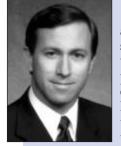


NEWSLETTER OF THE COLORADO PUBLIC UTILITIES COMMISSION

#### SEPTEMBER 2006

### STARTING POINT



There have been a couple of occasions in recent weeks where newspaper articles or editorials about the PUC have referred to the "deregulation" of Qwest. Although this wasn't the central

By **Doug Dean** Director

point of the articles in question, it was clearly inaccurate and creates a false perception among the public about current telecom regulation. So I want to take the opportunity to set the record straight.

It has been a little more than a year since the Commission issued its decision approving a new regulatory plan for Qwest. Although the company initially was asking for deregulation of virtually all of its local and long-distance services, the final outcome—the result of a settlement agreement between Qwest, PUC staff and the Office of Consumer Counsel was something substantially less.

The PUC decision generally provided Qwest with pricing freedom for some telecommunications services where consumers have competitive choices. But the only service that was fully deregulated as a result of this decision was intrastate long-distance.

The PUC retained full control over the rates and conditions of basic residential telephone service, as well as basic service to businesses with five lines or less. It also maintained full control over "public interest features and services," such as per-call blocking, per-line blocking, Call Trace, busy line verification, busy line interrupt, and non-listed and non-published services.

The agreement did loosen regulatory oversight for some services in areas where competition has taken hold, primarily the Denver metro area and Colorado Springs. Those services subject to the new "market regulation" include additional residential lines, service to businesses with six or more lines, packages and bundled service offerings. However, even these services have not been completely deregulated, and the Commission can re-impose traditional regulation on these services for good cause if problems arise. Incidentally, the PUC has never had regulatory authority over wireless and high-speed broadband services, such as DSL. Those services have always been deregulated under Colorado law. As mandated by law, the PUC will continue to promote telecom competition in areas where consumers have access to viable choices and alternatives. However, the local telephone market in Colorado remains far from "deregulated," and it is incorrect to characterize it as such.

# **Xcel electric hearings start in October**

Three weeks set aside to receive testimony on proposed rate hike

The Public Utilities Commission (PUC) has scheduled three weeks of hearings in October and November on a \$209.9 million electric rate increase proposed by Xcel Energy.

Formal evidentiary hearings are scheduled to begin Oct. 23 at the PUC in Denver and continue through Nov. 9. More than 15 parties representing residential, commercial and industrial customers, governmental entities, environmental organizations and independent power producers have been granted intervenor status in the case.

Xcel's proposal includes a \$178.3 million increase to base rates for investments in company's electric system, an estimated \$30.3 million increase in fixed costs for purchased power to be recovered through the Purchased Capacity Cost Adjustment (PCCA), and a \$1.3 million increase in the Renewable Energy Standard Adjustment (RESA).

If granted in full, the proposal would increase typical residential rates by about \$6.52 a month, or 11.61 percent, based on usage of 625 kilowatt hours per month; while rates for small commercial customers would increase \$9.96 per month, or 11.07 percent, based on usage of 1,025 kilowatt hours per month. In its filing, Xcel said it has invested more than \$1 billion in electricity generation, transmission and distribution infrastructure in Colorado since its last electric rate case was filed in 2002. That includes the start of construction of a new, third unit at the Comanche Generating Station in Pueblo. These investments currently are not reflected in Xcel's rates.

Among the other provisions of the filing:

- Xcel has asked for an authorized rate of return on equity of 11 percent, up from its current 10.75 percent, for its electric operations. The rate of return is the profit component of rates. The PUC sets an authorized rate of return, but it is not guaranteed.
- Xcel is seeking to charge a late payment fee of 1.5 percent of the total bill for all residential electricity and natural gas customers who do not pay by the due date, beginning Jan. 1, 2007. Xcel also is seeking to increase the charge for returned checks from \$10 to \$15.
- Xcel is seeking to increase the cost of a 100 kilowatt-hour block of Windsource power to \$4.287 from the current \$3.877 for secondary voltage customers, to \$4.179 from \$3.761 for primary voltage customers, and to \$4.083 from \$3.733 for transmission voltage customers.

