



COLORADO
Department of
Regulatory Agencies

OFFICE OF
Consumer Counsel
FY 2015/2016 ANNUAL REPORT



Message from the Executive Director



The Department of Regulatory Agencies' Office of Consumer Counsel (OCC) has a unique and critically important statutory charge—to protect the interests of residential, small business and agricultural consumers of electric and natural gas services throughout our State.

That charge is one the OCC takes very seriously, ensuring stalwart advocacy of fair, just and reasonable rates, along with reliable, high-quality service.

Since its inception in 1984, the OCC has saved consumers \$1.9 billion, and in fiscal year 2015-2016 alone, for every dollar the OCC spent, Colorado consumers saved \$66. As detailed in this annual report, this past year the OCC was also victorious in an important case about the costs of natural gas used to produce electricity, serving as a national leader of consumer advocates in other states in an effort to ensure that utilities did not receive undue revenues.

While we are proud of the OCC's many achievements for Colorado consumers, much work remains, which is why we encourage you to learn more and become involved in their important work by visiting the OCC's website at dora.colorado.gov/occ.

Joe Neguse, Executive Director
Colorado Department of Regulatory Agencies

In fiscal year 2015-2016, for every dollar spent the OCC spent, Colorado consumers saved \$66.



Message from the Director



The OCC is unique within the Department of Regulatory Agencies (DORA) as we do not license or regulate, nor do we enforce laws and regulations. Rather, we advocate for residential, small business and agricultural consumers, as a class, in energy utility cases that go before the Colorado Public Utilities Commission (PUC).

In fact, the OCC is the sole voice charged with advocating for Colorado consumers when utilities seek to raise their rates. Not only does the OCC ensure consumers are well represented in utility

matters, it also helps to create a more efficient regulatory process. Without the OCC, many different consumer groups would intervene on a haphazard basis, which would delay the regulatory process and increase the cost of regulation.

With this in mind, during fiscal year 2015-2016, on a budget of approximately \$1.7 million, we managed to save consumers \$111 million in energy rate hikes through singular and joint efforts with the staff of the PUC. Since the OCC was created in 1984, it has helped to save consumers approximately \$1.9 billion on their energy bills.

As director of the OCC, I am proud to know that our “small but mighty” staff and Advisory Board are diligently focused and dedicated to protecting the interests of Colorado’s energy utility consumers. The success stories, impacts and accomplishments outlined in this report represents just a portion of their hard work. The accomplishments of this past fiscal year only reinforce our passion for consumer protection and demonstrate just how seriously we take our role in serving as the voice for Colorado energy utility consumers.

Cindy Schonhaut
Director of the Office of Consumer Counsel



Overview

About the Office of Consumer Counsel

Founded in 1984 the OCC, a DORA division, provides consumer protection by representing and advocating for residential, small business and agricultural utility consumers, as a class, in electric and natural gas proceedings before the PUC to ensure more equitable utility rates, regulations and policies.

The OCC is cash funded by the PUC Fixed Utility Fund into which public utilities pay to cover the cost of regulation. No state General Fund dollars are appropriated to the OCC.



From left to right: Chere Mitchell, Tim Villarosa, Ron Fernandez, Cindy Schonhaut, Scott England, Chris Neil, Cory Skluzak

