BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

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IN THE MATTER OF THE APPLICATION OF PUBLIC SERVICE COMPANY OF COLORADO FOR APPROVAL TO RECOVER COSTS ASSOCIATED WITH JOINING THE SOUTHWEST POWER POOL MARKETS+ MARKET THROUGH THE ELECTRIC COMMODITY ADJUSTMENT	)	**PROCEEDING NO. 25A-____E**

VERIFIED APPLICATION OF PUBLIC SERVICE COMPANY OF COLORADO FOR APPROVAL TO RECOVER COSTS ASSOCIATED WITH JOINING THE SOUTHWEST POWER POOL MARKETS+ MARKET

Pursuant to Colorado Public Utilities Commission (“Commission”) Rules 3002(a)(XIX), 3753(b), and 3755 of the Rules Regulating Electric Utilities (“Electric Rules”), 4 *Code of Colorado Regulations* (“CCR”) 723-3, Public Service Company of Colorado (“Public Service” or the “Company”) hereby requests that the Commission determine it is in the public interest for Public Service to participate in Southwest Power Pool’s (“SPP”) Markets+ (“SPP Markets+” or “Markets+”), a regional, day-ahead and real-time energy and flexibility reserve product market developed in collaboration between SPP and more than 30 western entities, anticipated to launch in 2027.[1]

[1] SPP Markets+ is a "Day Ahead Market," as defined by Rule 3752(a) of the Electric Rules, 4 CCR 723-3.

Public Service is filing this Application pursuant to Rule 3753(b) of the Electric Rules, 4 CCR 723-3, requesting that the Commission determine that the Company's participation in SPP Markets+, which includes the execution of the Phase 2 Funding Agreement and payment of associated costs, is in the public interest based on the limited criteria identified in Rule 3753(a) of the Electric Rules, 4 CCR 723-3. Participation in SPP Markets+, as well as this request, also includes recovery of the Company's Phase 1 expenditures, as well as other future costs, including the Phase 2 costs described below, to implement Public Service' integration into Markets+. Market integration will include costs associated with staffing, hardware, and software. Participation in Markets+ also requires membership in the Western Resource Adequacy Program ("WRAP") administered by the Western Power Pool. The Company is requesting recovery of costs associated with its Markets+ participation through the Electric Commodity Adjustment ("ECA").

Specifically, the Company requests that the Commission:

- Find that Public Service's participation in SPP Markets+ is in the public interest based on the criteria identified in Rule 3753(a);
- Approve the Company's proposed modifications to the ECA tariff to allow:

  (1) recovery of the Phase 1 funding fees the Company has incurred, and will continue to incur through March 31, 2025 ("Phase 1 Costs"), totaling approximately $2.0 million;

  (2) recovery of the costs the Company will incur beginning with the commencement of participation in Phase 2 of Markets+ in 2025, including (collectively, "Phase 2 Costs"):

- Administrative fees (approximately $14 million during the first five years of market operations, reducing to $10 million annually thereafter);

- Cost of posting collateral via cash and a standby letter of credit (approximately $250,000 annually, anticipated to decrease annually for 2028-2032 due to reduced collateral requirements);[2]

- Software and information technology ("IT") upgrades (approximately $13-15 million); and

- WRAP fees (one-time entry fee of approximately $300,000 and ongoing fees of approximately $750,000 annually); and

(3) sales revenues associated with the Company's participation in Markets+ to be passed to customers through the ECA ("Market Transactions").

In support of this Application, Public Service submits the Direct Testimony and Attachments of Mr. Joseph C. Taylor, and Mr. Michael R. Grubert.

In further support of this Application, Public Service states as follows:

I. BACKGROUND

1. On June 28, 2022, the Commission opened Proceeding No. 22R-0249E by issuing a Notice of Proposed Rulemaking ("NOPR") to specify filing requirements for utilities seeking approval to join wholesale electricity markets and reporting requirements regarding utilities' plans, commitments, and actual participation in these markets. The Commission stated that it seeks to ensure it is sufficiently informed of the impacts of potential market participation on a regulated electric utility's ability to adequately and reliably serve its Colorado customers, charge just and reasonable rates, meet applicable

[2] The amount excludes approximately $2 million for cash collateral, as that amount will ultimately be returned to customers, along with any interest thereon when remitted from SPP.

emission reduction requirements and clean energy targets, and remain responsive to State concerns and regulation.[3]

2. The rulemaking in Proceeding No. 22R-0249E was opened subsequent to completion of the Commission's work under the requirements of § 40-2.3-102, C.R.S., the Colorado Transmission Coordination Act of 2019 ("CTCA"), which directed the Commission to investigate the costs and benefits resulting from electric utility participation in organized electricity markets. To fulfill its statutory obligations, the Commission opened Proceeding No. 19M-0495E and conducted a two-year investigation including multiple rounds of stakeholder comments, Commissioner Information Meetings ("CIMs"), the preparation of quantitative modeling and analysis, and a report on the investigation ("CTCA Study").

