

Connections

NEWSLETTER OF THE COLORADO PUBLIC UTILITIES COMMISSION

Bill Owens, Governor • Rick O'Donnell, DORA Executive Director

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STARTING POINT



By Bruce Smith
Director

There has been some progress made in improving Internet access in rural areas across Colorado under the Rural Technology Enterprise Zone (RTEZ) tax credit program. But the program may be hindered by a lack of awareness of the tax credits by Internet Service Providers (ISPs).

That's one of the conclusions of a Public Utilities Commission report on the RTEZ program prepared for the Colorado Legislature. The report was delivered Sept. 1.

RTEZ legislation was approved in 1998 to address the disparity in the state between people living in urban areas and people living in rural areas to access the Internet because of a lack of adequate technology, infrastructure and advanced telecommunications service in rural areas. The PUC established a single, continuous RTEZ for the entire state, excluding the developed metropolitan areas of Colorado. Companies that invest in technology infrastructure to provide Internet access in the enterprise zone are eligible for a 10 percent tax credit on their investment, up to \$100,000 each year.

Since 1999, the first year in which the tax credit became available, there have been nine filings to the PUC for the RTEZ tax credits made by four rural ISPs. There has been a total of \$2,222,641 invested by the four companies in rural technology Internet infrastructure in Colorado. Accordingly, the state has granted 10 percent of that amount, or \$222,264, in tax credits among those four companies.

Progress, as measured by improved computer access speeds to rural Internet customers, has been made in a narrow rural slice of central Adams and Arapahoe counties that includes the town of Strasburg. Similar progress has been made in a wider area of the Western Slope that includes the communities of Delta, Cedaredge, Olathe, Hotchkiss, Paonia, Crawford, Gunnison, Crested Butte, Montrose, Almont, Lake City, Saguache, Aspen, Basalt, Carbonade and Glenwood Springs.

Based on feedback received from the participating ISPs, PUC staff believes the RTEZ tax credit works for those rural ISPs that take advantage of it, despite the small number of customers served. However, because rural ISPs are not regulated, the PUC does not know how many of them are operating in the state, and it is unknown how many rural ISPs fail to take advantage of the program because they are unaware of it.

Experts hedging on winter gas prices

Higher bills likely, but many factors affect price volatility

Consumers should brace themselves for higher heating bills this winter, but gas utility and industry experts are hedging their predictions about which direction natural gas prices will go over the next few months.

Natural gas pricing trends for the 2003-04 heating season were discussed at an informational meeting last month at the Public Utilities Commission. Representatives from Colorado's major gas utilities, along with gas industry officials, presented their views on factors affecting the current wholesale gas market—including supply and demand, pricing, storage and transportation issues.

All of the experts agreed that consumers are likely to pay more to heat

their homes this winter than they did a year ago, possibly as much as 60 percent higher. But none could say for certain where gas prices are headed between now and next spring.

"You don't know what the (market) is going to do until it's on top of you," said Kurt Haeger, Xcel Energy's chief natural gas supply planner. "Prices could go in either direction."

The wholesale price of natural gas, which is not regulated, typically accounts for between 60-75 percent of a consumer's monthly heating bill. Wholesale prices peaked in February and again in June, before heading downward in July and early August. Higher levels of gas in storage and a mild summer in the Midwest and Northeast were cited as reasons for the drop in prices.

But experts said those prices could turn on a dime, depending on any number of factors. Those include national supply and demand; weather factors such as late summer hot spells, early winter cold snaps or hurricanes impacting offshore production; and gas storage levels.

PUC Chairman Greg Sopkin noted that Colorado is in a better position than many states because of increased regional gas production, gas storage on track to reach adequate levels and a continuing differential in prices between the Rocky Mountain region and other areas of the country due to pipeline capacity issues, although that price gap is narrowing.

"But the bottom line is that consumers should expect higher prices as a whole this winter, and should take whatever steps are necessary now to safeguard themselves against those higher prices," Sopkin said.

Colorado's gas utilities, including Xcel, will be filing their annual gas cost adjustments with the PUC in September and October. These adjustments are made to reflect estimated gas supply prices for the ensuing heating season, as well as to true-up actual costs from the previous year.