Community outreach, public meetings and presentations

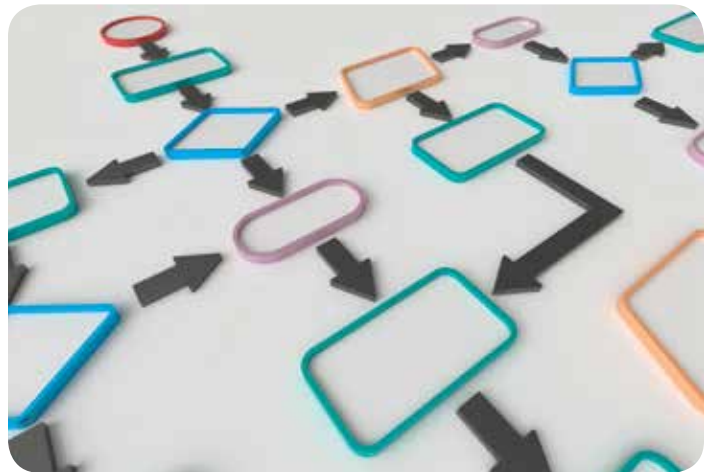
DATE	DESCRIPTION	LOCATION
7/1 : 9/1 : 10/7/15	Pueblo Energy Future meeting	Pueblo
10/7/15-10/15/15	AARP Tour	Pueblo, Englewood, Ft. Collins
11/23/15	AARP webinar featuring other DORA divisions	Online
2/17/16	CU Denver School of Public Affairs presentation	Denver
3/8/16	Colorado Solar Energy Industries Association annual conference	Broomfield
5/6/16	Energy Bar Association annual meeting	Golden
5/11/16	State Utility Consumer Advocates gas committee	Online
6/6/16	National Energy & Utility Affordability Coalition conference	Denver

Process

Unlike other divisions at DORA, the OCC has no regulatory authority. Rather the division intervenes in proceedings that involve rate changes, rulemaking, service modifications and certificates of public convenience and necessity.

The division employs financial, economic, engineering and policy analysts, and other professionals to analyze utility rate and service information. OCC staff must examine the technical evidence filed by utilities, provide expert testimony, cross-examine witnesses, make legal arguments and represent consumers in settlement negotiations.

It may represent consumers by participating on gubernatorial, legislative and PUC-established task forces, advisory and working groups, and in legislative hearings or other forums.



Utility Consumers' Board

The OCC has a statutorily created 11-member Utility Consumers' Board (UCB) that meets six times a year. Seven of the members are appointed by the Governor. The President of the Senate, Speaker of the House of Representatives, the Minority Leader of the Senate, and the Minority Leader of the House of Representatives each appoint one member.

Governor appointments represent each of the seven Congressional districts. No more than four board members appointed by the Governor can be affiliated with the same political party, at least one board

member must be actively engaged in agriculture as a business, and at least two members must be owners of small business with 100 or fewer employees. The UCB provides policy guidance to the OCC and assists in evaluating the performance of the division.

Members:

Sanders Skip Arnold, Monique Dyers, Barbara Fernandez, John Jock Fleming, Mary Sue Liss, Chris Markuson, Andrew McElhany, Anne Stattelmann, Lois Tochtrop, Jeff Wasden, Karen Wilkes

Fiscal Year 2015-2016 Highlights



ATMOS PHASE I GAS RATE CASE

Atmos Energy, which serves approximately 110,000 gas customers statewide, filed an application in May 2015 requesting a rate increase of \$3.9 million. Atmos also requested a system integrity rider for accelerated gas pipeline replacement. Pipeline replacement has been a contentious issue throughout the nation and is very costly for ratepayers.

The OCC intervened and sought adjustments that reduced the proposed rate increase. In September 2015, a settlement was reached limiting the rate increase to \$1.9 million, which resulted in lower than proposed customer rates. Further, the integrity rider for pipeline replacement was adopted for a three-year term in exchange for a two-year stay-out provision so that no rate increases can be implemented earlier than January 2018, with a maximum rate impact of 2.5 percent per year. The OCC's advocacy resulted in \$963,000 of the \$1.9 million of the savings.

BLACK HILLS ENERGY (GAS) ACQUISITION OF SOURCEGAS

Black Hills Energy filed an application in August 2015 seeking to acquire SourceGas LLC, a Colorado gas provider. The OCC did not oppose the acquisition, but recommended certain conditions, namely no recovery of a \$950 million acquisition premium, a gas rate increase moratorium for SourceGas for three years, and an agreement that SourceGas not seek accelerated recovery of costs for gas safety projects for three years.

