

Aquila, Inc., doing business as Aquila Networks – WPC

2007 Renewable Energy Compliance Report

Summary

Pursuant to Colorado’s Renewable Energy Standard set forth in Colo. Rev. Stat. § 40-2-124(1)(c), and Public Utilities Commission of the State of Colorado (“Commission”) Rule 3662(b), 4 *Colo. Code Regs.* 723-3 (2007), Aquila reports that for the compliance year 2007, Aquila achieved complete compliance with each component of the Renewable Energy Standard (“RES”).

This report follows Rule 3662, “Annual Compliance Report,” and demonstrates that Aquila has complied with the requirements of the Renewable Energy Standard.

This report contains a description of how Aquila achieved compliance with each component of the Renewable Energy Standard, citing to individual rules and supporting exhibits with details of monthly renewable energy credit (“REC”) contributions.

For the compliance year 2007, Aquila met the requirements of the RES for the non-solar component through its Purchased Power Agreement (“PPA”) with Xcel Energy and through Aquila’s own generation using biofuels (i.e., biomass from wood chips and biodiesel).

For the compliance year 2007, Aquila met the requirements for the non-on-site solar component through a contractual purchase of solar renewable energy credits (“S-RECs”) through the national REC market from 3Degrees Group Inc.

For the compliance year 2007, Aquila met the requirements for the on-site solar component through Aquila’s standard rebate offer program and by using other options as

allowed by the RES including borrowing forward from planned 2008 acquisitions as approved by the Commission in Aquila's 2008 Renewable Energy Compliance Plan. (*See*, Decision No. R08-0385 in Docket No. 07A-356E.)

An electronic copy of this annual compliance report has been posted on the Aquila website pursuant to Rule 3662(d). Aquila has also provided the Commission with an electronic copy of this report, excluding any confidential material, pursuant to Rule 3662(e).

Report

1. Pursuant to Rule 3662(a)(I), Aquila reports that it sold a total of 1,848,854 megawatt hours (mWh) to its Colorado retail customers in 2007. Aquila's 2007 renewable energy requirement was 55,466 mWh, or 3% of the 2007 mWh sales. The total non-solar requirement for 2007 was 53,247 mWh. The total 2007 non-on-site solar requirement was 1,110 mWh and the total 2007 on-site solar requirement was 1,109 mWh.

2. Pursuant to Rule 3662(a)(II), Aquila reports that the total non-solar renewable energy acquired in 2007 was 74,217 mWh of wind power acquired through Aquila's PPA with Xcel Energy and 1,177 mWh of renewable energy from biomass (wood chips) at Aquila's Canon City Power Plant and biodiesel utilized at the Pueblo and Rocky Ford generators for a total of 75,394 mWh. This equates to 94,243 mWh with the 25% Colorado in-state credit. Please see Exhibit 2, "Wind Resources, Exhibit 3 "Biomass Resources", Exhibit 4 "Biodiesel Resources Pueblo Station" and Exhibit 5 "Biodiesel Resources Rocky Ford Station".

The total non-on-site solar renewable energy credits acquired in 2007 were 1,500 S-RECs purchased through a contract with 3Degrees Group Inc. From this purchase, 1,110 S-RECs were

used for 2007 compliance. Total on-site solar renewable energy credits acquired in 2007 was 251 SO-RECs from participants in Aquila's Standard Rebate Offer program. This equates to 314 SO-RECs with the 25% Colorado in-state credit. Please see Exhibit 6, "Customer Sited Solar < 10 kW" And Exhibit 7 "Customer Sited Solar > 10 kW".

3. Pursuant to Rule 3662(a)(III), Aquila reports that no eligible energy has been borrowed forward, pursuant to Rule 3654(k), in previous compliance years and none was made up during the 2007 compliance year. 2007 was Aquila's first compliance year.

4. Pursuant to Rule 3662(a)(IV), Aquila reports that 471 SO-RECs (including the 25% in-state credit) will be borrowed from 2008 to make up the 2007 on-site solar requirement, under Rule 3654(k).

5. Pursuant to Rule 3662(a)(III), Aquila reports that 304 SO-RECs (including the 25% in-state credit) will be carried back from 2008 SO-RECs produced prior to July 1, under Rule 3654(i)(I).

6. Pursuant to Rule 3662(a)(VI), Aquila reports that, under Rule 3654(i)(IV), 20 SO-RECs (including the 25% in-state credit) will be carried forward from 2006 SO-REC production.