3. By Decision No. C21-0755 in Proceeding No. 19M-0495E, the Commission concluded that utility participation in an Energy Imbalance Market ("EIM"), a Day-Ahead Market ("DAM"), a regional transmission organization ("RTO"), power pool, or joint tariff is generally in the public interest.[4] The Commission clarified that this general determination on market participation did not extend to participation in a specific market and that any analysis of the costs, benefits, and public interest associated with participation in a specific OWM would have to occur through a separate proceeding.

4. While Proceeding No. 19M-0495E was ongoing, Senate Bill ("SB") 21-072 was signed into law on June 24, 2021, and was codified at § 40-5-108, C.R.S. Pursuant to this statute, Colorado transmission utilities must join an organized wholesale market

[3] Decision No. R24-0424, ¶ 2 at page 3 (issued on June 20, 2024) *affirmed by* Decision No. C24-0424, *see* ¶¶ 7 and 17 at pages 3-4 and 8 (issued on August 22, 2024) in Proceeding No. 22R-0249E.
[4] Decision No. C21-0755, ¶ 38 at page 21 (issued on December 1, 2021) in Proceeding No. 19M-0495E.

("OWM") by January 1, 2030. The statute defines an OWM as an RTO or independent system operator ("ISO") that "is established for the purpose of coordinating and efficiently managing the dispatch and transmission of electricity among public utilities on a multistate or regional basis," and which satisfies ten characteristics listed in § 40-5-108(1)(a), C.R.S. At the same time, however, transmission utilities may seek a delay or waiver of the requirement for a utility to join an OWM from the Commission, which the Commission may grant under certain conditions (§ 40-5-108(2)(a)(II), C.R.S.). The rulemaking in Proceeding No. 22R-0249E amended the Electric Rules in 4 CCR 723-3, to implement sections of SB 21-072 and to set forth provisions otherwise governing participation in an OWM or other regional market.

5. During the course of Proceeding No. 22R-0249E, participants, including the three Colorado transmission utilities—Public Service, Black Hills Colorado Electric, LLC ("Black Hills"), and Tri-State Generation and Transmission Association, Inc. ("Tri-State"), provided various rule proposals, comments, and reply comments. In addition, Hearing Commissioner Eric Blank held several public comment hearings.[5]

6. On February 27, 2024, Hearing Commissioner Blank issued Recommended Decision No. R24-0424 adopting regional electric market participation rules (Rules 3750 through 3759) based on the organizational structure of the transmission utility, the type of regional market the transmission utility seeks to join, the Commission findings needed to support a public interest determination, and the process required to make that determination. On August 22, 2024, the Commission issued Decision No. C24-0600

[5] Public comment hearings were held on October 11, 2022, April 4, 2023, and September 12, 2023.

granting in part, and denying in part, exceptions to Decision No. R24-0424, but otherwise affirming the Recommended Decision and adopting final OWM rules.

7. As summarized in Decision No. R24-0424, utilities and interested persons have recently been pursuing market opportunities for greater integration in the Western Interconnection. Currently, two energy imbalance markets operate in the West: the California Independent System Operator's ("CAISO") Western Energy Imbalance Market ("WEIM"), and SPP Western Energy Imbalance Services Market ("WEIS").[6] CAISO and SPP are also offering to administer day-ahead markets in the West, including CAISO's Extended Day Ahead Market ("EDAM") and SPP Markets+. Finally, SPP is also seeking to extend its full RTO services into the Western Interconnection, with an offering called SPP RTO Expansion.

8. As stated above, the purpose of this Application is to seek a Commission determination that Public Service's participation in SPP Markets+ is in the public interest based on the limited criteria set forth in Rule 3753(a), and to establish how Public Service will recover the costs associated with its participation in Markets+.

9. Public Service has chosen to move forward with Markets+ over CAISO EDAM or SPP RTO Expansion for several reasons. First, the governance of Markets is the only day-ahead market option that was built by, and provides for primary governance by, the western participants, both in its stakeholder process as well as through the Markets+ Independent Panel. Second, Markets+ provides more benefits overall and in relation to costs relative to the other markets studied, including EDAM. Third, Public

[6] Pursuant to cost recovery and other provisions approved by Decision No. R22-0826 (issued on December 20, 2022) in Proceeding No. 22AL-0270E, Public Service, along with Platte River Power Authority ("PRPA") and Black Hills Colorado Electric ("BHCE"), began participating in the SPP WEIS market on April 1, 2023.

