Connections

NEWSLETTER OF THE COLORADO PUBLIC UTILITIES COMMISSION MAY 2010

STARTING POINT

By **Ron Binz**
PUC Chairman

The Kerry-Graham-Lieberman bill is expected to be released soon in Washington, D.C. It is a very important step forward in the climate debate. We need federal action on climate legislation now. And we need to get it right.

With a 30% renewable energy standard, enlightened resource planning, rigorous energy efficiency programs, and smart grid and smart pricing, we are making major strides on carbon reduction in Colorado.

The main conundrum of climate politics is that relatively low, constrained carbon prices may not produce sufficient incentives for firms to innovate. But relatively high carbon prices can be politically unacceptable and invite consumer backlash. Where is the right balance?

Below, I outline a hybrid approach to carbon regulation within the electric sector that I call "cap and innovate." This approach will keep electricity prices affordable while reducing carbon emissions and sparking the innovation essential to making deep carbon cuts over the next 40 years.

Allowances to Consumers through Regulated Utilities. State utility regulators already know how to reduce emissions using a cap and trade mechanism: the successful experience of the Acid Rain program in the early 1990s. In this program, SO_2 allowances were allocated at no cost to utilities, traded among the recipients and then retired for compliance. As the number of allowances fell each year, so did SO_2 emissions. The program was a great success: emissions were reduced more quickly and at less cost than anyone predicted.

A similar approach should be applied to carbon regulation in the electric sector. Using a base line level of emissions, allowances should be allocated at no cost to regulated utilities. The number of allowances should be reduced over time, lowering the total carbon emissions allowed for the sector and forcing technological innovation. In a familiar exercise that occurs routinely now, state utility commissions will oversee this process, making sure that the value of allowances are protected and benefits flow to consumers. Such oversight will ensure there are no windfall profits.

Electricity prices will start out near today's levels and then gradually increase over time as carbon is reduced. Importantly, this gradual introduction will allow the consumers time to adjust to changing prices and address the fundamental conundrum I discussed earlier. It is an even-handed approach that channels the value of allowances back to utilities to fund emission reductions.

The competing approach is to auction allowances at the start of the market. This will raise rates immediately and create a large pool of funds, perhaps $50 billion in the first year. If these revenues are given to consumers in the form of a dividend check, emitters will have paid for allowances without producing any of the needed innovations. Utilities will have to spend yet more money to meet compliance obligations.

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PUC acts quickly on Clean Air law

Replacing or converting coal plants to natural gas facilities is one option utilities must consider under the Clean Air-Clean Jobs Act passed last month. Pictured above, Xcel Energy's Valmont generating station near Boulder.

The Colorado Public Utilities Commission (PUC) has moved quickly to respond to passage of the Clean Air-Clean Jobs Act.

Two days after the signing of HB10-1365 by Gov. Bill Ritter, the PUC opened proceedings to begin gathering the information needed to implement the new law and to allow parties to intervene. The legislation requires Colorado's investor-owned electric utilities—Xcel Energy and Black Hills Energy—to develop emission reduction plans to meet the current and "reasonably foreseeable" requirements of the federal Clean Air Act, including a 70–80 percent reduction in 2008 nitrogen oxide levels.

The utilities are to give primary consideration to replacing or repowering their coal-fired plants with natural gas, and are also to consider emission control equipment and energy efficiency among other strategies. The plans must cover the lesser of 900 megawatts or 50 percent of the utilities' coal-fired generation capacity in Colorado.

Utilities must file their plans by Aug. 15. The PUC, along with the Colorado Department of Public Health and Environment (CDPHE), are the state agencies responsible for rendering a decision on the plans by December 15. CDPHE must first determine that the plans meet current and foreseeable air quality standards, after which the PUC must approve, deny or modify the plans. The plans must be implemented by December 31, 2010.

"This is a very big deal," PUC Chairman **Ron Binz** said. "Our decision in this case will affect air quality, consumer prices, and greenhouse gas emissions for years to come. Because the statutory time frames are so compressed, we need to start the information flow now, instead of waiting for the utilities to file their plans."

On April 21, the PUC opened two dockets—one for Xcel Energy and one for Black Hills—to be repositories for data and so that interested parties can intervene. The Commission requested the utilities to begin production of documents that will assist in the analysis and evaluation of the plans; such as emission data from each coal plant, feasibility studies for addressing emission controls, pipeline capacities for natural gas, and cost data for use and dispatch of plants.

The PUC also established a tentative procedural schedule, which contemplates hearings in late October or early November, to accommodate the condensed time frames, and established guidelines for participation by other parties in the dockets. The PUC also supported the idea of hiring an outside consultant to provide "cost checks" and a third-party review of the plans.