Increases or decreases in wholesale natural gas prices are passed on to consumers on a dollar-for-dollar basis. Utilities do not make any profit from the gas commodity itself.



PUC Commissioners question Xcel's Kurt Haeger (far right) about natural gas prices for the approaching heating season during an informational meeting last month.

PUC eliminates Qwest zone charges

The Public Utilities Commission (PUC) has eliminated a key source of customer complaints and confusion for nearly a quarter of a million local telephone customers in Colorado.

The PUC approved a joint proposal from Qwest, staff of the PUC and the Office of Consumer Counsel (OCC) to abolish zone charges for Qwest local telephone customers across the state as of Aug. 1, 2003.

A zone charge was a monthly fee, in addition to the basic monthly rate, that was assessed to customers who lived outside the base rate area served by a central office. About 226,000 Qwest lines in urban, suburban and rural areas across Colorado had been assessed zone charges, ranging from \$5 to \$20 a month.

The purpose of the zone charge, also called a distance charge, was to offset

the higher costs of serving areas that extended farther away from the central office and historically included fewer customers. However, changes in demographics and telecommunications technology in recent years had made base rate areas and zone boundaries appear more arbitrary.

"Zone charges have been one of the most common and persistent sources of complaints to the PUC in the more than 10 years that I've been here," PUC Director Bruce Smith said. "I believe this proposal was a more reasonable and fairer way for Qwest to recover its costs of providing service in higher-cost areas, while maintaining the affordability of basic local service across the state."

For the fiscal year ending June 30, zone charges accounted for the third largest number of Qwest complaints received by the PUC. Only billing and

repair categories, among issues regulated by the PUC, prompted more complaints than zone charges.

In response to the complaints, Qwest, PUC staff and the OCC began discussions to find a way to eliminate the zone charges. A joint agreement was reached and approved by the PUC commissioners in late July and zone charges disappeared on Qwest bills for service going forward on Aug. 1.

Qwest had been collecting an estimated \$22 million annually from zone charges. The company anticipates that it will recover the shortfall by receiving additional revenue from the Colorado high cost fund beginning in April of 2004. This could increase the 2 percent monthly surcharge that all customers currently pay to keep local telephone rates affordable and reasonably comparable across the state.

Calls keep coming for consumer assistance group

The PUC's External Affairs section answered 18,056 calls, closed 7,569 contacts and saved consumers \$807,420 for the most recent fiscal year.

According to the section's annual consumer assistance summary, the staff received 7,604 contacts and closed 7,569 for the period from July 1, 2002, through June 30, 2003. A contact is one that requires some action from the External Affairs staff. The number of contacts received and closed is not the same because a contact is not necessarily closed within the time frame indicated.

Although the number of closed contacts decreased from the previous year's total of 8,387, it was still a challenging year for the External Affairs section, said **Doug Platt**, consumer complaints supervisor.

"A number of unique situations

resulted in a high volume of consumer complaints and resolutions again this year," Platt said. "Among the issues that resulted in heightened activity for the section were the discontinuance of Mile High Telecom services, the revocation of DMJ Communications' right to operate, the sale of AT&T Broadband's local phone service to Comcast Phone Company, and blizzards in March and May that affected electric service across the state."

The section closed 2,320 contacts concerning Qwest, compared to 4,266 the previous fiscal year, and it closed 1,577 contacts relating to Xcel Energy, compared to 1,009 the prior year.

When closing contacts, the staff determines the appropriate category. If it is a general inquiry, the contact is closed as an "information" request. If the com-

plaint is in opposition to a proposed rate increase or a utility's services or actions, it is counted as an "objection." If during the investigation of the complaint, it is found that the utility has not followed PUC rules or regulations, the complaint is marked "not in compliance."

Staff intervention resulted in consumer bill corrections, credits or refunds of \$807,420, compared to \$1,076,345 a year ago.

For the fiscal year, the categories with the largest number of closed contacts involving Qwest regulated services were billing (480 contacts) and repair (312 contacts). For Xcel, the categories with the most complaints were repair (811 contacts) and billing (337 contacts). These were the top categories for the previous fiscal year as well.

