BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

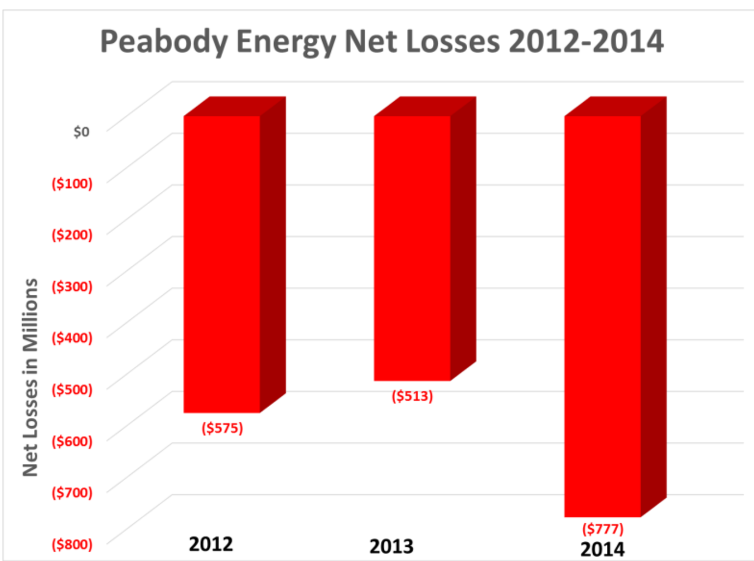
Docket No. 11A-917E

IN THE MATTER OF THE APPLICATION OF PUBLIC SERVICE COMPANY OF COLORADO FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY FOR THE HAYDEN EMISSIONS CONTROL PROJECT

NOTICE OF DIRE FINANCIAL STRAITS OF US COAL INDUSTRY AND IMPLICATIONS FOR THE HAYDEN EMISSIONS CONTROL PROJECT

The US coal industry is in dire straits. This should lead Xcel Energy to reconsider the prudence of spending tens of millions of dollars on pollution control for the aging Hayden coal plants in northwest Colorado. In particular, the Hayden coal plants are dependent on coal supplied by Peabody Energy from the Twenty Mile/Foidel Creek mine. The graph below shows Peabody Energy's losses for the 2012-2014 time period.

PEABODY LOSING HUNDREDS OF MILLIONS EVERY YEAR SINCE 2012



As can be seen from the graph above, Peabody Energy has lost over $500 million in each year from 2012 to 2014 with $777 million in losses in 2014.[1] As the supplier of coal to the Hayden coal plants has fallen into dire financial straits, Xcel should, for this and many other reasons, be considering the prudence of investing over $90 million dollars in these plants, tying Xcel customers to hundreds of millions of future coal costs[2]--and burning up our global carbon budget unnecessarily.[3] There is no need to replace the capacity of the Hayden coal plants because Xcel has hundreds of MW of excess capacity on top of its reserve margin of over 16%.[4]

<u>HAYDEN COAL PLANTS NOT NEEDED DUE TO LARGE EXCESS CAPACITY ON XCEL'S COLORADO SYSTEM</u>

Xcel's share of Hayden 1 is 139 MW and of Hayden 2 98 MW[5] while Xcel's excess capacity on top of the 16.3% reserve margin is as follows:

2015	399 MW excess capacity on top of the 16.3% reserve margin
2016	380 MW excess capacity on top of the 16.3% reserve margin
2017	291 MW excess capacity on top of the 16.3% reserve margin
2018	177 MW excess capacity on top of the 16.3% reserve margin[6]

[1] Peabody's losses can be found in its 2014 Annual 10-K filing on page F-2.
[2] For estimates of future coal costs, see Ms. Glustrom's Statement of Position in this 11A-917E docket.
[3]There are several estimates of the global carbon budget, but the Intergovernmental Panel on Climate Change estimates that we must keep our carbon emissions below 900 Gigatons of CO2 equivalent if we are to keep global warming below 2° C. See www.ipcc.ch, 2014 Summary for Policy Makers (AR5), page 10 (and accounting for emissions from 2012-2014.)
[4] See Table 3 in the October 2014 update for the 2011 Resource Plan, Docket 11A-489E. In the years 2015-2018, Xcel has several hundred MW of excess capacity on top of the 16.3% reserve margin. The actual amounts are determined by adding the Obligation Load and the Total Required Margin and subtracting that total from the Summer Net Dependable Capacity. The excess capacity (on top of the 16.3% reserve margin) for 2015 is 399 MW, for 2016 380 MW, for 2017 291 MW and for 2018, 177 MW. During this period a number of market contracts and natural gas capacity contracts expire ad shown in Table 2 of the 11A-869E update. "Resource Need" in the years 2020 and on could presumably be met by increasing efficiency and demand respons options, reupping the expiring contracts or building new lower-carbon generation
[5] For Xcel's share of Hayden 1 and 2, see Ms. Glustrom's Statement of Position in this 11A-917E docket and the sources cited therein.
[6] For calculations, see Footnote 2 and references therein.