CenturyTel rings up deal with Qwest

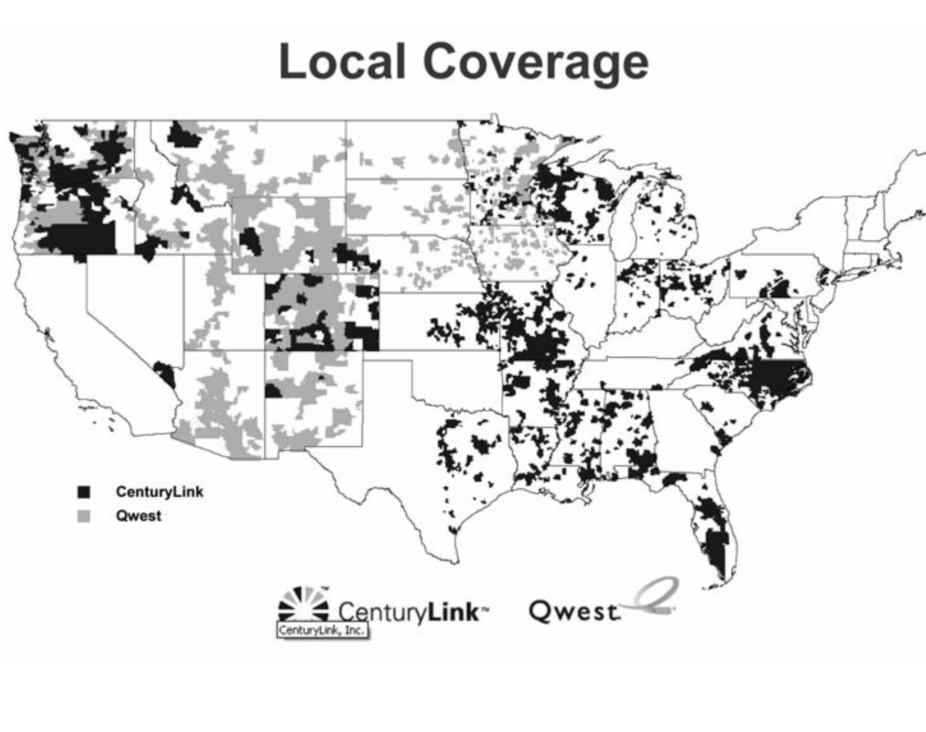
The two largest local telephone providers in Colorado have agreed to become one.

Rural provider CenturyTel (doing business as CenturyLink) announced April 22 that it has reached an agreement to acquire Qwest Communications in a $10.6 billion stock swap. The transaction, blessed by both companies' boards of directors, still must be approved by shareholders of both companies.

Regulatory approvals are expected to take 9 to 12 months. The Colorado Public Utilities Commission (PUC) must determine that the merger is in the "public interest."

"The Colorado PUC will be one of several state and federal regulatory approvals that must be obtained before the merger can go forward, PUC Chairman **Ron Binz** said. "We will scrutinize the proposal very carefully to ensure that it provides benefits to consumers."

As of December 31, 2009, CenturyTel and Qwest served local markets in 37 states with approximately 5 million broadband customers, 17 million local access lines, 1.4 million video subscribers and 850,000 wireless customers. The companies overlap in 10 states, including Colorado.



Qwest, which acquired US West in 2000, is the largest local phone provider in Colorado. CenturyTel, which acquired PTI Communications in 1997, is the second-largest provider, serving primarily rural exchanges. Most of the territory currently served by CenturyTel was obtained when U S West sold 45 exchanges in Colorado to PTI in 1994.

The combined company will remain the third largest telecommunications company in the country, behind AT&T and Verizon. The name that the new company will operate under is expected to be announced closer to the closing date.

The combined company will be based at CenturyTel's headquarters in Monroe, Louisiana, and employ roughly 50,000 workers. Although Qwest's corporate headquarters in Denver will close, the company's business markets division, which accounts for about a third of Qwest's $12 billion in annual revenues, will be based in Denver, according to the merger announcement.

PUC judge recommends adoption of fining rules

Rules establishing the Public Utilities Commission's (PUC) fining authority over telecommunications, gas, electric and water utilities are expected to be in place by this summer.

A PUC Administrative Law Judge issued recommended decisions adopting rules for the various industries in April. The rules are still subject to appeal with the Commission before they become effective.

The ability to impose fines on energy, telecom and water utilities that intentionally violate PUC rules and decisions, granted by the legislature, is similar to the authority that the Commission currently has to issue civil penalties to transportation carriers. Before the statute change, the PUC had to go to district court to seek fines against non-transportation utilities.

