

**CITY MANAGER'S OFFICE
MEMORANDUM 17-38**

DATE: September 25, 2017
TO: Honorable Mayor Joyce Downing and City Council Members
FROM: James A. Hayes, AICP, City Manager 
SUBJECT: CR – 99 - Xcel Energy's Colorado Energy Plan

PURPOSE

City Council is considering a resolution to endorse Xcel Energy's Colorado Energy Plan (proceeding 16A-0396E).

BACKGROUND

Xcel Energy's Colorado Energy Plan outlines a potential path to stimulate potential growth opportunities, while keeping electricity costs low. The proposal would take advantage of low wind power, solar power, and natural gas prices as well as current tax credits, which can offset construction costs for renewable energy projects by billions of dollars in fuel savings.

BUDGET IMPLICATIONS

There are no budget implications for the city.

SCHEDULE TIME IMPLICATIONS

In correspondence from Xcel, it was stated he expected proceeding 16A-0396E to be heard by the Colorado Public Utilities Commission sometime within 30 days of his correspondence to the city.

Xcel Energy estimates that the Colorado Energy Plan will achieve a 45 per cent reduction in carbon dioxide emissions from 2012 levels by 2030.

NEXT STEPS/CITY COUNCIL OPTIONS

- 1) Approve CR – 99, supporting Xcel Energy's Colorado Energy Plan; or
- 2) Direct staff to further review the energy plan and revise the letter of support.

STAFF RECOMMENDATION

Staff recommends approval of CR – 99, support of Xcel Energy's Colorado Energy Plan.

ATTACHMENTS

Letter of Endorsement
Fact Sheet from Xcel Energy

STAFF REFERENCE

James A. Hayes, AICP, City Manager

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Colorado Energy Plan

Advancing Colorado's clean energy future

Colorado has a bright future and is already considered a national leader in renewable energy. Governor Hickenlooper's recent executive order committing the state to climate action encourages energy providers to seek ways to further reduce carbon and greenhouse gas emissions and maximize use of renewable energy, while keeping energy costs affordable for Coloradans.

Now is the perfect time to take advantage of our state's abundant renewable energy resources and available incentives that significantly lower the price you pay for electricity. That's why Xcel Energy and a diverse group of stakeholders are presenting the Colorado Energy Plan to our state regulators for their consideration as part of our Electric Resource Plan proceeding.

About The Plan

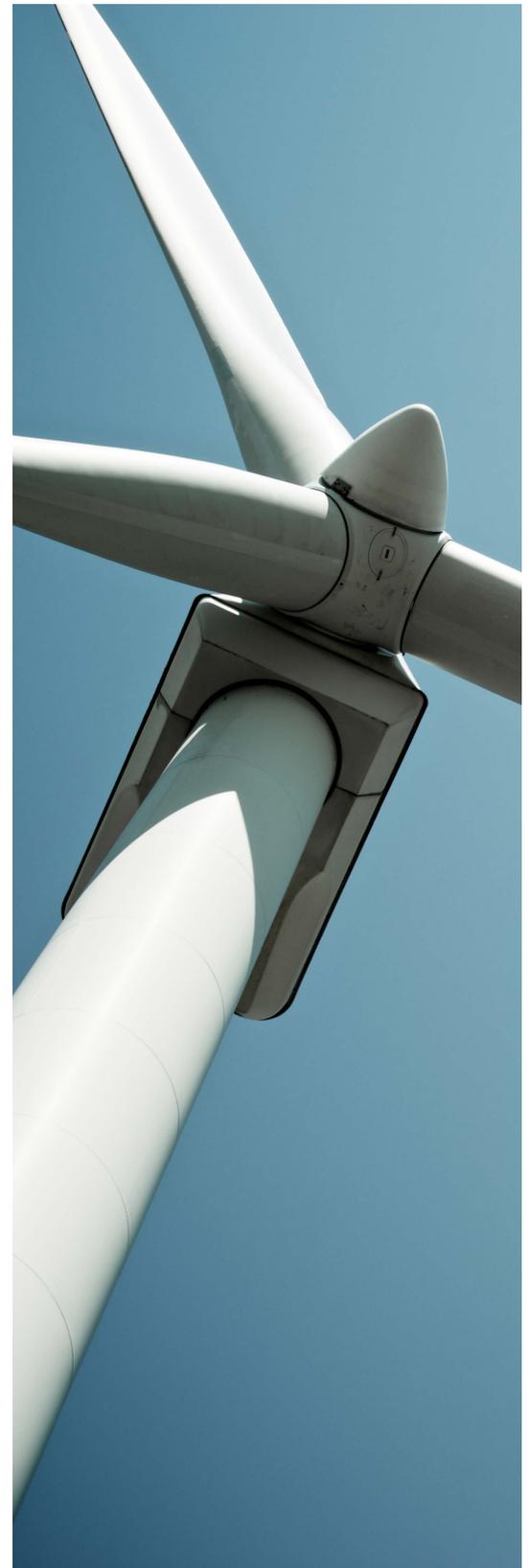
The Colorado Energy Plan is a request to the Public Utilities Commission to approve a process that would enable Xcel Energy to develop a significantly cleaner energy mix and reduce carbon emissions in Colorado.