In its answer testimony filed on Aug. 18, PUC staff recommended that the Commission grant only about \$70 million of the requested \$178.3 million

### Lower gas costs fuel electric rate dip

The Colorado Public Utilities Commission (PUC) approved a \$12.2 million reduction in Xcel Energy electric rates in August to reflect lower costs of generation fuel and purchased energy.

The reduction in the Electric Commodity Adjustment (ECA) rider lowered typical residential bills by \$1.16, or 2.1 percent, based on monthly use of 625 kilowatt-hours. Typical small business electric bills dropped \$2.34, or 2.2 percent, based on monthly usage of 1,265 kilo-watt hours. The new rates went into effect on Aug. 18. Since the end of 2005, costs for generation fuel and purchased energy have decreased by approximately \$340 million in Colorado, or about 14 percent on both typical residential and small business electric bills, mostly due to lower natural gas prices.

Increases or decreases in the ECA are passed on to customers on a dollar for dollar basis, similar to the gas cost adjustment.

### A THREE-PRONGED REQUEST

\$178.3 million in base rate costs \$30.3 million in purchased

capacity costs

**\$1.3 million** in renewable energy costs

### Total Request: \$209.9 million

increase to base rates. PUC staff recommended that the company's return on equity be set at 9.5 percent, accounting for a large part of the revenue reduction. PUC staff also recommended that about two-thirds of the company's proposed depreciation expenses be denied.

Under staff's proposal, rates for residential customers would increase about \$2.83 per month, or about 5 percent, based on usage of 625 kilowatt hours. Rates for commercial customers would increase by \$4.52 percent, or 5 percent, based on usage of 1,025 kilowatt-hours per month.

In its testimony, PUC staff also opposed the company's proposal to implement a 1.5 percent late payment fee.

The PUC has scheduled two public hearings to receive public comment about the proposal. Public hearings will be in Grand Junction from 6–8 p.m. on Oct. 12, and in Denver from 4–7 p.m. on Oct. 23.

The public comment hearing in Grand Junction will be held at the Old Courthouse Annex, 544 Rood Ave. The Denver hearing will be at the PUC, 1580 Logan St. Customers may also submit written comments by letter, addressed to the PUC, 1580 Logan St., OL2, Denver, CO 80203, Docket No. 06S-234E; or use the PUC's electronic comment form at <u>http://www.dora.</u> <u>state.co.us/puc/consumer/Consumer</u> <u>Comment.htm</u>. Comments should be received by Nov. 9.

The PUC is expected to issue a decision by the end of the year.

## PUC, voters approve Xcel/Denver franchise

The Colorado Public Utilities Commission (PUC) is expected to issue final approval this month for Xcel Energy to exercise a new 20-year franchise agreement with the City and County of Denver beginning Jan. 1, 2007.

The PUC in July gave pre-approval to the proposed franchise agreement, which grants Xcel the right to provide electric, gas and steam service to Denver residents through 2026. Denver voters on Aug. 8 approved the franchise ballot issue by a three-to-one margin. Once formal documentation of the election results has been submitted, the PUC will issue Xcel a certificate of public convenience and necessity to exercise franchise rights.

The new franchise, negotiated by the company and the city over the last  $2\frac{1}{2}$  years, establishes the terms and conditions under which the utility has access to city rights-of-ways for its operations. In addition to the general franchise agreement, Xcel and the city struck a bargain on several side agreements related to low-income energy assistance, energy efficiency and renewable energy programs, street lighting requirements and special provisions concerning Denver International Airport.

In a separate agreement reached by the company, PUC staff and the Office of Consumer Counsel, Xcel acknowledged that any cost recovery issues related to the special franchise provisions would be deferred until an appropriate proceeding.