FOIDEL CREEK MINE IS PROBABLY PLAYING OUT;
SAGE CREEK IS NOT PRODUCING COAL

The Hayden coal plants are currently being served by the Twenty Mile/Foidel Creek mine south of the plants. In Docket 11A-917E, Xcel represented that Peabody would open the Sage Creek mine to continue serving the Hayden coal plants because the Foidel Creek mine was playing out.[7] Through April 2015, Foidel Creek has only produced about 1.5 million tons of coal, putting it on track for a yearly production of about 4.5 million tons—if production remains at the same level as the first one-third of 2015. In 2014, Foidel Creek produced about 6.6 million tons of coal.

The Sage Creek mine did not produce any coal in 2014 or in the first four months of 2015 according to reports filed with the Colorado Division of Mine Reclamation and Safety (DMRS) in the Department of Natural Resources.[8] Peabody is attempting to modify its "lease" for coal in the Foidel Creek area,[9] but given the large number of court challenges of coal "leasing" by the federal government, it isn't clear that Peabody will be successful.[10] Even if Peabody's lease modification is successful, it would only provide another 380,000 tons of coal which won't supply the Hayden coal plant for long. The Hayden coal plant uses bituminous coal and it isn't clear that it could obtain a supply of bituminous coal from other western bituminous mines as

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[7] For a description of the Foidel Creek and Sage Creek situation, see for example Hearing Exhibit 30, Docket 11A-917E.
[8] For reports on coal production from Colorado coal mines see http://mining.state.co.us/Reports/Reports/Pages/Coal.aspx
[9] The Bureau of Land Management review of Peabody's Lease Modification for the Foidel Creek Mine can be found at https://www.blm.gov/epl-front-office/projects/nepa/41852/55032/59723/DOI-BLM-CO-N010-2014-044-EA-Public_Comment.pdf
[10] For examples of Federal Court Rulings opposing the "leasing" of federal coal without assessing climate impacts, see http://www.wildearthguardians.org/site/News2?page=NewsArticle&id=11529&news_iv_ctrl=1194#.VXSV9s9Viko and http://www.wildearthguardians.org/site/News2?page=NewsArticle&id=11529&news_iv_ctrl=1194#.VXSV9s9Viko

they are all playing out. It is also not clear that the Hayden coal plant could burn subbituminous coal from Wyoming—and those mines are playing out also so on all accounts it is best to recognize that the US is largely beyond profitable coal and it is unlikely that Xcel will be able to obtain a reasonably priced supply of coal for the Hayden coal plants until 2030 (scheduled retirement of Unit 1) and 2036 (scheduled retirement of Unit 2).

PEABODY'S SHARE PRICE HAS PLUMMETED; FUTURE CAPITAL FOR MINE EXPANSION NOT ASSURED

Shown below is the share price for Peabody Energy ("BTU") for the last 5 years. In March of 2011, Peabody's stock was trading above $70/share. As of Friday June 5, 2015, Peabody's shares closed at $3.20 per share. In addition, Peabody faces approximately $5 billion of debt payments in the next 5 years.[11] As a result, it appears unlikely that Peabody Energy will be able to finance the Sage Creek expansion that was key to the 11A-917E discussion of this project.