Under the plan we would retire 660 megawatts at two coal-fired generating units at the Comanche power plant in Pueblo. We would seek to add hundreds of megawatts of new wind and solar as well as some natural gas-fired resources to replace the retired coal capacity as part of our resource plan request.

We believe that we can achieve this clean energy transition without increasing costs to Colorado customers, and even saving them money. The Colorado Energy Plan can become a reality if we receive attractive bids for new clean energy resources in the competitive solicitation phase of the current resource plan, and the Public Utilities Commission approves the portfolio that we propose from these bids.

If implemented, we could achieve 55 percent renewable energy on our power grid by 2026 and reduce carbon emissions by 60 percent from 2005 levels—all while keeping customer bills low.

The Colorado Energy Plan proposes a path to secure low-cost power for customers, stimulate economic development opportunities in rural communities, grow the state's use of renewable and clean energy resources, and reduce carbon emissions.

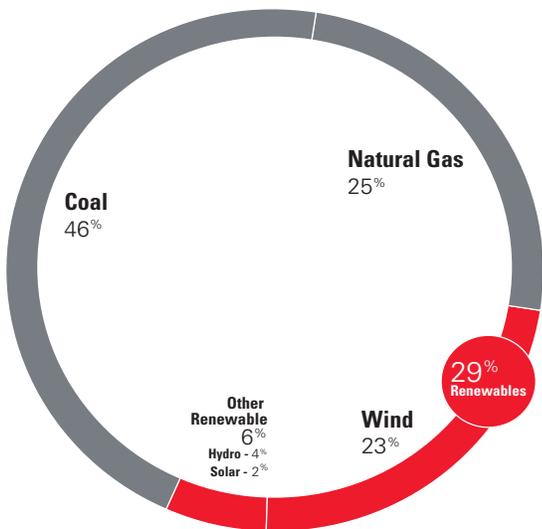


Customer Benefits

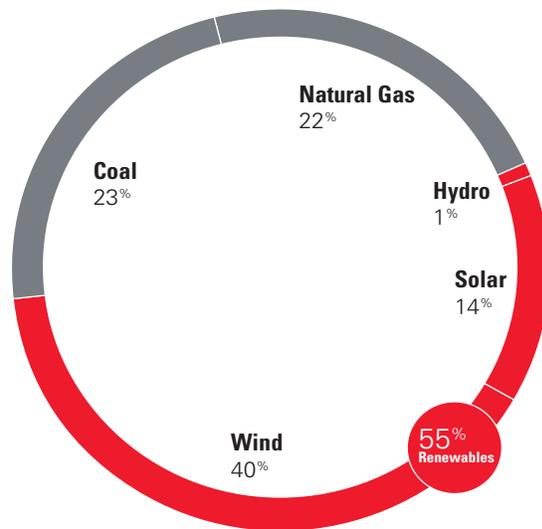
- Secures long-term and low-cost power for customers
- Takes advantage of historically low clean energy prices and available tax incentives for renewable power
- Continually protects and saves customers money over time
- Accelerates the transformation of our energy resources at no net cost to consumers
- Spurs economic development opportunities in rural Colorado communities and across the state
- Grows the state’s portfolio of wind power, solar power, natural gas and other clean energy sources
- Supports a more balanced, diverse energy mix, renewable energy
- Delivers carbon dioxide emissions reductions
- Continues progress the state has made on cleaner air, reducing regional haze and shrinking its carbon footprint

It’s a proactive strategy that builds upon Xcel Energy’s Our Energy Future plan focused on powering technology, customer choice and the economy. It outlines clear steps to take control of the state’s energy future and modernize the grid, while we continually work to keep your bill as low as possible.