Service supports a market that consists of energy and flexibility reserve products and does not assume operational or planning control of its transmission system, particularly at a time when significant amounts of new generation, transmission and load need to be added to the grid to support our long-term electric resource planning needs. Fourth, Markets+ is the only organized day-ahead market proposal for the West that will have a fully impartial and independent market operator, providing confidence that all market operator actions will be for the benefit of all participants and stakeholders. As the market operator, SPP assumes no role as a Transmission Service Provider ("TSP") or Balancing Authority ("BA"), so it has no inherent conflict between its roles and its fiduciary obligations to any specific region or subset of customers. Fifth, the greenhouse gas ("GHG") emissions tracking and accounting system developed for Markets+ will provide for standardized GHG emission accounting and reporting by market participants in both GHG Reduction Program states and GHG Pricing Program states. And finally, while cost savings to customers are anticipated to be moderate in the short-term, Public Service, the Markets+ participants, and SPP have been working together and are committed to improvements to both the Markets+ and RTO Expansion to enhance optimization across the markets and identify beneficial transmission expansion opportunities to provide further enhancements in the West.

II. OVERVIEW OF PUBLIC SERVICE'S REQUESTS AND SUPPORTING DIRECT TESTIMONY

10. The Company has been actively engaged in building Markets+ since its initiation and is pleased that the Federal Energy Regulatory Commission ("FERC") has recognized the value of market expansion in the West and this market in particular through approval of SPP's Markets+ tariff on January 16, 2025. The Company has also

been a party to the negotiation of the Phase 2 Funding Agreement and has advised SPP and the other potential funding parties that, upon a favorable ruling by the Commission in this proceeding, the Company will execute the Phase 2 Funding Agreement and proceed to join and implement Markets+.[7,8] After the filing of this Application, the Company will file with the Commission an Informational Notice Regarding Market Commitment, as contemplated by Rule 3757(c).[9]

11. The Company believes participating in Markets+ is a positive next step in the evolution of its organized wholesale market participation. As discussed throughout the Company's supporting Direct Testimony, there are forecasted financial and operational benefits from participating in Markets+, including:

- Access to expanded resource markets which allows for additional opportunities to source the energy needed to support system reliability;
- Opportunities to manage the Company's generation and capacity resources more efficiently through market sales, which can result in net revenues and reduced curtailments; and
- Further stabilization of rates long-term.

12. There is opportunity for those benefits to grow as the market develops and as additional efforts continue to reduce friction with other regional markets, specifically SPP's RTO Expansion through more efficient seams. Markets+ will provide an

[7] *See* SPP Press Release at*:* SPP's Markets+ tariff receives FERC approval - Southwest Power Pool
[8] Public Service has concurrently filed a Motion for Extraordinary Protection to restrict access to the Phase 2 Funding Agreement (as "Highly Confidential Information") temporarily for the reasons discussed in the Motion until SPP files the executed Phase 2 Funding Agreement as a public document at the FERC, which is expected to occur by the end of February 2025. At that time, the Company will file the Phase 2 Funding Agreement as a public document in this Proceeding.
[9] Additionally, while not required by § 40-3-104(1)(a), C.R.S., Rule 1207 of the Rules of Practice and Procedure, 4 CCR 723-1, or the Regional Electricity Market Participation rules (Rules 3750 to 3759, 4 CCR 723-3), the Company will publish a customer notice in the Denver Post regarding its request in this Application to revise its ECA tariff language.

opportunity for the Company to continue to test and learn-by-doing within the western power market space. Finally, if the Company were to take no action, its participation in organized markets will come to an end in 2026 with the cessation of the Western Energy Imbalance Service ("WEIS") market.[10] With the cessation of this market, the Company will lose access to many of the benefits discussed above.

13. The Company has evaluated several alternatives to Markets+, including the SPP RTO Expansion and CAISO EDAM. The Company's analysis concluded that, at this time, participation in Markets+ provides the best option to retain the benefits of market participation while not prematurely locking the Company into other markets which have suboptimal policies for customers and Colorado's state goals.

14. Moreover, the Company's participation in Markets+ is in the public interest based on the criteria set forth in Rule 3753(a)(I)-(III), as discussed in the Company's supporting testimony and summarized below.