The Administrative Law Judge (ALJ) solicited comments from utilities and other interested parties, and held hearings on the proposed rules earlier this year before issuing the recommended decisions.

Although the law provides for fines of up to $2,000 per violation, per occurrence, the ALJ recommended a graduated schedule of fines, with the more serious violations being subject to larger penalties. The adopted rules established four categories of violations, with maximum fines of $2,000, $1,000, $500 and $100 in each of the respective categories, depending on the violation.

By law, the total amount of fines that can be levied against any single utility is $150,000 in any 6-month period, or 1 percent of the utility's annual jurisdictional revenues in any 12-month period, whichever is less.

Under the procedures adopted in the rules, the PUC Director or designee may issue a civil penalty assessment notice against a utility if the Director or designee believes that the utility violated a statute, rule or order. The utility has the option of paying 50 percent of the amount in the assessment notice to immediately resolve the alleged violation, or of appearing at a hearing before the PUC to contest the allegation.

The rules also provide for doubling and tripling fine amounts for repeated violations within a one-year period, subject to the maximum caps.

The fining rules apply only to public utilities as defined in the statute. Cooperative telephone associations, rural electric associations that have voted to exempt themselves from regulation, municipal utilities and non-profit generation and transmission electric associations are exempt from PUC fining authority.

PUC completes transition to E-filing system

On April 1, the Colorado Public Utilities Commission (PUC) implemented a long-planned change by completing the transition to an Electronic Filing System (E-filings).

The new system provides electronic access to all PUC docketed material, and for the electronic filing of documents. It also includes a subscription feature for receiving Commission notices.

For the past 15 months, the PUC has been testing and fine-tuning its E-filings system, allowing electronic filings but requiring paper copies as back-up. As of April 1, paper filings are no longer required and all filings may be exclusively submitted and distributed electronically.

The E-filings system is voluntary, and individuals can still submit paper filings to the PUC. However, as of the end of March, there were 1,011 registered E-filers.

The new system reduces paperwork, cuts costs and is much more convenient both for filing parties and for anyone wishing to access information about PUC proceedings. Regardless of geographic location, E-filings users have easy access to timely information regarding all PUC proceedings.

With the implementation of E-filings, parties that had been on mailing lists to receive agendas, proposed rulemakings and other notices will now receive an e-mail through the E-fillings system when documents are posted, as long as they are registered E-filers. PUC decisions also are distributed electronically through E-filings.

Individuals must be a registered user to make filings through the E-filings system. To register, go to https://www.dora.state.co.us/pls/efi/EFI.homepage, then click on the "Filer Registration" button and follow the instructions. It is not necessary to register to view PUC documents—simply use the "Search" function from the E–filings home page.

Starting Point

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Electric Sector Innovation. Meeting carbon goals for 2020 with today's technologies will be difficult but possible. Progress beyond 2020 or 2030 requires major technological innovations, which will require significant funding for research and development.

We should stimulate this needed innovation with a thin "research tax" on carbon emissions within the electric sector, separate from the carbon allowance market. A fee of $4 per metric ton on CO_2 emissions would produce about $10 billion annually—an increase in US electric rates of less than 3%. The proceeds should be dedicated initially to R&D on carbon capture and sequestration, renewable energy and energy storage technologies. Not quite a Manhattan project, but a seriously large amount of funding to produce the needed technological innovation. Research funding of this magnitude is especially important if allowance prices are constrained by a price collar, a feature rumored to be in the forthcoming legislation.

Use Historic Emissions. Allocations should be based on historical emissions, otherwise unacceptable regional disparities will arise. Utilities with significant hydro, wind or nuclear generation will get allowances even though they have no compliance obligations for those resources. While this may be a boon to such utilities and their customers, it comes at the expense of other consumers. New legislation should reject the industry compromise that allocates allowances half on historic emissions and half on electricity sales. Nor should merchant generators, who have little rate oversight and, therefore, no mechanism to ensure customer benefit, be included in the allocations.

Trading Limits. The carbon trading market for the electric sector should be boring. The Acid Rain program efficiently and cost-effectively reduced SO_2; it also had a fairly boring trading market. Allowance ownership and trading should be limited to utilities that receive allowances or those with a compliance obligation. Brokers will be needed for liquidity purposes but should not be

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INSIDE CONNECTIONS

Inez Dominguez

From his early college days, **Inez Dominguez** has combined learning and career. He has made it a lifelong goal.