The section handled 18,056 calls

through the consumer complaint line for the fiscal year, compared to 18,683 the previous year. Not all of the calls become contacts because in many cases staff members are able to answer callers' questions immediately, with no further action required.

Also for the fiscal year, the section handled 513 media contacts and issued 15 news releases. Of these media contacts, 241 concerned telecommunications issues, 161 were energy issues, 52 related to transportation, and 59 involved miscellaneous issues.

The complete 2002-2003 Consumer Assistance Summary is available on the PUC website: www.dora.state.co.us/puc/ or by calling the External Affairs section at 303-894-2070 within the Denver metro area, or 1-800-456-0858 outside the Denver metro area.

Annual PUC customer service winner chosen

Jonell Poley was selected by co-workers at the PUC to receive the Dom Hidalgo Customer Service Award for 2003.

Poley was one of three finalists nominated by a panel of PUC employees. The others were **Lloyd Petersen** and **Terry Willert**.

The award was established in 1998 to recognize the PUC employee who displays consistent and superior customer service throughout the year. The award is named for the late Dom Hidalgo, who exemplified exceptional customer service for more than 35 years in the PUC Transportation Section.

Poley is the supervisor of the PUC's Operating Rights unit, which is responsible for issuing permits and tracking insurance verifications for motor vehicle carriers in Colorado. Her nomination cited her "fantastic customer service skills" and her commitment to always putting the customer first.

"Jonell demonstrates excellence in customer service on a daily basis," PUC Director **Bruce Smith** said. "She goes out of her way to help the public and her co-workers. If she doesn't know the answer to a question, she will find out where the customer can get it. She is an excellent choice for this award."

Nominations for the award were solicited from all PUC employees. After the panel narrowed the field to the three finalists, the winner was chosen by a vote of all PUC employees.



2003 Dom Hidalgo Customer Service Award winner Jonell Poley (left) accepts congratulations from PUC Director Bruce Smith.

Poley received \$250 and an individual plaque and her name was engraved on a permanent plaque in the reception area on Office Level 2 at the PUC. Petersen and Willert each received \$100 and individual plaques.

Others nominated this year included **Randy Garrouette**, **Dino Ioannides**, **Sandy Johnson Jones**, **Sandy Potter**, **Trudy Reinmuth** and **April Woods**.

Previous Winners

2002—Michele Gronewold
2001—Marisela Chavez
2000—Frank Shafer
1999—Barbara Fernandez
1998—Joyce Reed

NARUC event held in Denver

Nearly 1,000 regulators, industry officials and other government representatives from across the country gathered in Denver in late July for the National Association of Regulatory Utility Commissioners (NARUC) 2003 Summer Committee Meetings.

The NARUC meetings bring together state utility commissioners, staff and other interested parties to discuss government oversight of telecommunications, gas, electricity, water and nuclear industries. The association holds an annual conference each fall, and winter and summer committee meetings.

Colorado PUC Commissioners **Greg Sopkin**, **Polly Page** and **Jim Dyer** attended the five-day conference, which was held at the Marriott Hotel in downtown Denver. A number of PUC staff members also were able to attend the various sessions.

Highlights from the meetings included remarks by Qwest chief executive officer Richard Notebaert, Time Warner CEO Larissa Herda, Level 3 chief James Crowe, and FCC Commissioner Kevin Martin. The meetings also produced nearly 30 resolutions adopted by the various NARUC committees.

Michigan commissioner David Svanda presided over his final meeting as NARUC president while in Denver. His term expired Aug. 1. Georgia commissioner Stan Wise, NARUC's first vice president, assumed the presidency.

Sopkin, who was appointed Colorado PUC chairman in January, was introduced in Denver as a new member of the NARUC Committee on Telecommunications. Commissioner Page is a member of the Committee on Finance and Technology.



Mike Zimmerman

For more than 10 years, **Mike Zimmerman** has been putting the academic principles and theories of economics into practice in the real world of utilities regulation.

Mike is a member of the Public Utilities Commission's policy advisory staff. He started at the PUC in January

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of 1993, after spending most of his previous professional life teaching economics.

"At the Commission I have the opportunity to apply economics to real-world issues that have important implications for the day-to-day life of Colorado's citizens," he said.