Black Hills, the staff of the PUC Commission, the OCC, and Energy Outreach Colorado reached a settlement which incorporated the OCC's consumer protections. The settlement was approved by an Administrative Law Judge (ALJ) with some modifications that enhanced the PUC staff's ability to ensure service quality would be preserved. The Commission affirmed the ALJ's ruling.

XCEL / PUBLIC SERVICE 2015 GAS RATE CASE

Public Service Co. of Colorado filed an application in March 2015 seeking a gas rate increase of \$109 million over three years, of which \$66 million would be an increase in rates, and \$43 million would be due to accelerated recovery of the cost of gas pipeline safety projects.

The OCC objected to the proposed increases as well as the structure of the accelerated gas safety clause and proposed significant adjustments. The ALJ issued a recommended decision in November 2015 accepting many arguments made primarily by the OCC and PUC Commission staff, that reduced the revenue request from \$66 million to approximately \$21 million. The ALJ also substantially reduced a proposed \$43 million increase for accelerated recovery of the cost of gas pipeline safety projects.

The Commission affirmed most of the ALJ's recommended decision, authorized a net \$18.8 million increase in revenues, and approved the continuation of the pipeline safety rider for three additional years. This decision resulted in a combined rate increase for residential customers of 4 percent (or \$1.63 per month) and 3.85 percent (or \$6.28 per month) for small commercial customers.

PUBLIC SERVICE 2014 ELECTRIC RATE CASE EARNINGS SHARING PLAN

As part of the settlement reached by intervening parties in January 2015, the company agreed to enter into an earning sharing plan, specifically sought by the OCC, whereby it would share with ratepayers under a prescribed formula the amounts it over-earned in each year, 2015 through 2017. In calendar year 2015, the company over-earned approximately \$30 million beyond its authorized rate of return. Under the formula, the company refunded approximately \$15 million to ratepayers as of August 1, 2016.



A photograph of an oil rig at sunset. The rig is silhouetted against a bright orange and red sky. The rig's structure is complex, with many pipes and lights. The sun is low on the horizon, creating a strong backlight effect. The overall scene is industrial and dramatic.

Black Hills and Xcel Energy Cost-of-Service Gas Program

In November 2015, Black Hills filed two applications for its gas and electric operations, requesting approval to acquire and develop natural gas reserves to serve as a long-term physical hedge in an effort to further diversify the company's gas purchases and potentially bring greater price stability.

By producing and selling gas to its retail subsidiary on a "cost of service" basis, the utilities claimed that customers would benefit if the company is producing gas at a cost less than the wholesale market rate and that consumers would be protected if costs are higher than the cost incurred by the wholesale market.

Black Hills filed its case in five other states: Kansas, Iowa, Nebraska, South Dakota and Wyoming. Subsequently, Xcel Energy filed a similar application for Colorado in January 2016.

The OCC intervened in all cases on behalf of consumers. It identified its concerns about the purported benefits to consumers and the recovery of cost from ratepayers, among many other issues. The OCC also collaborated with the other state consumer advocates to discuss strategies, developments and outcomes.

In March 2016, after Black Hills completed its presentation of evidence in its case-in-chief in support of its applications, the OCC filed a "Motion to Dismiss" the application on the basis that Black Hills had not shown the benefits of its proposal to the public. Further, the OCC attested that the company failed in all aspects to present valid, reliable facts demonstrating costs associated with the proposed program.

In May 2016, the PUC granted the OCC's "Motion to Dismiss," supporting the OCC's claims. The PUC concluded that the company was unwilling, or unable, to provide evidence demonstrating that its proposed program was in the public interest and dismissed the applications without prejudice. Black Hills did not appeal the decision.

In June 2016, Xcel Energy filed a "Notice of Withdrawal" of its application in its cost-of-service gas case, stating that "after responding to numerous discovery requests from the intervenors in this proceeding, the Company concluded that litigation of the application would be contentious, costly ... and would not address many of the concerns raised about the application." Xcel also cited the dismissal of Black Hills' applications. The PUC granted Xcel's request and closed the proceeding.

