, this results in an incentive payment of $7.94/MWh. WRA recommends that the same incentive (*i.e.,* $500 kW) should be paid over 10 years but that Public Service be allowed to acquire RECs for the 20 years

[63] Hearing Exhibit 1001, page 4, lines, 12-17.
[64] WRA, SOP, page 8.
[65] Hearing Exhibit 1001, page 7, lines 7-8.

or the operational life of the project.[66] WRA suggests that accelerating 20 years of REC payments into 10 years represents an alternative incentive approach that is more likely to attract the interest of developers.

125. Public Service and Staff oppose the suggestion to accelerate the payment of the incentive. In its SOP, Public Service reiterates two reasons for its opposition to this recommendation. First, the Company does not need the RECs. Second, the Company expresses concern that paying for 20 years of RECs in 10 years may result in paying more of an incentive than is warranted because the Company does not know if these types of projects will have a 20-year lifetime.

4. Standby Rates and RFPs

126. Public Service proposes that Recycled Energy projects be required to take service on the Company's appropriate Standby tariff. The Company argues that any customer that operates a generating facility and does not qualify for the Company's net metering tariff (Schedule NM) must take service under an applicable standby rate schedule.[67]

127. Both OCC and WRA oppose Public Service's proposal. The OCC argues that the Company has not demonstrated that Recycled Projects have a higher forced outage rate than other distributed projects and that absent that demonstration, they should not be required to take standby service.

128. Similarly, WRA offers that requiring recycled energy projects to take standby service is not supported by the Company's proposal and that it would provide a disincentive for developers to bring these projects forward.

[66] This is suggestion is similar to the current approach that Public Service uses to acquire RECs from individual owners in its small Solar*Rewards program where it pays incentives for 10 years, but acquires 20 years' worth of RECs.

[67] Hearing Exhibit 17, page 25 line 30 through page 26, line 7.

129. However, WRA agrees that recycled energy projects are not retail renewable distributed generation and are thus not eligible for the Company's net metering tariff.[68] Instead, they suggest that the recycled energy projects should pay demand charges when the recycled energy system is not operating and the customer needs support from the utility.[69]

5. Findings and Conclusions

130. This ALJ finds that Public Service's Recycled Energy proposal introduces a new eligible energy technology program that provides an opportunity for new customer types to participate in RES compliance. As such, it is reasonable to provide greater incentives to establish or support the market segment, similar to the approach taken earlier with other eligible programs. In addition, recycled energy projects appear to provide energy that is base load or less intermittent than other forms of distributed generation, which may provide additional benefits to customers and to the grid.[70] Approval of the program is in the public interest and will be approved with the modification.

131. The Company offers that part of its rationale for the proposed 10 MW program size is to limit the cost of the program and to gain experience with administering these types of resources on its system. However, the Company proposes RESA supported investments in solar and other renewable energy projects that are several times larger than the program here. In light of the fact that the Company does not need any eligible energy resources for compliance, the Company's concern about limiting the RESA impact of this Recycled Energy program is not compelling when placed against the small size of the program approved here as well as a

[68] Hearing Exhibit 1001, page 15, lines 14-15.
[69] Hearing Exhibit 1001, page 14, lines 17-19.
[70] Hearing Exhibit 1001, page 2, line 10.

potential system and other benefits that may accrue to all customers from investments in recycled energy.

132. WRA presented compelling evidence for larger program and project sizes. The proven experience of other projects outweighs the Company's concerns about learning before the program grows. As advocated by WRA, it is more likely than not that too many restrictions on the new program may very well result in gaining no experience. Therefore, the Company may acquire up to 20 MW of recycled energy projects as part of its 2014 RES Compliance Plan.

133. Inadequate justification is shown to limit project size to 2 MW. Commission rules provide for recycled energy projects of up to 15 MW.[71] The undersigned also finds it problematic to eliminate potential projects between 2 MW and 10 MW, particularly because this may be the optimal size for these projects. Therefore, Public Service may acquire individual recycled energy projects of up to 10 MW in size consistent with the Company having capacity available within the 20 MW program total approved here.