In granting pre-approval of the franchise, the PUC said that, in order to qualify for cost recovery, the energy efficiency and renewable energy programs contained in the franchise agreement must meet the conditions of the PUC's general rules governing cost recovery for those programs.

The company also agreed that it shall not seek to recover any of the contributions that are made to Denver to support low-income energy assistance programs through the rates charged to its Colorado customers in the future.

The franchise agreement also clarifies contentious issues between Denver and Xcel over who pays for relocation of the company's facilities. However, under the PUC decision, the company will separately track and account for all costs incurred for relocations, and PUC staff can challenge recovery for costs in excess of those for which the company might be required to typically bear.

# Fewer complaints, more money saved in 2005–06

Although the total number of complaints was down for fiscal year 2005–06, the PUC's External Affairs section saved ratepayers nearly 63 percent more money than the previous fiscal year, according to the section's annual consumer assistance summary.

The External Affairs section was responsible for securing \$827,479 in bill corrections, credits and refunds for ratepayers over the course of the fiscal year ending June 30. That compares to \$517,625 a year ago.

The staff addressed inquiries regarding 115 different telecommunications, gas, electric and water utilities in its efforts to resolve a wide variety of consumer concerns. The section received 3.608 contacts and closed 3.671 for the fiscal year, compared with 4,495 contacts and 4,527 closed contacts a year ago.

A contact is a phone call, letter or e-mail that requires some follow-up action from the External Affairs staff. The number of contacts received and closed is not the same because a contact is not necessarily opened and closed within the same month.

In addition to resolving consumer contacts, the section also provided support for the extensive PUC rules rewrite, and assisted in major rate and reliability cases involving Xcel Energy, according to consumer complaint supervisor Doug Platt. The section also broadened its customer service focus by adding two new consumer complaint specialists to fill vacant positions, including one who speaks Spanish.

For the fiscal year, the section closed 773 complaints concerning Qwest, down from last year's total of 1,056. The PUC closed 1,429 complaints relating to Xcel, an increase compared to 1,382 contacts during the previous fiscal 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 complaint 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."

In addition, the section received significant numbers of customer protests regarding a variety of high-profile cases before the PUC. These additional inquiries are tracked separately, and are not represented in the caseload statistics noted above.

The section handled 9,721 phone calls through the consumer complaint line for the fiscal year, compared to 11,248 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.

The section also handled 473 media contacts and issued 11 news releases for the fiscal year. Of these media contacts, 66 concerned telecommunications issues, 294 related to energy issues, 56 related to transportation issues, and 57 involved miscellaneous issues.

The complete 2005–06 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.

## PUC customer service award winner chosen

Legal assistant and "webmaster" Lloyd Petersen was chosen by PUC co-workers to receive the 2005-06 Dom Hidalgo Customer Service Award.

Petersen was one of three finalists nominated by a panel of PUC employees. The other finalists were Ted Barrett and Larry Herold.

Petersen is responsible for providing paralegal and administrative support to PUC advisory counsel, including processing Commission rules for the Colorado Code of Regulations. He also develops and manages the extensive PUC website. Through his duties, Petersen interacts with a variety of internal and external customers, ranging from the Secretary of State's Office, to attorneys looking for past or present PUC decisions, to members of the general public surfing the PUC web pages.

Petersen also has become the staff's "go-to" person for resolving computer software and other information technology issues.

"(Lloyd) can come up with a solution to any technical problem," according to his nomination form submitted by a co-worker. "He always has a positive attitude and is always available to assist."

The annual customer service award

Growing up in a large family, some-

times it's all about the numbers. And

**INSIDE CONNECTIONS** 

**PUC** Director Doug Dean (left) poses with 2006 Dom Hidalgo Award finalists (left to right) Larry Herold, Lloyd Petersen and Ted Barrett. Petersen *fellow employees* as this year's cus-

was selected by tomer service award winner.

was established in 1998 to recognize the PUC employee who displays consistent and superior customer service throughout the year. The award is named for former PUC employee Dom Hidalgo, who exemplified exceptional customer service for more than 35 years in the PUC's Transportation section before he died in 1997.