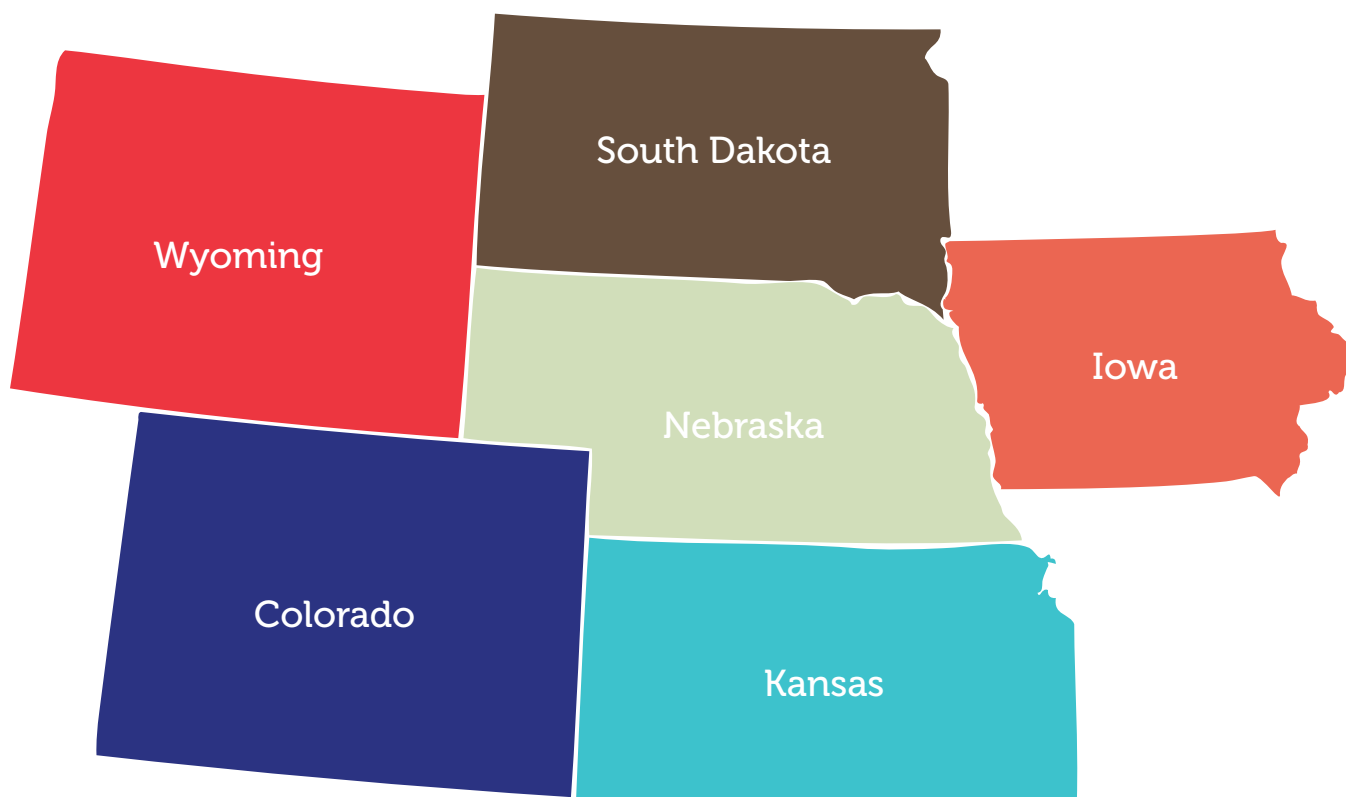
In July 2016, the Nebraska Public Service Commission denied Black Hills' cost of service gas program, stating that the proposal was not prudent and not in the best interest of ratepayers. Following this denial, Black Hills publicly announced its requested withdrawal of its applications in Iowa, Kansas, South Dakota and Wyoming.