2016 Colorado Energy Mix



2026 Estimated Energy Mix Under The Colorado Energy Plan





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Xcel Energy, other groups unveil Colorado Energy Plan

Proposal would drive significant investment in renewables and early retirement of coal units, provided that savings for Colorado electric consumers can be achieved

DENVER, Colorado (August 29, 2017) – Xcel Energy today filed a stipulation with a broad coalition of 14 diverse groups, asking the Colorado Public Utilities Commission (CPUC) to approve a process that could lead to \$2.5 billion in clean energy investments in rural Colorado, if there is no additional cost to the company's electricity customers. In order to accommodate cleaner energy generating resources for the state, the proposal also calls for the consideration of the early retirement of two coal generation units in southern Colorado.

The "Colorado Energy Plan" proposes a proactive and widely supported electricity generating portfolio to augment the company's current 2016 Electric Resource Plan (ERP). In addition, the Colorado Energy Plan would only be advanced if the resulting portfolio of resources reduces, or at least does not increase, the cost of energy to Xcel Energy's Colorado customers.

The new generation projects will be identified and selected through a soon-to-be initiated competitive acquisition process, targeting a mix of utility and independent power producer (IPP) owned facilities, with Xcel Energy having a targeted investment of 50 percent of the renewable generation, and 75 percent of the natural gas-fired, storage, or renewable with storage generation resources in the portfolio. Portfolio estimates are up to 1,000 megawatts of wind, up to 700 megawatts of solar and up to 700 megawatts of natural gas.

"We have a responsibility to meet our customers' energy needs. Our customers expect us to provide low-cost power and increase the use of cleaner energy. As the state's largest utility, it is important to us that we also support rural areas in Colorado, and this proposal's investment will accomplish this goal," said David Eves, president, Xcel Energy – Colorado. "The proposal could increase renewable energy to 55 percent by 2026, save customers money, and dramatically reduce carbon and other emissions."

Parties to the stipulation include Xcel Energy's Public Service Company of Colorado; the Colorado Public Utilities Commission staff; the Colorado Office of Consumer Counsel (OCC); the Colorado Energy Office (CEO); the City of Boulder; Climax Molybdenum Company; the Colorado Energy Consumers Group (CEC); the Colorado Independent Energy Association (CIEA); the Colorado Solar Energy Industries Association (COSEIA), Interwest Energy Alliance; Invenergy LLC; Southwest Generation Operating Company, LLC; Rocky Mountain Environmental Labor Coalition and Colorado Building and Construction Trades Council, AFL-CIO (jointly, RMELC/CBCTC); Vote Solar; and Western Resource Advocates (WRA).

"Today's filing starts a conversation about how Colorado will transition to the clean energy economy of tomorrow. If approved, the commission will have an opportunity to evaluate transitioning our power production away from coal and toward less expensive clean renewable resources," said Erin Overturf, WRA chief energy counsel. "Taking advantage of these low cost options now would reduce customers' bills, while improving air quality and reducing greenhouse gas pollution that causes climate change. We ask the CPUC to consider this plan and welcome an open, collaborative conversation among all stakeholders to create our affordable, clean energy future."

– More –

"The Colorado Independent Energy Association (CIEA) supports bringing forward a Colorado Energy Plan to allow more clean energy projects to come online sooner and applauds the company's use of a competitive bidding process that will result in low-cost options to achieve the plan's goals while keeping costs low for Colorado consumers," said Mark Detsky, CIEA attorney. "The Colorado Energy Plan is an important step to implement the goals of Governor Hickenlooper's recent executive order supporting Colorado's clean energy transition."