15. First, regarding subpart (I) of the public interest criteria, SPP and stakeholders in the Markets+ GHG Task Force ("MGHGTF") have developed a robust GHG tracking and reporting mechanism.[11] The mechanism relies on three main steps—resource mapping, energy allocation, and residual energy mix determination—which allow SPP, acting as the Market Operator, to conduct hourly GHG accounting for each Load Responsible Entity ("LRE"). Additionally, Public Service and Tri-State have identified several areas of alignment in application of the protocols, as discussed in a

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[10] SPP WEIS will terminate on or about April 1, 2026, coincident with the start-up of the RTO West Expansion and prior to the Markets+ launch, or go-live, in 2027. The Company's funding obligations for SPP WEIS will end upon its termination in approximately April 2026.

[11] As outlined in Section 5.8 of the Market Protocols for Markets+. The current version of the Markets+ Protocols is available at: https://spp.org/spp-documents-filings/?id=370766

September 25, 2024, letter to the Commission (provided as Attachment JCT-4 to Mr. Taylor's Direct Testimony), which facilitate a uniform and consistent GHG accounting methodology for Colorado utilities participating in Markets+.

16. Second, regarding subpart (II) of the public interest criteria, there will be more than one energy market anticipated to be operating in Colorado (*i.e.*, Markets+ and SPP RTO Expansion, which Mr. Taylor discusses in his Direct Testimony). While both will include centralized unit commitment and dispatch tools, there will be "seams" between the two markets. Efforts are underway to address these seams and provide future optimization opportunities. A new tool, known as real-time dispatchable transactions, or "RTDT," has been approved through the SPP stakeholder process that will improve optimization between the Public Service BA and the future SPP West BA. Furthermore, additional tools are being evaluated by the Markets+ Seams Working Group, and Public Service is working with SPP and other Markets+ utilities on related measures to increase market optimization, identify attractive transmission expansion, and consolidate BAs.

17. Finally, regarding subpart (III) of the public interest criteria, the Company received market benefits analyses as part of the Western Markets Exploratory Group ("WMEG") project. The results of these analyses (as further detailed in the Company's Direct Testimony) show that adding day-ahead markets provides benefits to customers in terms of production cost savings. Beyond these modeled benefits, joining Markets+ as opposed to another alternative allows the Company to retain authority over transmission and generation expansion, which supports the Company's ability to execute on plans to meet its load requirements and carbon emission reduction goals to the benefit of Public Service customers and the state of Colorado.

18. The table below summarizes the topics each Public Service witness addresses through Direct Testimony:

Public Service Witness	Scope of Testimony
Mr. Joseph C. Taylor, Senior Director of Western Markets	Describes the market options currently being developed or discussed in the West and explains the market choices Public Service has made leading up to the Company's recommendation to participate in Markets+ in this proceeding. Presents the information required by Rule 3755 (a)-(k), Contents of Regional Market Participation Filings, organized in a manner that specifically references and responds to the requirements contained in each of the subparagraphs of the rule. Describes the timelines associated with Phase 1 and Phase 2 of SPP Markets+ development and describes the Company's financial obligations associated with each phase. Provides the estimated costs associated with the Company's participation in Markets+ for which the Company is seeking recovery through the ECA in this proceeding.
Mr. Michael R. Grubert, Regulatory Policy Specialist	Provides the Company's proposed accounting and cost recovery treatment for costs associated with the Company's participation in Markets+. Presents the information required by Rule 3755(f)(II)(A)-(D) regarding a forecast of total retail rate impact for fifteen years after joining Markets+. Presents revisions to the Company's ECA tariff to allow recovery of three categories of costs, including: Phase 1 Costs, Phase 2 Costs, and Market Transactions and explains why it is appropriate to include these costs in the ECA.

III. INFORMATION REQUIRED BY RULE 3755

19. Rule 3755 requires that for all filings made in accordance with Rule 3753, the transmission utility shall provide a market overview as identified in Rule 3755(a) and shall address the characteristics of the market as set forth in Rules 3755(b) through (k). Rule 3755 further requires that the filing be organized in a manner that specifically references, and responds to, the requirements contained in each of the subparagraphs of Rule 3755.

20. The information required by Rule 3755(a)-(k) is provided in Section III of the Direct Testimony of Mr. Taylor. Additional information required by Rule 3755(f)(II)(A)-(D) is provided in Section III of the Direct Testimony of Mr. Grubert.