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

Petersen received \$250 along with an individual plaque, and his name was engraved on a permanent plaque in the reception area on Office Level 2 at the PUC. Barrett and Herold each received \$100 and individual plaques.

Other PUC employees nominated this year were Mana Jennings-Fader and Becky Quintana.

#### **PREVIOUS WINNERS**

2004-05	Suzette Scott
	Jonell Poley
	Michele Gronewold
2001–02	Marisela Chavez
2000-01	Frank Shafer
1999–00	Barbara Fernandez
1998–99	Joyce Reed

Steve Pott deserves a pat on the back for juggling two jobs within the Department of Regulatory Agencies for more than a month. Pott, who supervises the PUC's Gas Pipeline Safety section, was named interim director of the Division of Real Estate in July, filling in while the department searched for a new director.

Kudos to the PUC staff team for its investigation and report into the Xcel controlled outages

in February. The team released its 128page report in early July on the causes and events leading to the outages, and has received a number of accolades for its comprehensive analysis of the event. The staff team was led by engineer Stephen Brown and included Gene Camp, Inez Dominguez, Bill Harris, Billy Kwan, Roxi Nielsen, Doug Platt, Sharon Podein, Larry Shiao, and Terry Bote. Also, special thanks to Julie Williamson and Warren Wendling, consultants with the North Highland Company, for their assistance in the project.

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

Colorado: 5 years—Joe Benedetto, Cheryl Fisher

- 10 years—Bob Bergman, Larry Herold, Becky Quintana
- 15 years—Roxi Nielsen, Donna Acierno
- 20 years—Randy Garroutte
- 25 years—Kristy Turner

for Larry Herold that's a lesson that hasn't changed. Larry is the Public Utilities Commission's (PUC) fiscal officer, working with PUC management and Department of Regulatory Agencies staff in the creation of the PUC's annual budget. He also tracks and approves expenditures for the PUC and oversees incoming revenues through the transacting of daily deposits.

job," Larry said. "I get to crunch numbers as well as interact with the entire PUC staff. I also get the opportunity to meet and work with employees from other agencies and vendors. Larry, who has a bachelor's degree in marketing management from the University of Northern Iowa, has worked for the state since 1995 and came to the PUC in December of 2002. He was one of the finalists this year for the Dom Hidalgo Customer Service Award, chosen by fellow staff members. Prior to the PUC, Larry spent seven years with the Department of Revenue doing such things as answering tax questions as a tax examiner, performing public information duties with the Auto Industry Division and performing budget analysis for the Motor Vehicle Division. Larry is the seventh of eight children, but never was treated like just a number while growing up. He credits his father as a role model. "My father was an active participant in his church and community and that complemented his role as a dedicated and loving husband and father," he



"I enjoy the diversity of duties of the

**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

Photographer ...... Tony Munoz Printed on recycled paper

#### Larry Herold

said. "I hope to follow in my father's footsteps."

Larry is a member of several church groups, a Whist card club and the Colorado Fiscal Managers Association. He enjoys attending his sons' activities, playing cards and playing in the mountains.

One of his favorite quotes comes from Winston Churchill. "Attitude is a little thing that makes a big difference."

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

Administrative Law Judge Harris Adams earns "a job well-done" for his handling of a recent public hearing in Montrose concerning Dallas Creek Water Company. Harris did an outstanding job in keeping the proceeding under control despite a highly-emotional issue and an overflow crowd of about 200 people.

Welcome to new PUC employees Gladys Rey and David Martinez, consumer complaint specialists in the External Affairs section.