Inez is a Professional Engineer with the Public Utilities Commission (PUC). His primary expertise is in handling electric transmission issues that come before the PUC, providing testimony in litigated cases, and comments on rules and other transmission-related filings. He also attends and actively participates in transmission planning forums, such as the Colorado Coordinated Planning Group.

"I have a great interest and very much enjoy the electric transmission line planning side of the utility business," Inez said. "I am a very strong proponent of future transmission line facilities planning and my job at the PUC allows me to get directly involved with Colorado utilities in their transmission line planning functions."

Near the end of his freshman year at New Mexico State University, Inez joined an engineering co-op program where he worked fall semester and attended classes in the spring. As part of the program, Inez worked for IBM Corporation in Huntsville, Ala., which was under contract with NASA to develop the instrument unit for the Apollo space program. His last assignment was to record communications between Houston Control and the astronauts of Apollo 8 as it circled the moon.

After obtaining bachelor's degrees in mathematics and electrical engineering from NMSU, Inez was hired by Public Service Company of Colorado. He spent 29 years there in various electric transmission system planning positions before retiring in 2001. He joined the PUC a month later.

"Ignorance is not bliss," Inez says in describing his personal philosophy. "Therefore, learn as much as you can so you may do your job well, whatever your job may be at the time. Then be willing to gladly share with and teach others what you have learned."

Inez plans to continue doing that by writing a book within the next year on how to do long-term electric transmission system planning. He also wants to teach high school once he retires from the PUC.

Away from work, Inez enjoys fishing and gardening with his wife and grandkids. He also pastors a Christian Apostolic-Pentecostal Church in Denver.

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

POSITIVE CHARGES

Kudos to **Monita Pacheco, John Opeka,** and **Cliff Hinson** of the PUC's Transportation Safety and Enforcement Unit. As part of a response to correcting hours of service violations by taxi drivers in Denver, the three of them put together a training program and, in cooperation with management of Freedom Cabs, presented the program to 99 Freedom drivers. Due to the positive response, they will provide additional classes to the remaining drivers at the request of Freedom management.

Special recognition goes to **Steve Pott** and the Gas Pipeline Safety section for hosting the PUC's annual pipeline safety seminar March 16–17 in Colorado Springs. Nearly 200 gas pipeline safety personnel representing utilities, government and the natural gas industry attended the two-day event. The seminar provided an overview on various topics concerning pipeline safety and federal and state regulations. The PUC partners with the U.S. Department of Transportation to promote safety in the transport of hazardous gases and liquids in pipelines in Colorado.

Congratulations to **April Woods,** who was recently named supervisor of the PUC's consumer complaint section.

Welcome to **Keith Kirchubel,** a former assistant attorney general who was hired as a new PUC Administrative Law Judge. Also, welcome to **Cathy Boies** and **Rebecca Johnson,** who are working part-time in the Research and Emerging Issues section under funding from a federal recovery grant.

Keith Kirchubel

Cathy Boies

Rebecca Johnson

Dora
Department of Regulatory Agencies

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:

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Tiered electric rates encourage less summer usage

Seasonal rates in which electricity customers pay more for higher usage during peak summer months and less during other non-peak times will be coming in June for customers of Xcel Energy.

The Colorado Public Utilities Commission (PUC) approved the tiered rate structure for Xcel Energy in March after encouraging the company to design an electric rate system to more accurately reflect the actual costs of electric usage.

The highest power consumption occurs during the summer months, and requires Xcel Energy to have adequate facilities in place to generate enough power during the high usage summer period. Summer power costs more because it requires additional generation to meet the immediate needs.

"Inverted-block" rates, which will be in effect from June through September, are designed to promote efficient use of energy during periods when demand for electricity is greatest. Under the June-September rates, customers would pay a lower charge for the first 500 kilowatt-hours of electricity, and a higher rate for usage above that.

"For years, consumers have advocated 'the more you use, the more you pay' for electricity," PUC Chairman **Ron Binz** said. "We're making that slogan a reality."

A typical residential customer uses about 687 kilowatt-hours (kwh) per month during the four-month summer period and about 605 kwh per month the rest of the year. Under the new tiered rates, residential customers with average usage will pay about 2 percent more in summer and about 5 percent less during the rest of the year. Customers who are able to reduce their electricity usage during the peak months will be able to see larger savings on their bills.

"The largest customers will pay more, and customers will realize greater rewards for their efforts to use electricity wisely," Binz said.

The changes were part of the PUC's decision in Xcel Energy's phase II rate case, which set the rate design for the company's various customer classes. The company receives no additional revenue from the seasonal rate changes.

However, customers' overall electric bills will be higher than last summer because of a general rate increase that was granted by the Commission in December.