It is anticipated that Black Hills and Xcel Energy may refile their proposals with the requested supplemental evidence and further justification of customer benefits in the future.



"No thanks, Black Hills"
Pueblo Chieftain Editorial
February 23, 2016

"OCC wants Black Hills plan rejected"
Pueblo Chieftain Editorial
April 26, 2016





Impact



Consumer Representation within Utility Rate Approvals

The OCC intervenes in rate increase requests (“rate cases”) submitted by investor-owned utility companies operating in Colorado. The OCC also represents the interests of consumers in cases that effect changes and charges to customer bills, tariff filings, service modifications, rulemaking proceedings and certificates of public convenience and necessity. To do this, the OCC staff must examine the technical evidence filed by utilities, provide expert testimony, cross-examine witnesses, make legal arguments and represent consumers in settlement negotiations.

Representing the interests of residential, small business and agriculture energy consumers, the OCC participates in administrative hearings, which ultimately lead to the approval of rates charged to utility customers. The rate approval process includes evidentiary hearings before the PUC. OCC staff participates in these hearings and reviews, researches and provides testimony presenting its position throughout the hearing process.

Although the OCC is charged with representing consumers before the PUC, it is prohibited by statute from representing individuals in complaints with utilities. The OCC helps consumers by advocating

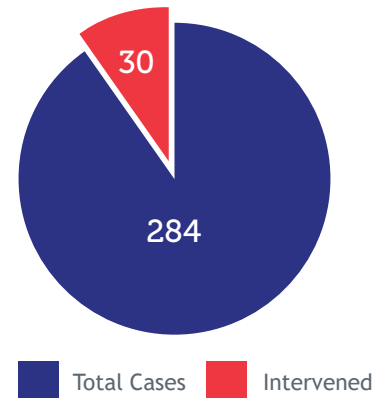
for lower utility rates, or the avoidance of rate increases, by ensuring that utility rates, regulations and policies are more equitable for residential, small business and agricultural consumers and by ensuring the continuing reliability of utility services and consistent quality of service.



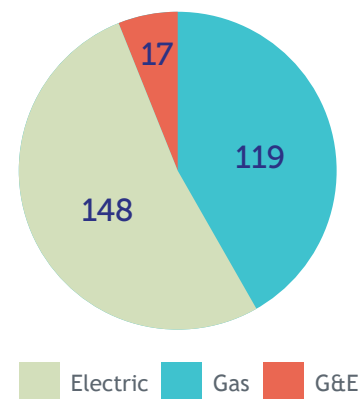
By the Numbers

- 34% rate increases avoided due to OCC involvement
- \$1.7 million annual budget
- \$83.5 million Shared Savings (savings shared with PUC staff)
- \$27.4 million sole savings (savings established by OCC only)
- FY16: 66-to-1, return on investment (The ratio of the amount the OCC saved consumers to every dollar spent.)
- FY13-FY16: 53-to-1 rolling average
- In FY15-16, for every dollar the OCC spent, Colorado consumers saved \$66.

FY 2016 Total Cases Reviewed vs. Cases Intervened



FY 2016 Cases Reviewed by Type of Utility



OCC FTE and Expenditures

FISCAL YEAR	FTE	EXPENDITURES
11-12	7.0	\$1,477,838
12-13	7.0	\$1,528,704
13-14	7.0	\$1,661,724
14-15	7.0	\$1,735,576
15-16	7.0	\$1,725,475

Consumer Savings

FISCAL YEAR	SOLE	SHARED	TOTAL
11-12	\$5,982,420	\$39,449,824	\$45,432,244
12-13	\$9,650,638	\$41,847,494	\$51,498,131
13-14	\$15,067,109	\$43,895,437	\$58,962,546
14-15	\$28,732,109	\$102,013,424	\$130,745,530
15-16	\$28,732,109	\$84,860,792	\$113,621,000



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