Gladys Rey David Martinez

# Internet, wireless calls straining E-9-1-1 budgets

Three more counties increasing surcharges to \$1.25 as of Jan. 1

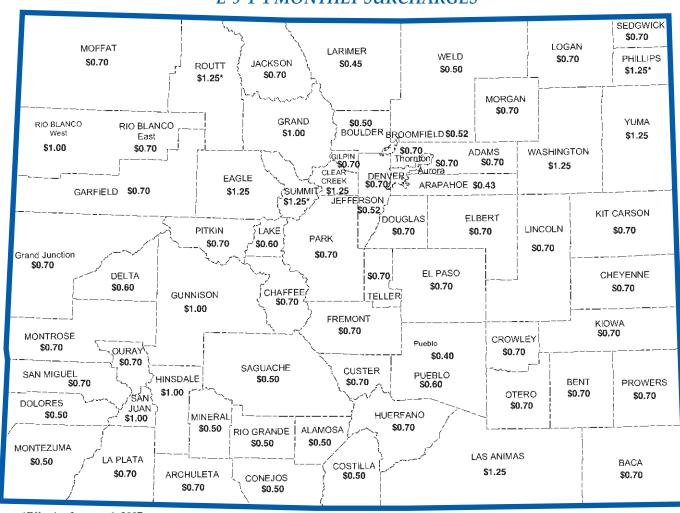
Three more emergency telephone authority boards in Colorado have received approval to increase their E-9-1-1 surcharges above the statutory cap of 70 cents per month.

The Colorado Public Utilities Commission (PUC) has granted 9-1-1 authorities in Routt, Summit and Phillips counties permission to raise their respective surcharges to \$1.25 per month. The new surcharges become effective on Jan. 1, 2007.

All wireline and wireless customers in Colorado pay a monthly surcharge to fund the equipment and operational expenses of the 9-1-1 system. Individual authority boards establish the amount needed to cover the costs of equipment, personnel and access to telephone lines. The surcharge is collected by the telephone provider and passed on to the authority boards.

Under Colorado law, a 9-1-1 authority board may assess a surcharge of up to 70 cents per customer per month for 9-1-1 service without the permission of the PUC. Anything over that amount requires PUC approval.

Including the latest requests, seven 9-1-1 authority boards in Colorado have applied to exceed the cap in the last two years. All of these boards provide emergency telephone services to primarily rural and mountainous areas where 9-1-1 surcharge collections have not kept up with increasing expenses.



\*Effective January 1, 2007

Much of the additional revenue is needed to pay for upgrades to equipment to provide exact location information for wireless 9-1-1 calls, said PUC engineer Gary Klug, who facilitates the state's 9-1-1 task force. Also, a significant increase in wireless 9-1-1 calls is cutting into operational budgets, without necessarily providing additional surcharge revenue.

That's because the 9-1-1 surcharge is only assessed to wireless customers whose billing address is within the 9-1-1 authority area. Many wireless 9-1-1 calls are received from visitors or other customers who may just be passing through a county.

An increase in computer-based

telephone services-such as Voice over Internet Protocol (VoIP)-also is contributing to the revenue shortfall. Customers of VoIP services currently do not pay the 9-1-1 surcharge.

In addition to Routt, Summit and Phillips counties, other authority boards with surcharges currently above 70 cents include Clear Creek (\$1.25), Eagle (\$1.25), Grand (\$1.00), Gunnison/ Hinsdale (\$1.00), Las Animas (\$1.25), Rio Blanco West (\$1.00), San Juan (\$1.00) and Washington/Yuma (\$1.25).

### Energy assistance program starts this month

Beginning in September, gas and electric utility customers in Colorado will have the option of making lowincome energy assistance contributions directly through their monthly bill payments.

A statewide program to collect voluntary donations from utility customers officially began on Sept. 1, implementing legislation that was approved in 2005. Energy assistance officials hope to attract about 15,000 new participants and raise an additional \$1 million the first year to help low-income customers pay their energy bills.