As part of the advisory staff, Mike provides analysis and makes recommendations regarding the rate, economic and policy issues that come before the Commissioners and the Administrative Law Judges. The advisors also assist in writing PUC orders, participate in rulemakings, and stay current on regulatory issues.

Most recently, Mike was the lead advisor on the Aquila electric rate case, and also was involved in advising on the Xcel rate case.

"This is the most dedicated professional group I have been associated with," he said. "I enjoy the give-and-take with my fellow advisors and the chance to share my analysis of regulatory issues with the Commissioners.

I also enjoy the variety of problems we have the opportunity to explore."

Mike has a bachelor's degree in economics from Michigan State University and a master's degree in economics from the University of Colorado. He has completed all the class work for a Ph.D. in economics from CU.

Prior to working for the PUC, Mike taught a variety of courses and did research in economics primarily at Metropolitan State College, but also at the University of Colorado, University of Denver and Regis University.

Away from work, Mike enjoys volleyball, skiing, fly-fishing, hiking and traveling. One of his goals is to learn to surf.

"Don't take life for granted. Be grateful," he said in describing his personal philosophy. "View each day and each event as a challenge and opportunity to learn how to be a happier earthling."

(Inside Connections will feature a PUC employee each edition as selected by PUC section chiefs.)

CONNECTIONS is the newsletter of the Colorado Public Utilities Commission. It covers Commission cases and actions of importance to consumers, utilities, consumer groups and decision makers.

Comments, suggestions and requests for more information should be directed to:

Terry Bote
1580 Logan Street, Office Level 2
Denver, Colorado 80203.

Editor: Barbara Fernandez
Managing Editor: Terry Bote
Photographer: Ray Jantzen

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New law to help PUC get goods on rogue movers

Provides consumers with more protections when moving in-state

A new law giving the Public Utilities Commission (PUC) more authority over household goods movers operating within Colorado took effect in August. The Colorado Legislature this spring approved House Bill 03-1289, which provides basic protections for consumers who are having their goods moved within the state.

PUC rules implementing the bill established annual insurance and registration procedures for household goods movers, and set minimum service stan-

dards for contracts between movers and their customers. For example, movers must carry adequate levels of motor vehicle, cargo and general liability insurance and register annually with the PUC.

The bill also provides consumers with specific rights when moving within Colorado:

- Consumers have the **right** to know where their goods are being stored in the event of a fee dispute.
- Consumers have the **right** to an itemized breakdown with descriptions of all costs for moving their goods before the move.
- Consumers have the **right** to know what form of payment the mover will accept: cash, cashier's check, money order, traveler's check, personal check or credit card.
- Consumers have the **right** to know the name and address of the mover and their Public Utilities Registration number.
- Consumers have the **right** to receive their goods so long as they have tendered payment in accordance with a written document that is signed and dated.
- Consumers have an **absolute right** to



A new law effective Aug. 6 gives the Public Utilities Commission more authority over household goods movers and offers consumers better protections.

receive prescription medicines, medical equipment, medical devices or children's goods.

"This law provides important protections to consumers when dealing with household movers," said Rick O'Donnell, Executive Director for the Department of Regulatory Agencies. "We have heard too many stories about unscrupulous movers who use hardball tactics to extract more money from consumers. With this law, household movers will think twice before engaging in shady conduct."

Movers who violate the rules are subject to civil penalties ranging from \$550 to \$11,000 per day, depending on the violation. The new law applies only to intrastate moves—those from point-to-point within Colorado.

Customers who wish to file a complaint against a household mover should call 303-894-2070 within the Denver metro area, or 1-800-456-0858 outside the Denver area. For complaints about interstate moves, customers should call the federal households goods hotline at 1-888-368-7238.

POSITIVE CHARGES

⚡ Congratulations to the following PUC employees who were recently recognized for their years of state service:

5 years—Karin Gleichauf, Dino Ioannides, Thedora Jackson, Roxi Nielsen, Geri Santos-Rach, Deborah Collette.

10 years—Terry Bote, Marisela Chavez, John Epley, Ron Jack, Mana Jennings-Fader, Gary Klug, Bob Laws, Lloyd Petersen, Doug Platt, John Trogonoski, Mike Zimmerman.