BTU

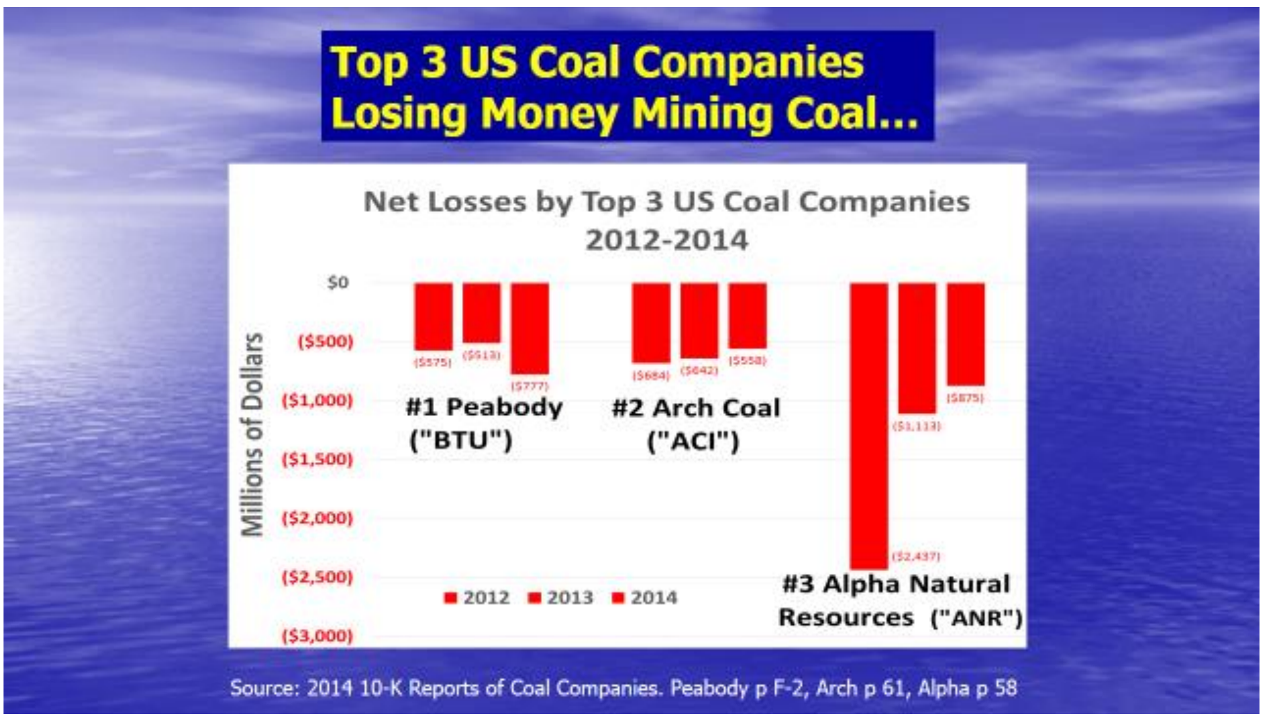
Data as of 6/7/2015. Market data is delayed by at least 15 minutes.

[11] For Peabody's debt coming due, see Peabody's 2014 10-K, page 66.

THE WRITING IS ON THE WALL FOR THE US COAL INDUSTRY AND IT'S IN RED

On October 29, 2012, Ms. Glustrom filed a Notice of Changes in the Coal Industry in the 11A-325E docket related to the Emissions Control Project for the Pawnee coal plant. That filing noted that "The writing is on the wall for the US coal industry and the writing is in red."[12]

The writing on the wall certainly has been in red—and not just for Peabody. The top 3 coal companies are all losing hundreds of millions of dollars a year as shown in the following graph.



[1212] See Glustrom filing of October 29, 2012 in Docket 11A-325E, several places.

The #2 and the #3 coal companies (Arch and Alpha Natural Resources) are both likely to be taken off the New York Stock Exchange ("NYSE") because their share prices have fallen below $1 per share—the minimal needed to be traded on the NYSE.[13]

All of this should serve as a warning to Xcel to consider the prudence of proceeding with the expenditures for the SCR controls on the Hayden coal plants. Importantly, Xcel still has time to not sink any more money into this ill-conceived project since only about 65% of the money has been spent on Hayden 1 and only about 24.3 % has been spent on Hayden Unit 2.

BACKGROUND

Xcel Energy[14] is building new pollution controls known as "SCR" or Selective Catalytic Reduction for nitrogen oxide emissions on the aging Hayden coal plants in Hayden, Colorado. Hayden Unit 1 was commissioned in 1965 and is now 50 years old and Hayden Unit 2 was commissioned in 1976 and is now 39 years old. The SCR for Unit 1 is projected to cost $ 74.8 million (with Xcel's 75.5% share being $56.5 million) and the SCR for Hayden Unit 2 is projected to cost $90.5 million (with Xcel's 37.4% share being $33.8 million.)[15]

As of December 2014, $45.2 million (or 64.7% of the total) had been spent on the Hayden 1 SCR and $22.1 million (or 24.3% of the total) had been spent on the Hayden 2 SCR.[16]

A summary of the procedural background for this docket is as follows:

[13] For the New York Stock Exchange warning given to Arch Coal see
http://investor.archcoal.com/phoenix.zhtml?c=107109&p=irol-newsArticle&ID=2052855
For the New York Stock Exchange warning given to Alpha Natural Resources see
http://ir.alphanr.com/file.aspx?IID=4100842&FID=29024100

[14] Xcel Energy's Colorado subsidiary is known as Public Service Company of Colorado or "PSCo."