Under the program, participating utilities will display a check-off box on their monthly bills soliciting voluntary donations from customers. Customers who "opt in" to the program will be able to select categories of \$5, \$10, \$20 or other amounts that they will remit along with their regular monthly utility payment. The contribution will then be assessed on a monthly basis until the customer notifies the utility of the customer's desire to discontinue the contributions.

Some utilities in Colorado have used similar programs in the past to solicit energy assistance donations from their customers. However, the new legislation requires all retail electric and gas utilities by Sept. 1, 2006 to provide for voluntary contributions through customers' monthly bills. Municipal utilities and rural electric associations that offer their own alternative energy assistance programs are exempt from the new law.

Utilities are required to provide

notice to customers at least twice a year through bill inserts, statements on the bill or other materials informing them of the opportunity to opt in to the program.

Money collected by the utilities will be distributed on a quarterly basis to Energy Outreach Colorado, a nonprofit organization that provides funding to agencies across the state. The money must be used to provide low-income energy assistance and to improve energy efficiency for lowincome households.

Each year by March 31, Energy Outreach Colorado will provide to the legislature and the Public Utilities Commission a report detailing the contributions and distributions for the previous calendar year.

### Monthly surcharge for Relay services increased 4 cents

The surcharge that is used to pay for telecommunications services for disabled telephone users increased to 10 cents a month for the fiscal year beginning July 1.

The Colorado Public Utilities Commission (PUC) approved a fourcent hike in the monthly surcharge, which is assessed to all residential and business telephone lines in Colorado.

The Colorado Telecommunications Relay Services for Disabled Telephone Users (TRS) was established by the legislature in 1989. The relay program allows people who are deaf, hard-of-hearing or speech disabled to communicate on the telephone with a hearing party. The PUC reviews the fund balance, revenue and expenditure projections prior to each fiscal year and sets the surcharge for the following 12 months. The surcharge was lowered to 6 cents per month in 2004 to reduce a surplus balance in the fund at that time. Due to the drawing down of the fund balance, and the introduction of new relay services-such as Captioned Telephone service-the PUC determined it was necessary to increase the surcharge back to 10 cents per month starting July 1. The charge appears as a separate line item on every customer's bill and is listed as the "Colorado Telecommunications Relay Service Fund."

#### **E-9-1-1 MONTHLY SURCHARGES**

## Basic phone service requirements unchanged

The Colorado Public Utilities Commission (PUC) has decided not to change the requirements that make up basic telephone service at this time.

After reviewing the comments of interested parties, the PUC ruled in August that it would not initiate any proceedings at this time "to add, delete or alter any performance characteristics, features or other elements in the current definition of basic local exchange telephone service."

The PUC is required under state law to review the definition of basic service every three years "with the goal that every citizen of this state shall have access to a wider range of services at rates that are reasonable comparable as between urban and rural areas."

Currently, the definition of basic tele-

phone service includes a single-party line; voice grade access; touch-tone signaling; minimal facsimile and data transmission capability; access to emergency, long-distance, operator and directory assistance services; customer billing; white page listing; and a requirement that the local telephone company have a minimum of four hours of backup power or battery reserve in the event of a power outage.

The PUC solicited comments from interested parties this spring on whether it would be appropriate to expand, contract or leave the same the definition of basic service. Comments were received from Quest, Verizon Business, the Office of Consumer Counsel and the Colorado Telecommunications Association.

None of the parties submitting comments recommended that the definition of basic service be expanded at this time.

The commenting parties disagreed on whether the definition of basic service should apply only to the first residential or business access line, to the first and second lines, or to some other limited number of combination of lines. However, the PUC noted that issue is closely linked to its current investigation and review of the Colorado High Cost Support Mechanism (CHCSM).

The PUC said it may re-examine the issue of which access lines should meet the definition of basic service at a later date in conjunction with its determination of which access lines should be supported by the CHCSM.