IV. PUBLIC SERVICE'S COST RECOVERY PROPOSAL

21. The Company is proposing revisions to its ECA tariff to allow recovery of three categories of costs, including Phase 1 Costs, Phase 2 Costs, and Market Transactions. The Company is proposing to recover these costs through the ECA, which is the most appropriate mechanism for cost recovery and already recovers similar types of costs. Specifically, the Company is seeking approval to revise the ECA tariff to:

- (1) allow for recovery of the Phase 1 funding fee through the ECA over a one-year period ("Phase 1 Costs");
- (2) allow for the recovery of the Phase 2 Markets+ administrative fees, including the financing costs and costs of collateral;
- (3) allow for the recovery of costs associated with joining the WRAP, as required by SPP, through the ECA;
- (4) allow for recovery of a standalone revenue requirement associated with the software and IT upgrade costs through the ECA until such time as the costs are incorporated into the Company's base rates; (items (2), (3), and (4), are collectively "Phase 2 Costs"); and

- (5) pass through to customers the sales revenues associated with the Company's participation in Markets+ through the ECA ("Market Transactions").

22. Table 1 below provides a summary of the estimated costs the Company will incur in order to participate in Markets+ and for which the Company is seeking recovery of in this proceeding. While these are the best estimates that the Company has at the time of this Application filing, they are subject to change. Many of these costs are allocated to the Company based on anticipated market participation for Markets+ and WRAP, so if a utility decides to withdraw or if another utility decides to join, the costs allocated to the Company would change. As the final Markets+ footprint is undefined at the time of this filing, Public Service cannot specify its actual costs with more certainty.

Table 1. Summary of Estimated Markets+ Participation Costs

Cost Category		Cost Description	Estimated Cost	Retail Cost Recovery Mechanism
1	Phase 1 Costs	Funding Fees	$2M	Proposed ECA
2	Phase 2 Costs	Administrative Fees* Costs of Collateral**	$14M/Year $250K/Year	Proposed ECA Proposed ECA
		Software & IT Upgrades	$13-15M	Proposed ECA until included in base rates
		WRAP Administrative Fees*** WRAP Entry Fee***	$750K/Year $300K	Proposed ECA Proposed ECA
3	Market Transactions	Energy Purchases	Incurred Daily/Settled Weekly	ECA
		Energy Sales		Proposed ECA

* Estimated debt service costs of $4M/Year are expected to be recovered in the administrative fees over the first 5 years of Markets+, after which estimated annual administrative fees will be reduced to $10M/Year.
**The costs of collateral include the letter of credit costs and the cash collateral required to support the financing of Markets+. The annual cost of the letter of credit will decrease after Markets+ starts due to the reduced collateral obligations and will end in 2032. The cash collateral will total approximately $2 million that will eventually be returned to customers with interest thereon as remitted from SPP, which is why it is not shown as a cost in the table.
***The annual and one-time costs associated with joining the Western Resource Adequacy Program ("WRAP") are a requirement of SPP Markets+ participation.

23. There are several reasons why it is appropriate to include these costs in the ECA. First, Markets+ is an energy and flexibility reserve market that has the potential to result in energy savings for Public Service's customers by producing a lower cost dispatch for its market participants and facilitating a more efficient energy marketplace than is possible through bilateral transactions. Markets+ does not include capacity products, which are not appropriate for recovery in the ECA. These lower energy costs will be reflected in the ECA, and matching these benefits with their related costs in the same recovery mechanism is consistent with the matching principle, ensuring the same customers who receive the benefits also pay the costs, and creates administrative efficiency by allowing for consolidated review of the costs and benefits of the Company's

Markets+ participation in the annual ECA prudence reviews. It is also appropriate to include the costs in the ECA because many of the costs will be assessed to the Company on an energy basis; both the Phase 1 funding fee and the Phase 2 administrative fees will be assessed based on the Company's Net Energy for Load as reported to Western Electricity Coordinating Council ("WECC") and North American Electric Reliability Corporation ("NERC"), also known as its load ratio share.

A. <u>Phase I Costs</u>

24. The Phase 1 Costs represent the funding fees associated with Phase 1 of Markets+ including developing and filing the Markets+ tariff with FERC and developing the protocols of Markets+.[12] The Company estimates that these costs will total approximately $2 million based on the current allocation of its load ratio share. The Company initially paid $1.2 million in April 2023 and began making monthly payments in April 2024 that are expected to conclude in the second quarter of 2025 and will total approximately $828,000.

25. The Company proposes to recover the Phase 1 Costs through the ECA by amortizing these costs over a one-year period. The Company estimates the retail share of these costs to be approximately $470,000 per quarter. The Company proposes to recover these costs over the first year of Markets+ participation.

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[12] Public Service executed the Phase 1 Funding Agreement on March 24, 2023 (provided as Attachment JCT-2 to Mr. Taylor's Direct Testimony).

B. <u>Phase 2 Costs</u>

26. Phase 2 is the implementation phase of the Markets+ market. It will incorporate all of the staffing, hardware and software development and other activities required by SPP to implement Markets+. For planning purposes, Phase 2 is expected to begin in April or May of 2025 and end with market launch, or go-live, in Q2 2027.