[15] Data come from filings in this Docket. See particularly Ms. Glustrom's Statement of Position and documents cited therein as well as Xcel's project updates filed in this 11A-917E docket.

[16] See Xcel's Project update filed in this 11A-917E docket on April 6, 2015.

1) This docket was established by Decisions C10-1328 and C11-0121 from Docket 10M-245E (the "Clean Air Clean Jobs" docket) to review the costs of the addition of Selective Catalytic Reduction (SCR) pollution control to reduce emissions of nitrogen oxides (NOx) from the Hayden 1 and 2 coal plants near the town of Hayden, west of Steamboat, Colorado.

2) Hayden 1 is a 184 MW coal plant commissioned in 1965. Xcel owns 75.5% of Hayden 1 or 139 MW. Hayden 2 is a 262 MW coal plant commissioned in 1976. Xcel owns 37.4% of Hayden 2 or 98 MW. The other co-owners of the Hayden coal plants are the Salt River Project and PacifiCorp.

3) The Administrative Law Judge's Recommended Decision in this docket, R12-0593, was issued on June 1, 2012. The Commission's Order Denying Exceptions, C12-0843, was mailed on July 24, 2012.

4) Xcel submitted a Semi-Annual Report (Corrected) on the Hayden Emissions Control Project on September 18, 2012 (hereafter "Hayden Update").[17] This report was not provided at the request of the Commission and was submitted after the record in this docket was closed. Xcel's filing stated the following:

> An issue of project status reporting arose in the various CPCN proceedings of whether the Company would be willing to provide reports to the Commission and interested parties updating them of the Company's progress towards the completion of these projects. We indicated our willingness to do so and specified the information that we intended to report. Although the Commission has declined to require us to provide these reports, we believe that these reports provide useful information and that by providing this information now, we may lessen concern in subsequent rate cases regarding the costs

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[17] An original Semi Annual Report was submitted by Xcel on August 14, 2012. Apparently another unidentified party to the Docket contacted Xcel and as a result Xcel filed the Corrected Semi Annual Report on September 18, 2012. The Notice of Filing stated the following:

> Public Service Company of Colorado filed its Semi-Annual Progress Report in this and other Clean Air Clean Jobs Act implementation proceedings on August 14, 2012. In response to these filings, a party contacted us informally and expressed the view that certain of our characterizations in the report of the Commission's actions in these proceedings were in its view inaccurate. We agreed we would file corrected versions of our reports to address its concerns.

of these projects. (Xcel's Semi-Annual Progress Report (Corrected) Hayden Emissions Control Project, September 18, 2012, page 2. Emphasis added.)

5) As noted by Xcel, the Commission did not ask for these semi-annual progress reports for the Hayden Emissions Control docket, but Xcel believes that filing these reports "may lessen concern in subsequent rate cases regarding the costs of these projects." In short, it appears that Xcel may be trying to "pave the way" for future cost recovery by filing these unrequested semi-annual progress reports after the close of the record in this docket.

6) On November 6, 2012 Ms. Glustrom filed a Notice of Increased Coal Costs in this docket.

7) By Decision C13-1490 the Commission determined that both Xcel's Update Reports and Ms. Glustrom's filings would be considered informational filings only.

CONCLUSION

The US coal industry is in dire straits and it is completely unclear where the coal for the Hayden coal plant will come from for the next 2 decades. It is past time that Xcel recognized this and quit pouring good money after bad into the Hayden coal plants.

Respectfully submitted this 8th day of June 2015.

/s/Leslie Glustrom

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CERTIFICATE OF SERVICE

Leslie Glustrom hereby certifies that a copy of this Notice of Increased Coal Prices has been provided to parties in the 11A-917E docket on this 8th day of June 2015 using the Public Utilities E-filing system.

__/s/Leslie Glustrom_

As of Dec 31,
2014 we have spent $45,276,651or 64.7% of the Unit 1 Project budget of $69,937,000. As of Dec 31, 2014 we have spent $22,089,231 or 24.3% of the Unit 2 Project budget of $91,080,000. Company Share: As of Dec 31, 2014 we have spent $34,183,872 or 64.7% of the Unit 1 Company budget share of $52,802,805. As of Dec 31, 2014 we have spent $8,261,372 or 24.3% of the Unit 2 Company budget share of $34,063,920.