134. The undersigned agrees with Public Service and WRA that recycled energy projects will require incentive support as a new market entrant. Public Service proposes, and no party opposes, an incentive level of $500 kW. This proposal is reasonable and will be adopted. However, the evidence and advocacy of WRA that the incentive for these projects should be paid over a 10-year period to provide a stronger market driver is also convincing and will be adopted.

135. Finally, the requirement that customers installing recycled energy projects take service on the Company's stand-by tariff will be decided. While Public Service can submit a tariff for customers installing recycled energy projects, as argued by WRA, they have not done so

[71] The Company's ERP process is the appropriate place for projects above 10 MW in size.

here. The undersigned also agrees with the OCC that Public Service has not demonstrated that recycled energy projects have outage rates warranting the level of standby charges that they may face. However, changes to the terms and conditions of Public Service's standby tariff are not at issue in this proceeding. Therefore, intervenors' request that customers installing a recycled energy project not be required to take service under the Company's standby tariff will be denied.

K. Tariff Changes and Other Requests

136. Public Service proposes several tariff changes in its Application and subsequent filings in this proceeding.

137. For its PV Service tariff, Public Service proposes to change the dividing point between "Small" PV systems and "Medium" systems from 10 kW to 25 kW. No party contested this proposal. The proposal is reasonable and will be approved without modification.

138. Public Service also seeks Commission approval to make changes to its Renewable Energy Resource Service and its Net Metering tariff to begin charging residential customers who install new on-site generation systems after January 1, 2014 for a production meter. The Company states that it is already installing production meters for all new residential PV systems based on the terms of a settlement approved in Proceeding No. 11A-135E. The Company also submits that the Commission approved the production meter charge in Decision Nos. R12-0261 issued March 8, 2012 and C12-0606, Proceeding No. 11A-418E.[72]

139. By Decision Nos. R12-0261 and C12-0606, the Commission recognized: "[a] second meter dedicated to the generation will measure the production under both types of Small SR programs and will be owned, maintained, and read by Public Service and paid for by the

[72] Hearing Exhibit No. 26, Page 8.

system owner through a monthly metering charge based on the average embedded costs." Decision No. R12-0261 at ¶ 33.

140. VSI witness Mr. Gilliam opposes the Company's proposal to charge for production meters for customer-owned PV systems under 10 kW. Mr. Gilliam notes that the Company's request is contrary to Rule 4 CCR 723-3664(f)(2) and contends that the Commission should deny the request. [73]

141. The Commission previously approved charges for production meters. Therefore, Public Service may begin charging new net-metered customers who install on-site generation after the Commission approves the new net meter tariff changes.

142. The Company also seeks Commission approval to implement a RESA Fair Share charge that will apply to customers who install on-site generation after January 1, 2014 and who take service under the Company's net meter tariff.

143. Public Service notes that § 40-2-124(1)(g)(IV)(B), C.R.S., provides for this charge and that both Rule 3661(a) and Rule 3664(h) implement this statute. The Company argues that the proposed charge should be approved since both the statute and the rule provide for this charge and it has complied with all applicable requirements and methods for determining the charge.

144. TASC opposes the Company's request to implement a RESA Fair Share charge. TASC opines that implementation of a Fair Share charge may have made sense when the RESA deferred account was negative, but that testimony in this proceeding shows that all of the Solar*Rewards proposals put forward here have a positive impact on the RESA.

[73] Hearing Exhibit 1001.

145. While TASC opposes the RESA Fair Share charge, it admits that both the statute and the rules authorize it. The Company's request is approved. The Commission may wish to revisit this issue when considering the status of the RESA collection in a future proceeding.