27. Phase 2 represents a significant effort requiring SPP to incur costs estimated at $150 million. In order to hold SPP RTO members harmless from these costs, it is necessary for SPP to enter into contractual obligations supporting its ability to collect incurred costs from Markets+ participants. At the same time, given the uncertain ultimate makeup of participants in Markets+, including the potential that new market participants could join at implementation or following go-live, it was determined to be advantageous to collect the implementation costs as part of the administrative fee on market transactions. The Phase 2 Funding Agreement was negotiated to accomplish these, among other objectives, and sets forth the terms and conditions under which a funding party provides collateral, commits to fund its share of incurred costs if it withdraws or the market fails to materialize, and otherwise participates in Phase 2.

28. The Phase 2 Costs include the necessary IT and software costs borne by the Company to be able to implement and integrate with Markets+ as required by SPP, as well as the administrative fees and costs of posting required collateral. For the purposes of this filing, the Markets+ Phase 2 administrative fees contain two separate components, the Markets+ ongoing administrative fees and the Markets+ financing costs. The Markets+ ongoing administrative fees cover the costs SPP will incur to run the market on an ongoing basis, including operations, market monitoring, policy and design, support

and analysis, customer training, credit and risk evaluation, IT, and customer service. These costs will be recovered under Schedule 1-B of the Markets+ Tariff (provided as Attachment JCT-1 to Mr. Taylor's Direct Testimony).

29. The Markets+ financing costs represent the debt service obligations (*i.e.*, principal and interest paid by SPP) on the loan SPP will use to fund Phase 2 implementation efforts prior to market start. This loan is expected to be repaid during the first five years of market operation. The Company estimates that the annual Markets+ ongoing administrative fees will total approximately $10 million per year for Public Service and the Markets+ financing costs will be approximately $4 million per year for the first 5 years of market operation. The Company will incur costs necessary to post collateral required by SPP and its lender to secure Markets+ borrowings. The Company is expected to be required to post $20 million of total collateral, with at least ten percent (*i.e.*, $2 million) in cash and the remainder (*i.e.*, $18 million) as a standby letter of credit, with amounts declining annually after market start as SPP's loan obligations are repaid. In lieu of calculating the cost of capital for cash collateral, the Company proposes to recover though the ECA actual amounts paid to SPP to post cash collateral and also to return to customers via the ECA collateral refunded from SPP, including any interest thereon, which is discussed below. Costs for the standby letter of credit are estimated to be $250,000 per year once the Company commits to Phase 2 of Markets+, decreasing annually after Markets+ goes live as the financing is repaid. These costs are subject to change and will likely vary depending on Markets+ participation.

30. In order to participate in Markets+, the Company is required to become a member of the WRAP administered by the Western Power Pool. While this is a separate

contract, since it is a Markets+ participation requirement, the Company proposes to include these costs as an additional administrative fee and to include them in the Company's cost recovery proposal for Phase 2 Costs. The Company estimates that the annual administrative fees will total approximately $750,000 per year, plus the one-time entry fee of approximately $300,000 once the Company joins WRAP. The Company proposes to amortize the WRAP entry fee over the first year of WRAP participation, which is similar to the Company's Phase 1 cost recovery proposal, although they would occur at different time periods. Assuming the Company commits to Phase 2 of Markets+, the Company estimates that the one-time entry fee would be paid in 2026, with the annual fees also beginning in 2026 as the Company becomes a participant in WRAP.

31. The Company proposes to record the Phase 2 administrative fees of Markets+, including all financing related costs, to FERC Account 575.7, Market facilitation, monitoring, and compliance services. The Company proposes to amortize the Phase 2 administrative fees, with the exception of the cash collateral, over the months of the relevant year in the ECA Deferred Account Balance and to include those costs in the ECA rate for each quarter, with the WRAP entry fee amortized over a one-year period. The administration fees are subject to true-up. These true-up entries will also be included in the ECA Deferred Account Balance. Including the WRAP administrative fees, the retail portion of this amount is estimated to be approximately $3.6 million per quarter, lowering to $2.6 million per quarter once the financing costs are paid off after 5 years.

32. The Company proposes to recover actual cash collateral posted through the next quarterly ECA following remittance of the collateral to SPP. By way of example, if the Company makes the $2 million cash collateral payment on October 1, 2025, it would

include the retail portion of the $2 million in ECA for recovery during the first quarter in 2026. The Company expects the collateral to be returned by SPP when the collateral requirement is reduced or no longer applies. Upon receipt of the returned collateral, the Company would return the cash to customers through the next quarterly ECA filing after the Company receives the returned collateral. This would also include any interest applied to the balance by SPP. The interest rate and payment interval has yet to be determined by SPP, but each time the Company receives an interest payment related to the cash collateral, it would be returned to customers through the next quarterly ECA filing.