# Staff report says rolling blackouts likely avoidable

The rolling power outages experienced by Xcel Energy in Colorado on Feb. 18 likely could have been avoided if the company had recognized and responded to escalating events sooner and more effectively, according to a report issued by staff of the Public Utilities Commission (PUC)

The 128-page report, released on July 7, contained the findings of a three-month investigation ordered by the Commission after Xcel was forced to interrupt electric service in roughly 30-minute intervals to approximately 380,000 customers on the coldest day of the year.

"This is plainly unacceptable," PUC Chairman Greg Sopkin said. "On a day in which the temperature dropped to minus 13 degrees, it is a basic necessity for people to be able to run their forced-air furnaces or hot water pumps."

Among the factors contributing to the crisis were poor weather forecasting, higher than expected natural gas demand due to the plunging temperatures, and a series of electric plant failures that reduced the company's generation capacity by about 40 percent. However, the PUC staff investigation also identified a number of underlying issues in training, communications, system appraisal and management accountability that exposed serious deficiencies in the company's agility and ability to adapt to rapidlychanging conditions across its systems.

"It is likely that controlled outages would have been avoided if any one of several different specific events had not occurred," the staff report stated. "It is also likely that the event could have been mitigated or avoided entirely had the company responded to escalating events sooner and more effectively. This event exposed serious problems that will take time and executive commitment to address."

Among the general findings of the report:

- Poor communications between Xcel's various electric and gas departments contributed significantly to the company's inability to act quickly to prevent a crisis from occurring.
- Xcel has failed to provide adequate training and/or conduct simulated exercises under mock emergency conditions to prepare its staff to handle situations like that which occurred on Feb. 18.
- The company's current notification system to provide accurate and timely information to customers during a

crisis situation is inadequate.

• There is no single person under Xcel's current organizational structure who is responsible for ensuring crosscompany communication, coordination and collaboration to provide for electric and gas system reliability.

The PUC staff report listed dozens of specific recommendations that it believes need to be adopted to ensure the reliability of the electric system. The Commission ordered the company to provide specific action plans covering those recommendations, along with periodic updates on its progress toward implementing those action plans. The first update is due by Dec. 15.

The complete report is available on the PUC website at <u>www.dora.state.co.us/</u> puc/.

### Task force studying power transmission issues

The Public Utilities Commission (PUC) this summer convened an interim task force established to study electric transmission issues in Colorado and make recommendations to the governor and state lawmakers.

A bill creating the Task Force on Reliable Electricity Infrastructure was approved by the general assembly earlier this year. Its purpose is to "engage affected stakeholders to develop a comprehensive plan that addresses the state's future electric infrastructure needs for the benefit of Colorado and its citizens."

The task force is comprised of 15 members appointed by the governor and the legislature representing various electric industry, governmental and consumer groups. It is required to hold at least four meetings, open to the public, to take comments on a wide range of infrastructure reliability topics, including:

 The current and projected demand for electricity in Colorado through the year 2020;

- An inventory of the electric transmission infrastructure that serves Colorado, with estimates of its sufficiency to meet the current and projected demand;
- Additions or improvements to the state's electric transmission system that will be required to meet the projected demand;
- The electric transmission needs related to implementation of Amendment 37 (renewable energy standards) approved by Colorado voters in 2004.
- The decision-making process for routing transmission lines;
- The financial resources and time required to build or improve transmission infrastructure as required to meet the projected demand;
- The existing and anticipated future impediments to improving Colorado's electric transmission infrastructure;
- Possible policy choices to ensure that Colorado will have a reliable electric

grid and reasonably-priced electric supplies;

• Additional transmission issues such as siting and permitting, interconnection with systems in other states, multi-state planning efforts, financing and cost recoverv.

The task force's initial meeting was held Aug. 21 at the PUC. It must issue a report to the governor and legislature by Nov. 1.