146. Finally, Public Service seeks Commission approval for modeled incremental and avoided cost for resources that have not been locked down pursuant to Rule 3661(h)(V). This request is approved without modification.[74]

III. ORDER

A. The Commission Orders That:

1. Public Service Company of Colorado's (Public Service or Company) 2014 Renewable Energy Standard Compliance Plan is approved as modified in accordance with the discussion above.

2. Public Service shall not advance funds to the Renewable Energy Standard Adjustment (RESA) for acquisition of eligible energy resources. All acquisition levels are approved contingent on the availability of funds.

3. Within the constraints of available RESA funds, the Company may acquire the capacity approved for the Solar*Rewards and Solar*Rewards Community consistent with the following conditions. First, the Company must set aside funds to ensure funding is available for the Recycled Energy program at the capacity and incentive levels approved here. Second, the Company must set aside funds to ensure that it is able to acquire the minimum of 6.5 MW available through the Solar*Rewards Community program.

[74] Staff witness Mr. Dalton raises concerns about Public Service's modeling of incremental costs for renewable energy resources. The modeling of incremental is essential to determining the cost and potential of the Company's RES Plan because statute limits the cost of compliance with the RES to no more than a two percent increase of a customer's bill. Rule 361(h) prescribes how a QRU shall calculate the cost of the retail rate impact. Despite his concerns, Mr. Dalton does not argue that Public Service is not meeting the requirements of Rule 3661. Thus much of Mr. Dalton's testimony in this area amounts to a collateral attack on the Rule and the underlying statute.

4. Public Service may acquire up to 45 MW of on-site solar capacity in its small program through four, declining Renewable Energy Credit (REC) payment steps (12 through 15) of 11.25 MW each. The Customer-owned REC payments are: Step 12 at $.02, Step 13 at $.01, and the remaining steps at $.00125. The REC payments for third-party owned systems shall be $.00125.

5. Ten percent of the capacity of each step for the small Solar*Rewards programs shall be reserved for customer-owned systems. The incentive levels for those types of systems shall only progress to the next incentive step when the capacity for the prior step of the customer-owned system is exhausted.

6. Public Service may offer a medium Solar*Rewards program of up to 20 MW in two declining incentive steps of 10 MW each. Consistent with the discussion above, Step 5 shall be offered at $.06 and Step 6 shall be offered at $.05 per kWh.

7. Public Service's Recycled Energy program is approved to offer up to 20 MW. The Company may acquire individual projects of up to 10 MW in size, consistent with capacity being available.

8. Public Service's request to retire only non-distributed generation (DG) RECs to meet it Windsource obligations and to eliminate minimum contract terms for Windsource are approved. The Company's proposal to use a market based approach to determining the premium that customers pay is denied consistent with the discussion above. Similarly, proposed reduction of the Windsource premium is denied.

9. The Company's request to provide an incentive of $500 kW for recycled energy projects is approved with the following change. The incentive shall be paid over a 10-year period with the Company being allowed to claim 20 years' worth of RECs.

10. Public Service's non-solar DG proposal is approved.

11. The Company's incremental and avoided cost calculations are approved.

12. No more than 30 days after this Recommended Decision becomes the Decision of the Commission, if that is the case, the Company shall file a new advice letter and tariffs on not less than two business days' notice. The advice letter and tariff shall be filed as a new advice letter proceeding and shall comply with all applicable rules. In calculating the proposed effective date, the date the filing is received at the Commission is not included in the notice period and the entire notice period must expire prior to the effective date. The advice letter and tariff must comply in all substantive respects to this Decision in order to be filed as a compliance filing on shortened notice.

13. The compliance filing provided above must show funding levels necessary to comply with the levels approved by this Recommended Decision.

14. In light of the timing of this proceeding in the year, and in order to expedite consideration of any exceptions to this Decision and provide for timely filing of the next plan, response time to exceptions is shortened to ten days.

15. 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.

16. 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.

a) 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.

b) 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.

17. 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.

(S E A L)

THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

G. HARRIS ADAMS

Administrative Law Judge

ATTEST: A TRUE COPY

Doug Dean,
Director