15 years—Jim Dyer, Barbara Fernandez, Noel Giesige, Sandy Jones, Judy Fester, Trudy Reinmuth, Vince Snowberger, Reinhard Wolf.

20 years—Bonnie Ford.

25 years—Bill Steele, Ernie Tronco.

30 years—Jack Baier.

35 years—Vi Robinson, Shirley Wallace.

Consumer tips to prevent moving headaches

- Find a reputable moving company. Ask your neighbors, friends, co-workers or relatives for recommendations about which mover to use. Call the Better Business Bureau to see if they have information about the company.
- Check to determine whether the mover is registered with the Public Utilities Commission and has proper insurance. To obtain this information, call 303-894-2000, ext. 3701 (Denver metro area) or 1-800-888-0170 ext. 3701 (outside Denver metro area).
- Plan your move well ahead of time, 2-6 weeks if possible.
- Obtain written estimates from several movers and compare costs and

all other services to be provided by the mover. Be suspicious of estimates that are significantly lower than the rest.

- Beware of estimates made over the phone. Most movers will need to see your goods in order to make an accurate estimate of moving costs.
- Know which company is actually providing the move. Some companies that advertise moving services are simply brokers that do not move goods. Obtain information about how to contact the mover before, during and after the move.
- Find out what the mover's responsibilities are for damages that may occur to your belongings.

- Do not sign blank or incomplete documents or allow anyone representing you to do so. Make sure you get everything in writing, including signed estimates.

- Be present when movers arrive at your house and stay until they are finished.

- If at all possible, make sure your new residence is available for occupancy prior to the commencement of the initial move. Direct movements historically result in fewer problems on the other end. Be there to obtain your goods and have the agreed-upon amount and method of payment ready.

2-1-1 rolling across Colorado to aid in locating assistance

A new telephone number for individuals who need fast access to emergency financial, food, shelter and other human services is spreading across Colorado.

Abbreviated 2-1-1 dialing began this spring in four pilot areas in the state—the five-county Denver metro area, Larimer County, Weld County and Mesa County. It will grow to encompass all of Colorado by 2005.

The 2-1-1 code is a simple and easy-to-remember number to call when people need help or access to human services. Like 9-1-1, it easily and directly connects the caller to a local/regional

2-1-1 call center. It complements 9-1-1 by filling the gap between emergencies and urgent non-public safety needs, like food and shelter. The use of 2-1-1 helps to relieve the burden of non-emergency calls on 9-1-1 and saves callers time by providing guidance and appropriate referrals to organizations that can meet the callers' needs.

The Federal Communications Commission reserved the number for community health and human service information nationwide in July 2000, and in the fall of 2002 the Public Utilities Commission granted the Colorado 2-1-1

Steering Committee the authority to be the provider of 2-1-1 services across the state.

There are many non-profit organizations in Colorado and scores of government agencies; many people find it challenging to navigate the maze of community resources. The 2-1-1 call center provides the link between people and community organizations. Information and Referral (I&R) Specialists assess callers' needs and determine the programs and services that can best meet their needs, providing the caller with detailed informa-

tion about and referral to appropriate agencies, programs and services. I&R providers maintain comprehensive databases of resources, including federal, state, and local government agencies and community-based non-profit organizations.

The four pilot sites began to actively use the 2-1-1 dialing code beginning April 14, 2003. Additional service centers are planned for Colorado Springs, Pueblo and Durango. Each service center will implement a multi-county expansion, ensuring eventual statewide 2-1-1 availability.

Denver metro local calling area pushes eastward to Bennett

The Bennett telephone exchange in eastern Colorado will become part of the Denver metro local calling area later this month, and the Strasburg exchange may soon follow suit.

The Public Utilities Commission (PUC) has approved a proposal by Eastern Slope Rural Telephone Association to offer expanded local calling to Denver for its Bennett customers. The changes are expected to occur on Sept. 17.

Under the plan, Eastern Slope's Bennett customers will be able to add unlimited local calling into the Denver metro area for an additional \$13.50 per month—raising basic rates to \$26.86 per

month for residential customers and \$29.53 per month for business customers. Bennett customers who wish to retain their current calling area will continue to pay \$13.36 per month for residential service and \$16.03 for business service. For those customers, calls to Denver will be billed at a local measured rate of \$.11 per minute.

