

Report to the Colorado Public Utilities Commission on Bids Received by Public Service Company of Colorado In Response to the 2005 All-Source Solicitation

June 16, 2005

Introduction

This report provides information about the bids submitted to Public Service Company of Colorado (“PSCo”) in response to our 2005 All-Source Request for Proposals (RFP). The All-Source RFP, which was released in February 2005, is the main component of the Company’s resource acquisition plan described in its 2003 Least Cost Resource Plan (LCP).

In accordance with Section 3614 (b)(l) of the LCP rules, utilities must report to the Commission on the number, type, MW amount and prices of the bids received in response to any requests for proposals. The first section of the report provides general information about the number and type of bids received. A Highly Confidential attachment to the report provides additional detail about each bid, including confidential pricing information.

Background

PSCo released three RFPs as part of its 2005 All-Source solicitation, one for dispatchable resources, one for non-dispatchable resources, and one for demand-side management (DSM) resources. Together, these RFPs sought proposals for approximately 2,500 MW of additional electric supply and demand-side resources that will begin to provide service during the resource acquisition period starting in 2006 for wind resources and 2007 for other resources, and ending October 31, 2013.

Bids were submitted to PSCo on May 17. Since then, the Company has been conducting initial due diligence on the bids, performing static economic screening, communicating with bidders to clarify aspects of the bids, and assessing transmission related impacts and costs.

Bid Summary

Response to the All-Source RFP was strong. On the supply side, we received bids for new greenfield developments for gas, coal, biomass, wind and other generation technologies, primarily from independent power producers. We also received offers from existing suppliers to restructure and or extend existing purchase power contracts. In some cases, these bids included one or more options to also increase the capacity of an existing facility while at the same time proposing to extend or restructure a contract.

On the demand side, we received a total of nine offers from energy service providers and vendors who proposed energy efficiency and conservation

measures aimed at reducing demand and electricity use. Eight of the nine proposals offered measures that would result in demand reductions ranging from 1.9 MW and 20 MW. Combined, these eight bids would reduce peak electricity demand by 97MW and conserve an estimated 145.500 MWh of electrical energy. A ninth proposal offered a peak electricity demand reduction of 800 MW and 189,600 MWh of energy conservation. This bid is noted separately since it is far outside the range of the other bids in terms of the amount of demand reduction proposed.

The Company also received bids for a total of 460 MW of dependable wind capacity (i.e., 10% of 4,600 MW of nameplate wind bids received). (For the All-Source RFP, wind bids will be afforded a 10% of nameplate capacity credit that can count towards meeting the identified capacity needs of this solicitation.)

In summary, PSCo received bids for over 11,000 MW of firm capacity, nearly 460 MW of dependable wind capacity, and almost 900 MW of demand-side management programs. Table 1 shows the breakdown of the number of bids and MW by resource type.

Table 1. All-Source Bids by MW, Number and Type

	Summer MW	Count
Gas Peaker	4,844	25
Gas CC	2,404	9
Coal	4,183	15
Biomass	69	6
Other	36	3
Firm Capacity	11,535	58
Wind Nameplate	4,570	22
DSM Reductions	897	9

It is important to note that the number of bids and MW shown in Table 1 reflect only the “base” offers received. To avoid double counting, the numbers shown here do not account for proposals that offered two or more mutually exclusive alternatives, or alternative in-service years. For example, several bids offered “either / or” alternatives, both of which PSCo will evaluate, but which only offer capacity from one or the other alternative, not from both alternatives combined. While the table shows 80 supply-side bids were received (58 for firm capacity and 22 for nameplate wind capacity), we will actually evaluate over 100 offers.

Firm Supply-side Capacity

Of the total amount of firm capacity offered, most came from gas-fired proposals, including nearly 5,000 MW of peaking capacity from combustion turbines and reciprocating engines. All of the peaking capacity was proposed to be in-service in 2007 or 2008, mostly from new greenfield projects.

Roughly 2,400 MW of intermediate capacity was offered from combined cycle (CC) facilities. About 65% of this intermediate capacity was proposed from greenfield plants, with the remainder of offers coming from some form of contract restructuring. With one exception, CC capacity from new projects was proposed to be on-line on 2009.

Fifteen offers were submitted for coal-based facilities, totaling over 4,000 MW of firm summer capacity. Approximately half of this capacity is from new plants sited in Colorado, with the other half coming from Kansas and Wyoming-based projects. The vast majority of the capacity offered from coal resources came from greenfield developments, the only exception being a 25 MW system sale proposal that would be supplied from existing coal resources. Most of the coal projects were proposed to be in-service in 2011-2013, but there were also coal proposals with 2008 – 2010 in-service dates.

Of the roughly 100 MW offered from biomass and other projects, the largest proposals were a 50 MW waste wood and tire-fueled project, and a 30 MW distributed generation program. Most of the other capacity offered in these categories came from landfill gas proposals. Most biomass proposals listed 2007 in-service dates.

Wind Nameplate Capacity

Proposals for new wind development totaled nearly 4,600 MW from 22 projects. This total is equivalent to approximately 460 MW of firm capacity based on 10% of nameplate capacity credit. Of this total, about 2,600 MW came from proposals that were previously submitted to PSCo in response to the 2004 Renewable Energy RFP, and were either not selected or withdrew from that process. In terms of location, over 1,200 MW of wind proposals are sited in either Wyoming or New Mexico, with the balance proposed on Colorado's eastern plains. Twenty-one of the 22 wind bids are proposed to be on-line in either 2006 or 2007, with the other remaining project proposed for 2009 commercial operation.

Bid Pricing

The prices and major characteristics of each bid received by PSCo are described in the Highly Confidential attachment to this report filed under seal with the Commission. Public Service is requesting that review of this Highly Confidential Attachment be restricted to the Commissioners, the Commission Staff and the Office of Consumer Counsel.