33. Integrating the Public Service system into the SPP Markets+ market requires certain software and IT system upgrades to link Public Service to SPP and to align with SPP Markets+ integration methodology. The Company currently estimates the necessary software and IT system upgrade costs to be approximately $13-15 million. As these costs become further defined, if the Company participates in Phase 2 of Markets+, the Company proposes to develop a standalone revenue requirement associated with the software and IT upgrade costs through the ECA until such time as the costs are incorporated into the Company’s base rates.

C. <u>Market Transactions</u>

34. The Company proposes to include Markets+ sales revenues in the ECA, which will give to customers 100 percent of any sales margins associated with the Company’s participation in Markets+. This proposal is consistent with the Company’s treatment of revenues received from sales made pursuant to the SPP WEIS.

D. ECA Tariff Revisions

35. The proposed ECA tariff revisions in redline and clean format are included as Attachments MRG-1 and MRG-2, respectively, to the Direct Testimony of Mr. Grubert. The Company proposes that within 30 days after a final Commission decision in this Proceeding, the Company will file a compliance advice letter and tariff sheets in a new advice letter proceeding on shortened notice. The advice letter and tariff sheets will comply in all substantive respects to the Commission's final decision and will comply with all applicable rules.

E. Retail Rate Impact

36. Pursuant to the requirements of Rule 3755(f)(II), the Company developed a 15-year total rate impact forecast for purposes of this Proceeding, which provides an estimated retail cost per kilowatt-hour ("kWh") by year. The analysis includes all the costs and benefits associated with Markets+, including the expected production cost savings. Given some Phase 2 Costs will be incurred in 2025 and 2026 before market launch in 2027, the analysis (provided as Attachment MRG-4 to Mr. Grubert's Direct Testimony) includes years 2025-2042.

37. As discussed in the Direct Testimony of Mr. Grubert, to develop the 15-year total rate impact forecast for purposes of this Proceeding, the Company began with the annual revenue requirement from the comprehensive long-term rate analysis (Base Case) provided as part of the 2024 Just Transition Solicitation ("2024 JTS") filing in Proceeding No. 24A-0442E. To more clearly isolate the retail rate impact of Markets+, the annual retail revenue requirements from the 2024 JTS long-term rate analysis were carried over to Attachment MRG-4 and the applicable costs associated with Markets+

were added to the analysis to determine an adjusted annual revenue requirement with Markets+. The adjusted revenue requirement with Markets+ was then divided by annual forecasted electric retail sales to derive an estimated retail cost per kWh by year.

38. At a high level, the retail rate impacts of joining Markets+ are marginal. During the first several years there is a slight increase of approximately $0.0001 per kWh to retail rates which eventually leads to a slight decrease of a similar magnitude to retail rates in 2032 once the financing costs are paid off. Once this occurs, retail rates remain slightly below the 2024 JTS long-term rate analysis baseline.

V. ADDITIONAL INFORMATION REQUIRED BY RULE 3002(b) AND (c)

39. Name and Address of Applicant. Public Service is an operating public utility subject to the jurisdiction of this Commission, engaged, inter alia, in the transmission, distribution and purchase of electricity and gas in various areas in the State of Colorado. The name and address of the Applicant is:

Public Service Company of Colorado
1800 Larimer Street, Suite 1400
Denver, CO 80202-5533

40. Name Under Which Applicant Provides Service in Colorado. All operations conducted by the Company in Colorado are conducted under the name of Public Service Company of Colorado, under the trade name of Xcel Energy.

41. Representatives to Whom Inquiries Concerning the Application Should Be Made. Please send copies of all inquiries, notices, pleadings, correspondence, and other documents regarding this filing to undersigned counsel and to:

Jack Ihle Regional Vice President, Regulatory Planning & Policy Xcel Energy Services Inc. 1800 Larimer Street, Suite 1100 Denver, Colorado 80202 Tel: (303) 294-2262 Email: jack.ihle@xcelenergy.com	Steven H. Denman, #7857 Assistant General Counsel Xcel Energy Services Inc. 1800 Larimer Street, Suite 1400 Denver, Colorado 80202-5533 Telephone: (303) 294-2220 Fax: (303)294-8388 Email: steven.h.denman@Xcelenergy.com
Michael Pascucci Director, Regulatory & Strategic Analysis Xcel Energy Services Inc. 1800 Larimer Street, Suite 1100 Denver, Colorado 80202 Tel: (303) 294-2257 Email: michael.v.pascucci@xcelenergy.com	Sage Tauber Regulatory Policy Specialist Xcel Energy Services, Inc. 1800 Larimer Street, Suite 1100 Denver, Colorado 80202 Email: sage.tauber@xcelenergy.com
Michael Grubert Regulatory Policy Specialist Xcel Energy Services, Inc. 1800 Larimer Street, Suite 1100 Denver, Colorado 80202 Email: michael.r.grubert@xcelenergy.com	Braelynn Dunwody Regulatory Administrator Xcel Energy Services, Inc. 1800 Larimer Street, Suite 1100 Denver, Colorado 80202 Email: braelynn.e.dunwody@xcelenergy.com

42. Agreement to Comply with 4 CCR 723-3-3002(b)(IV) through (VI). Public Service has read, and agrees to abide by, the provisions of subparagraphs (b)(IV) through (VI) of Rule 3002 of the Electric Rules, 4 CCR 723-3.

43. Description of Existing Operations and General Colorado Service Area. Public Service's existing operations and general service areas in Colorado are set forth in the Company's tariffs on file with the Commission.

44. Location of Hearing. Public Service requests that this Application be granted without hearing. However, if a hearing is held, Public Service requests that it be held at the Commission's offices—or through videoconferencing if still necessary—in Denver, Colorado.

45. Acknowledgement. Public Service acknowledges the Company has read and agrees to abide by the provisions of Rules 3002(b)(XI)(A) through (C) of the Electric Rules, 4 CCR 723-3.

46. Statement Under Oath. Mr. Michael V. Pascucci, Director, Regulatory & Strategic Analysis for Public Service, states under penalty of perjury that the contents of this Application are true, accurate, and correct to the best of his knowledge. His affidavit is attached to this Application.

47. Information Required by Rule 3002(b)(IX) and (c). Pursuant to Rule 3002(c) of the Electric Rules, 4 CCR 723-3, Public Service hereby incorporates by reference the following information, which is on file with the Commission in Proceeding No. 06M-525EG:

a. A copy of Public Service's Amended Articles of Incorporation, which was last filed on October 3, 2006;

b. The name, business address and title of each of Public Service's officers and directors, which was last filed on April 30, 2024;

c. The names and addresses of affiliated companies that conduct business with Public Service, which was last filed on April 30, 2024;

d. The name and address of Public Service's agent for service of process, which was last filed on April 30, 2024; and,

e. A copy of Public Service's most recent audited balance sheet, income statement, and statement of retained earnings, and statement of cash flows, which were last filed on April 30, 2024.

VI. CONCLUSION

WHEREFORE, Public Service respectfully requests the Commission issue an order: (1) determining that Public Service's participation in SPP Markets+ is in the public interest based on the limited criteria identified in Rule 3753(a) of the Electric Rules; (2) approving the Company's proposed modifications to the ECA tariff to allow recovery of the Phase 1 Costs, the Phase 2 Costs, and the market transactions as described herein.

Dated this 14th day of February 2025.

Respectfully submitted,

By: */s/ Steven H. Denman*

Steven H. Denman, Reg. No. 7857
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ATTORNEY FOR PUBLIC SERVICE COMPANY OF COLORADO

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

* * * * *

IN THE MATTER OF THE APPLICATION OF PUBLIC SERVICE COMPANY OF COLORADO FOR APPROVAL TO RECOVER COSTS ASSOCIATED WITH JOINING THE SOUTHWEST POWER POOL MARKETS+ MARKET THROUGH THE ELECTRIC COMMODITY ADJUSTMENT	**)**	**PROCEEDING NO. 25A-_____E**

VERIFICATION

STATE OF COLORADO)
) SS:
CITY AND COUNTY OF DENVER)

I, Michael V. Pascucci, being duly sworn, do hereby depose and state that I am the Director of Regulatory and Strategic Analysis for Public Service Company of Colorado ("Public Service"), Applicant in the foregoing Application; that I am an authorized agent for Public Service; that I have read the foregoing Application; and that the facts set forth therein are true, accurate, and correct to the best of my knowledge, information, and belief.

Dated at Denver, Colorado, this 14th day of February, 2025.

Michael V. Pascucci
Director, Regulatory and Strategic Analysis

Subscribed and sworn to before me this 14th day of February, 2025.

Braelynn Dunwody
Notary Public

BRAELYNN E. DUNWODY
NOTARY PUBLIC
STATE OF COLORADO
NOTARY ID# 20244029691
MY COMMISSION EXPIRES 08/07/2028

My Commission expires 08/07/2028