The new local calling area applies only to Eastern Slope's Bennett exchange, which lies along the I-70 corridor about 30 miles east of Denver. The PUC found that a "community of interest" existed between the Bennett customers and the Denver metro area for governmental, business, medical

and emergency services purposes.

As part of the calling area changes, customers in the Denver metro area will receive local calling to Eastern Slope's Bennett customers as well, with no change in monthly rates.

Also, a similar agreement is pending PUC approval that would allow Strasburg Telephone Company to expand its local calling area to include the Denver metro area as well. Strasburg is located about 11 miles east of Bennett.

Under the agreement, reached by the company, PUC staff and the Office of Consumer Counsel, Strasburg will offer its customers a number of packages that

include unlimited local calling to the Denver metro area. The packages would range from \$24.35 to \$31.35 per month for residential customers and \$34.35 to \$41.35 per month for business customers, depending on the additional services selected. Strasburg customers who wish to retain their current plan would continue to pay \$16.40 a month for residential service and \$26.40 a month for business service, and calls to Denver would be billed at a local measured rate of \$.18 per minute.

If approved by an administrative law judge, the local calling area changes for Strasburg customers are expected to take place within 90 days.

PUC to hear power line case this fall

A two-year-old law that allows public utilities to appeal local land use decisions on utility siting issues to the Colorado Public Utilities Commission (PUC) gets its first test this fall.

The PUC will rule on a transmission line dispute between Tri-State Generation and Transmission Association and San Miguel County. It is the first case to be filed since the legislature passed HB 1195 in 2001. The law gives public utilities or power authorities the ability to appeal to the PUC if a local government denies a permit or application that relates to the location, construction or improvement of major electrical or natural gas facilities, or imposes unreasonable conditions on such a permit or application.

At issue is the proposed upgrade of

Tri-State's existing 69kV transmission line between its Nucla Substation in Montrose County and its Sunshine Substation in San Miguel County.

San Miguel County has imposed a number of conditions on the construction of the project, including requirements that Tri-State construct portions of the line underground at the company's expense, limit the height of above-ground structures to 60 feet, and submit a construction plan that identifies Tri-State's plans to mitigate environmental impacts to the county for approval prior to construction.

Tri-State has appealed San Miguel County's decision to the PUC, stating that some of the conditions will impair the company's ability to provide safe, reliable and economic service to the public.

The PUC will take public comment on the power line dispute at a public hearing from 3-7 p.m. in Telluride on Thursday, Sept. 18. The hearing will be in the Sheridan Opera House, 110 N. Oak St. Individual members of homeowner associations that have formally intervened in the case will not be allowed to comment at the public hearing. Comments by these individuals should be included with formal testimony filed by the group.

A formal evidentiary hearing in this matter is scheduled for Oct. 20-24 at the PUC offices in Denver.

The PUC's role in the appeals process is to balance local government determinations with the broader statewide interest of meeting growing demands for electric and natural gas service.

National No-Call Registry kicks in beginning Oct. 1

Federal enforcement of the National No-Call Registry begins Oct. 1, adding another layer of protection for consumers wishing to reduce the number of unwanted telemarketing calls they receive.

Consumers whose numbers were on the national registry by Aug. 31 were to be included on the first list provided to telemarketers in September. Companies must remove those numbers from their calling lists by Oct. 1. For numbers added to the registry after Sept. 1, companies have three months from the date of registration to scrub those numbers from their telemarketing lists.

Colorado residents who signed up for the state's No-Call list automatically had their numbers transferred to the national registry. As of mid-August, more than 1.2 million residential and wireless numbers were included on the Colorado list.

By the end of July, more than 30 million Americans had placed their numbers on the national No-Call Registry. The national program works in conjunction with the state No-Call law passed more than a year ago by the Colorado Legislature. Companies that call numbers on the No-Call registry face penalties of up to \$11,000 for each violation under the Federal Trade Commission (FTC) rule.

