

Xcel's 2016 Resource Plan for Colorado

Page 2-181, Volume 2 (AKJ-2, Docket 16A-0396E, Colorado PUC)

1. Capital Structure and Discount Rate

The rates shown in Table 1 are used to calculate the capital revenue requirements of generic resources. The after tax weighted average cost of capital ("WACC") of 6.78% is also used as the discount rate to determine the present value of revenue requirements.

Table 2.7-1 Capital Structure

Public Service		Decision No. C15-0292		
<u>Component</u>	<u>Capital Structure</u>	<u>Allowed Return</u>	<u>Before Tax WACC</u>	<u>After Tax WACC</u>
L-T Debt	44.00%	4.67%	2.05%	1.27%
Common Equity	56.00%	9.83%	5.50%	5.50%
Total	100%		7.55%	6.78%
Income Tax rate	38.01%			

2. Gas Price Forecasts

Henry Hub natural gas prices are developed using a blend of the latest market information (New York Mercantile Exchange ("NYMEX") futures prices) and long-term fundamentally-based forecasts from Wood Mackenzie, Cambridge Energy Research Associates ("CERA") and Petroleum Industry Research Associates ("PIRA"). The four sources are combined to develop the composite forecast. Data from the various sources may not extend through the end of the modeling period. As the source data ends, the latest value is escalated at a GDP/inflation proxy rate to extend the forecast through the end of the modeling period.

For the basis differentials to Henry Hub of the various regional gas hubs needed for the analysis, the settlement price for the ICE-traded basis swap for the relevant hub is used. The last reported year's profile is extended through the modeling period.

While the forecasts themselves are proprietary, information regarding the three forecasting services can be found on their respective websites:

- PIRA: www.pira.com
- CERA: www.cera.com
- Wood Mackenzie: www.woodmacresearch.com

The annual average base gas price and relevant sensitivities are summarized in Table 2.7-.2. Gas price sensitivities will be run in Phase I of the 2016 ERP. High and low gas price sensitivities adjust the growth rate up and down by 50 percent from the base gas price starting in year 2018.