Task force members include: Doug Dean, PUC; Sam Mamet, Colorado Municipal League; Dave Lock, Colorado Association of Municipal Utilities; Mike Geile, Colorado Counties Inc.; Ray Clifton, Colorado Rural Electric Association; Kenneth Anderson, Tri-State Generation & Transmission Association; Sandra Johnson, Xcel Energy; Roger Kort, Aquila; Thomas Feiler, Clipper Windpower Inc.; Dianna Orf, attorney; Ron Lehr, American Wind Energy Association; Steve Edelstein, attorney.

### Kinder Morgan selling retail gas operations

Kinder Morgan, Inc. has announced an agreement to sell its natural gas retail distribution operations in three states-including Colorado-and Mexico to GE Energy Financial Services for \$710 million.

The proposed transaction would require approval by the Colorado Public Utilities Commission (PUC) and other state and federal regulators. The company said it hopes to complete the sale by the end of the first quarter of 2007.

Kinder Morgan's retail gas distribution business, based in Lakewood, serves about 260,000 customers in Colorado, Wyoming, Nebraska and Hermosillo, Mexico. In Colorado, the company serves about 70,000 residential and commercial customers, including the towns of Aspen, Glenwood Springs, Montrose, Eagle, Delta, Ouray and Telluride on the western slope and the towns of Dacono, Frederick, Wellington, Julesburg, Akron, Holyoke, Wray and Yuma on the northeastern plains.

The company operates about 11,400 miles of distribution and transmission pipelines, underground storage fields, field system lines and related facilities.

GE Energy Financial Services said it intends to maintain the retail gas distribution business' headquarters in Lakewood with no reduction in workforce. The business will adopt a new name to be announced after the transaction closes. The company said it expects the acquisition and transition to be "seamless" to customers.

The retail gas business formerly was operated by KN Energy until a \$1.1 million merger of KN and Kinder Morgan in 1999. Houston-based Kinder Morgan's main line of business is transporting and storing petroleum products across 43,000 miles of pipeline and 150 terminals.

## CNG decreases natural gas rates in August

Colorado Natural Gas, Inc. (CNG) reduced its natural gas commodity rates in August in response to lower prices at the wholesale level.

The Colorado Public Utilities Commission (PUC) approved an interim gas cost adjustment for CNG effective Aug. 18. As a result, monthly bills for CNG customers were expected to drop by 11–16 percent, depending on the rate area served.

CNG provides natural gas service to about 5,100 customers in its service areas in the foothills southwest of Denver, including the towns of Conifer, Bailey and Cripple Creek.

A gas cost adjustment is used by utiliable to lower its rates. ties to pass through to their customers For the Bailey division, the new rates market fluctuations in the wholesale price lowered typical monthly bills by \$16.13, or

of natural gas. Wholesale prices were deregulated by the federal government in the 1980s.

Both increases and decreases in the cost of purchasing natural gas are passed along to customers on a dollar-for-dollar basis. The utility does not make any profit from this adjustment.

CNG normally revises its gas cost adjustment on an annual basis, effective on Nov. 1 of each year. However, PUC rules allow utilities to file interim rate changes if gas costs spike significantly higher or lower. Due to a recent drop in natural gas prices at the wholesale level, CNG was

11.5 percent, for residential customers and \$37.78, or 12.4 percent, for commercial customers. For the Conifer division, the decrease was \$16.13, or 12.3 percent, for residential customers and \$37.79, or 12.4 percent, for commercial customers. For the Cripple Creek division, residential rates were lowered by \$19.28 a month (15.0 percent) for residential customers and \$55.75 a month (15.4 percent) for commercial customers.

The company will make its annual gas cost adjustment filing later this fall, forecasting costs for the upcoming heating season. Despite the recent drop in wholesale prices, experts are predicting that natural gas prices could rise significantly again this winter.



#### COLORADO PUBLIC UTILITIES COMMISSION

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