Placing a number on the state or national No-Call list will not stop all telemarketing calls. Some types of calls are excluded, including calls made for charitable, political or survey purposes; and calls on behalf of any person or entity with whom the customer has an established business relationship. However, if you ask a company not to call you, it must honor that request, regardless of an established business relationship.

In addition to the No-Call provisions, the FTC's telemarketing rule prohibits deceptive and abusive telemarketing acts and practices and protects consumers from unwanted late-night sales calls.

- Calling times are restricted to the hours between 8 a.m. and 9 p.m.
- Telemarketers must promptly tell you the identity of the seller or charitable organization and, before they make their pitch, that the call is a sales call or a charitable solicitation.
- Telemarketers must disclose all material information about the goods or services they are offering and the terms of the sale.
- For more information about No-Call provisions, visit www.coloradonocall.com or www.ftc.gov.

Utilities to file least-cost electric plans

Xcel Energy and Aquila Networks will make their first filings this fall under Colorado's new Electric Least-Cost Resource Planning rules.

The Public Utilities Commission (PUC) adopted new rules last fall replacing the old Integrated Resource Planning rules. The least-cost planning rule was designed to streamline and add flexibility to the process by which jurisdictional electric utilities plan for and acquire resources to meet their customers' future demand for electricity.

The first plans under the new rule are to be filed by Oct. 31, 2003, and every four years thereafter. Previously, utilities filed plans every three years.

The resource planning process requires utilities to identify a planning

period (between 20-40 years) and a resource acquisition period (between 6-10 years). Using the period designated, the utilities must then develop:

- An annual electric demand and energy forecast;
- An evaluation of existing resources;
- An assessment of planning reserve margins and contingency plans for the acquisition of additional resources;
- An assessment of the need for additional resources;
- A description of the utility's plan for acquiring those resources; and,
- The proposed Request for Proposals (RFPs) the utility intends to use to solicit bids for the resources to be acquired through a competitive acquisition process;

The new process requires PUC approval up front of a utility's forecast and needs assessment, the utility's proposals to meet the identified needs, and the components of the utility's RFP, such as the proposed bid evaluation criteria. However, the PUC will not approve a utility's selection of specific resources once it has gone through the bidding process.

Challenges to the prudence of those selections could be made in a proceeding requesting a Certificate of Public Convenience and Necessity for a specific project, or a proceeding to recover the costs of that project.

The process is intended to result in least-cost resource portfolios, and is intended to be neutral with respect to fuel-type or resource technology.

Xcel rate case ends with reductions in July

Base rates for Xcel Energy's electric, gas and steam customers were lowered in July—bringing an end to the company's phase one rate case filed last year.

Electric rates were reduced by \$230,000 annually, gas rates by \$33.3 million and steam rates by \$26,000 as part of a settlement agreement approved by the Public Utilities Commission. Although base rates went down in July, Xcel's overall rates for electricity are higher due to a \$93 million increase in fuel costs for generation and purchased power in 2003 that was implemented on May 1.

The energy cost adjustment, which provides for a dollar-for-dollar recovery of the fuel costs used to generate electricity along with purchased power expenses, was primarily

a result of rising natural gas costs. Natural gas generation accounts for about 25 percent of Xcel's resource mix, and also accounts for a large majority of purchased power, which is 39 percent of the company's total.

The May energy cost adjustment increased the monthly electric bills of typical residential customers by \$3.35 per month and small commercial customers by \$6.79 per month. It was implemented early to lessen the monthly impact to customers. The adjustment expires at the end of 2003.

The base rate changes that went into effect in July resulted in a decrease of 3 cents per month for typical residential electric customers and 5 cents per month for small commercial customers. Residential natural gas customers received a decrease of \$1.74 per month

and small commercial customers' gas bills dropped \$5.55 per month.

Taken together, the net impact of the energy cost increase and the base rate decrease for customers receiving both natural gas and electric service from the company was a \$1.58 increase per month for residential customers and a \$1.19 increase per month for small commercial customers.

The rate case settlement set a 10.75 percent return on equity for the company's electric operations and an 11 percent return on equity for its gas and steam operations. It also provided Xcel the ability to continue its electric trading operations and for the sharing of trading profits between customers and the company. Xcel's customers are protected from paying the costs of energy trading losses.



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