7. Pursuant to Rule 3662(a)(VII), Aquila reports that, under Rule 3654(i)(III), 390 S-RECs will be carried forward for 2008 S-REC requirements.

8. Pursuant to Rule 3662(a)(VIII), Aquila reports that the following renewable energy resources were generated:

- Wind RECs = 92,773. Please see Exhibit 2 “Wind Resources” for monthly contribution detail.
- Biomass RECs = 1,471. Please see Exhibit 3 “Biomass Resources”, Exhibit 4, “Biodiesel Resources Pueblo Station” and Exhibit 5 “Biodiesel Resources Rocky Ford Station” for monthly contribution detail.
- Non-on-site S-RECs = 1,110.
- SO-RECs produced in 2006 = 20.
- SO-RECs produced in 2007 = 314. Please see Exhibit 6 “Customer Sited Solar < 10kW” and Exhibit 7 “Customer Sited Solar > 10kW” for monthly contribution detail.
- SO-RECs produced prior to July 1, 2008 = 304. Please see Exhibit 6 “Customer Sited Solar < 10kW” and Exhibit 7 “Customer Sited Solar > 10kW” for monthly contribution detail.
- SO-RECs borrowed from 2008 = 471

9. Pursuant to Rule 3662(a)(IX), Aquila reports that in 2007 it acquired 314 SO-RECs through the standard rebate offer program. Please see Exhibit 6 “Customer Sited Solar < 10kW” and Exhibit 7 “Customer Sited Solar > 10kW” for monthly contribution detail.

10. Pursuant to Rule 3662(a)(X), Aquila reports that it did not invest in any eligible renewable energy resources in 2007.

11. Pursuant to Rule 3662(a)(XI), Aquila reports that it spent a total of \$1,624,415 in 2006 and 2007 to meet the requirements of the RES. A total of \$1,028,618 was spent on the standard rebate offer program for rebates and SO-REC purchases. Other program costs including administrative and marketing and communications costs totaled \$595,797. Aquila collected

\$2,010,635 through the renewable energy standard adjustment (RESA) in 2006 and 2007. Please see Exhibit 8 “Renewable Energy Standard Adjustment Revenues Collected and Expenditures.”

12. Pursuant to Rule 3662(a)(XII), Aquila reports that it used the following method to develop the retail rate impact calculation:

Aquila qualifies under Rule 3661(g) for the alternative calculation of retail rate impact. The alternative method can be used for those RES planning period years when the only remaining portion of the RES with which the QRU needs to comply is the Eligible Energy that must be acquired from Solar Electric Generating Technologies. For 2007 Aquila only needed to purchase RECs for Solar Electric Generating Technologies. Under this rule, the retail rate impact is determined by using the costs of the Solar Electric Generating Technologies less the annual average costs of energy of existing resources that would be replaced with energy generated by the Solar Electric Generating Technologies. The expenses for the 2007 Compliance Period are depicted in Exhibit 8. The expenses for 2007, less the annual average costs of energy of existing resources that would be replaced with energy generated by the Solar Electric Generating Technologies (which Aquila determined to be *de minimus* since no energy generated by Solar Electric Generating Technologies was purchased), do not exceed one percent of revenue. Therefore, the retail rate impact is below the maximum allowable one percent.

Calculation of Retail Rate Impact for 2007	
Costs of the Solar Electric Generating Technologies	\$ 1,624,415
Annual average costs of energy of existing resources that would be replaced with energy generated by the Solar Electric Generating Technologies	\$ 0
Retail Rate Impact	\$ 1,624,415
2006 and 2007 Revenue for the period the RESA was in effect	\$201,063,500
Percent of Revenue	0.8%

13. Pursuant to Rule 3662(b), Aquila reports that it achieved compliance with each component of the Renewable Energy Standard in 2007. Please see Exhibit 1 "RES Compliance Summary."

Conclusion

Aquila has successfully achieved full compliance with Colorado's Renewable Energy Standard for the 2007 compliance year. Aquila utilized a combination of resources to achieve compliance. The majority of the non-solar requirement was met through a wind purchase power agreement with Xcel Energy. Aquila received some contribution from biomass (wood chip) utilization at our Canon City power plant and bio-diesel utilization at our Pueblo and Rocky Ford diesel generating units. Solar resources were secured from a solar REC contract with a firm in California and from Aquila's on-site solar standard rebate offer program. Aquila achieved on-site solar requirements for 2007 by borrowing forward from 2008.