"Colorado has an historic opportunity to take advantage of renewable-generated electricity available through competitive market acquisitions at historically low prices, while investing in good-paying jobs and cleaner air," said Sarah Cottrell Propst, executive director of the Interwest Energy Alliance. "Interwest is pleased to be part of such a broad coalition working toward a clean energy future and new opportunities for economic growth."

"We are pleased to support the efforts of Xcel Energy to close coal plants, reduce carbon emissions, and move Colorado closer to a future where anyone can choose clean energy," noted Rick Gilliam, program director for Vote Solar, a national solar advocacy organization.

"We hope this agreement will make more room for affordable clean solar energy on the Xcel Energy system, while protecting the rights of customers to generate their own solar energy and receive fair credit," said Rebecca Cantwell, COSEIA executive director.

The Colorado Energy Plan supports "Our Energy Future," launched last year by Xcel Energy - Colorado, a successful initiative to empower customer choice, power economic development and provide for the use of new energy technologies. The company also noted that its energy prices are competitive both nationally and in the states in which it serves. In the past four years, the average electric bill for Xcel Energy's Colorado residential customers has decreased by 6 percent, and this proposal will help keep Colorado electricity costs for consumers low and predictable.

Parties to the stipulation are seeking approval of the proposal from the CPUC by the end of 2017, which would allow the company to bring forth a portfolio that includes the retirement of coal units and replacement of generation capacity. Among the major components of the Colorado Energy Plan are:

- Retirement of 660 megawatts of two coal-fired generation units at the Comanche Generating Station, located in Pueblo, Colo., including Unit #1 by the end of 2022, and Unit #2 no later than the end of 2025 (Unit #3 would remain in service);
- Issuance of a competitively-bid, all-source "request for proposal" (RFP) as part of Phase II of the 2016 Electric Resource Plan. The RFP could result in additions of up to 1,000 megawatts of wind, up to 700 megawatts of solar and up to 700 megawatts of natural gas and/or storage. No coal resource will be added as part of the RFP. Carbon emission could be reduced by up to 60 percent by 2026, when compared to 2005 levels, under the proposal;
- Utility ownership targets of 50 percent renewable generation resources and 75 percent of natural gas-fired, storage, or renewable with storage generation resources in the portfolio;
- Reduction of the Renewable Energy Standard Adjustment (RESA) bill rider to 1 percent, from the maximum 2 percent allowed, and currently being funded, under state law. The reduction of the RESA would be the subject of future regulatory proceedings and would not take effect until 2021 or 2022;
- Accelerated depreciation for the early retirement of the two coal-fired units at Comanche, also to be addressed in future regulatory proceedings, and
- Construction of a new switching station for a southern Colorado transmission "energy resource zone," to help foster the further development of renewable generating resources in rural Colorado.

– More –

Xcel Energy plans to issue the all-source RFP in the next several days and would anticipate filing a recommended portfolio with the CPUC in the first quarter of 2018. A final decision on the recommended portfolio by the CPUC is expected in the summer of 2018.

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About Xcel Energy

Xcel Energy (NYSE: XEL) provides the energy that powers millions of homes and businesses across eight Western and Midwestern states. Headquartered in Minneapolis, the company is an industry leader in responsibly reducing carbon emissions and producing and delivering clean energy solutions from a variety of renewable sources at competitive prices. For more information, visit xcelenergy.com or follow us on Twitter and Facebook.

Safe Harbor Statement

Certain matters discussed herein are forward-looking statements that are subject to certain risks, uncertainties and assumptions. Such forward-looking statements, including potential changes to our generation mix and the timing of such changes, are intended to be identified in this document by the words “anticipate,” “believe,” “estimate,” “expect,” “intend,” “may,” “objective,” “outlook,” “plan,” “project,” “possible,” “potential,” “should” and similar expressions. Actual results may vary materially. Forward-looking statements speak only as of the date they are made and we expressly disclaim any obligation to update any forward-looking information. The following factors, in addition to those discussed in Xcel Energy’s Annual Report on Form 10-K for the fiscal year ended Dec. 31, 2017 and subsequent securities filings, could cause actual results to differ materially from those discussed in this release as suggested by such forward-looking information: general economic conditions, including inflation rates, monetary fluctuations and their impact on capital expenditures and the ability of Xcel Energy Inc. and its subsidiaries (collectively, Xcel Energy) to obtain financing on favorable terms; business conditions in the energy industry; including the risk of a slow down in the U.S. economy or delay in growth, recovery, trade, fiscal, taxation and environmental policies in areas where Xcel Energy has a financial interest; customer business conditions; actions of credit rating agencies; competitive factors including the extent and timing of the entry of additional competition in the markets served by Xcel Energy; unusual weather; effects of geopolitical events, including war and acts of terrorism; cyber security threats and data security breaches; state, federal and foreign legislative and regulatory initiatives that affect cost and investment recovery, have an impact on rates or have an impact on asset operation or ownership or impose environmental compliance conditions; structures that affect the speed and degree to which competition enters the electric and natural gas markets; costs and other effects of legal and administrative proceedings, settlements, investigations and claims; financial or regulatory accounting policies imposed by regulatory bodies; outcomes of regulatory proceedings; availability or cost of capital; and employee work force factors.

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SPONSORED BY: MAYOR DOWNING

COUNCILMAN'S RESOLUTION

RESOLUTION NO.

No. CR-99
Series of 2017

Series of 2017

A RESOLUTION AUTHORIZING THE MAYOR TO EXECUTE A LETTER TO THE COLORADO PUBLIC UTILITIES COMMISSION SUPPORTING XCEL ENERGY'S COLORADO ENERGY PLAN

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF NORTHGLENN, COLORADO, THAT:

Section 1. The Mayor is hereby authorized to execute the attached letter on behalf of the City of Northglenn to the Colorado Public Utilities Commission (PUC) supporting Xcel Energy's Colorado Energy Plan, PUC Proceeding No. 16A-0396E.

DATED at Northglenn, Colorado, this ____ day of _____, 2017.

JOYCE DOWNING
Mayor

ATTEST:

JOHANNA SMALL, CMC
City Clerk

APPROVED AS TO FORM:

COREY Y. HOFFMANN
City Attorney



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September 25, 2017

Public Utilities Commission
1560 Broadway, Suite 250
Denver, CO 80202

RE: Xcel Energy's Colorado Energy Plan (proceeding 16A-0396E)

Dear Commissioners:

The City of Northglenn is in support of Xcel Energy's plans to grow the state's portfolio of wind power, solar power, natural gas, and other clean energy sources with its Colorado Energy Plan. With this proposal, Xcel Energy is proving itself to be responsive and innovative, responding to its customers' wants and needs for increasingly clean energy at an affordable price.

In the environmentally aware State of Colorado, the majority of citizens support increasing the use of clean energy and adding more renewable wind and solar power on the grid. Already, Xcel Energy's energy mix in Colorado incorporates 30 percent renewables—and the utility has been the nation's No. 1 utility wind provider for more than a decade. Yet it is evident they wish to take steps to do even more.

If the portfolio Xcel Energy envisions can be approved and built, the resulting energy mix for its Colorado customers will be approximately half renewable, one-quarter gas, and one-quarter coal-fired generation by 2026. Xcel Energy has set an ambitious target to reduce carbon emissions by 60 percent by 2030 from 2005; and with the Colorado Energy Plan the utility is taking another important step to uphold that commitment.

The Colorado Energy Plan is visionary, reaching far into the future. This long term plans helps to assure Northglenn residents and businesses will have access to clean energy well into the future. This approach considers current and future generations, an aspect that is essential to the City of Northglenn.

Finally, this plan would also meet both the spirit and the letter of Governor Hickenlooper's Executive Order Supporting Colorado's Energy Transition by reducing carbon dioxide emissions from the energy sector and increasing the use of renewable power. Xcel Energy's estimates show the Colorado Energy Plan will achieve a 45 percent reduction in carbon dioxide emissions from 2012 levels by 2030.

Please strongly consider and support Xcel Energy's Colorado Energy Plan to drive significant investment in renewable energy and early retirement of coal-fired generation units to enable the realities of a clean energy future for our state.

Sincerely,

Mayor Joyce Downing
City of Northglenn