New renewable standard requires PUC rule change

Colorado's new renewable energy standard—30 percent by 2020—includes a provision for customer-sited, small-scale distributed generation.

The Colorado Public Utilities Commission (PUC) has opened a docket to revise its Renewable Energy Standard (RES) rules to incorporate changes resulting from the passage of HB10-1001.

The recently-approved law requires investor-owned electric utilities—Xcel Energy and Black Hills Energy—to obtain 30 percent of their energy sales from eligible renewable energy resources by 2020, up from the previous 20 percent. The legislation further requires that a portion of the renewable energy acquired to meet the standard be produced by "distributed renewable electric generation," or relatively small-scale renewable energy resources, many of which would be installed on-site at customer homes and businesses.

Colorado became the first state with a voter-approved RES in 2004 with the passage of Amendment 37, which set a 10 percent by 2015 goal. State lawmakers doubled that standard to 20 percent by 2020 in 2007, before raising the standard again during the 2010 session.

The PUC issued a notice of proposed rulemaking in April. A hearing on the proposed rule changes is scheduled for June 1 at the PUC.

In addition to increasing the RES percentage, the proposed revisions would incorporate the other provisions of the new law, including:

- Permitting the PUC to set the standard rebate offer for on-site solar systems to levels below $2 per watt, depending on changes in the market for such small-scale solar technologies.
- Providing for the advancement of funds by investor-owned utilities, to be repaid through future collections from customers, for the purchase of more renewable energy resources sooner rather than later.
- Allowing the PUC to establish a charge to customers who install renewable distributed generation so that they contribute their fair share toward the utility's renewable energy programs.
- Adding a section that requires the PUC to consider, on a qualitative basis, factors that affect employment and the long-term economic viability of Colorado communities when evaluating electric resource acquisitions.

Interested persons may submit written comments on the proposed rules and present these orally at the June 1 hearing, unless the Commission deems oral presentations unnecessary. The PUC encourages interested persons to submit written comments before the hearing, and requests that such comments be filed no later than May 18. Comments should be submitted to Docket No. 10R-243E.

Decision on San Luis Valley power line expected in June

An initial Public Utilities Commission (PUC) decision is expected in June on a joint application by Xcel Energy and Tri-State Generation and Transmission to build a major electric transmission line and accompanying facilities in southern Colorado.

Several days of formal hearings were conducted on the proposal in February. However, a PUC administrative law judge reopened the evidentiary record for an additional one-day hearing on May 6. The purpose of the limited hearing was to take testimony about the impact of the recently-approved 30 percent Renewable Energy Standard (RES) on the need for the proposed transmission line.

Once the record is complete, the administrative law judge will transmit a final factual record to the PUC commissioners for deliberations and a decision.

Tri-State and Xcel Energy are seeking certificates of public convenience and necessity (CPCNs) to build the San Luis Valley-Calumet-Comanche Transmission Project, a proposed 150-mile transmission line and new substation to accommodate expected new solar and wind generation in southeastern and south-central Colorado.

Utilities are required by law to seek PUC authority to build and own certain major electricity infrastructure projects in Colorado. The PUC determines whether there is a need for the project, and whether the application is in the public interest. The proceeding before the PUC will not determine the routing of the line.

Along with authority to construct the project, the companies are asking the PUC for specific findings that the expected noise and electro-magnetic field (EMF) levels associated with the project as designed and quantified in the application would be reasonable. The two companies also seek approval to transfer ownership interest as needed when the project is completed.

The proposed project involves construction of three new, high-voltage transmission line segments that would connect electrical substations from north of Alamosa to Pueblo. The project includes a new substation to be built near Walsenburg.

The project is currently estimated to cost approximately $180 million and is projected to be in service by May 31, 2013. Tri-State and Xcel Energy would share costs and capacity ownership rights for the individual transmission segments based on an agreement still to be negotiated.

PUC approves Atmos's advanced metering program

The Colorado Public Utilities Commission (PUC) has approved an application by Atmos Energy to begin an Advanced Metering Infrastructure (AMI) pilot program in the Greeley area.

The company filed for a Certificate of Public Convenience and Necessity (CPCN) for the pilot program pursuant to a settlement agreement reached between parties in December in Atmos' gas rate case. The PUC approved the CPCN for the pilot without hearing in late April.

The program calls for Atmos to install an electronic transmitting device on about 34,650 meters within the proposed area, as well as a communications system mounted on existing towers and poles.

The AMI devices will record hourly measurement activity and produce a daily report of the hourly-recorded readings. The data collected will then be made available to Atmos' customers in terms of hourly and daily consumption totals on a per meter basis via a secured website to assist them in managing their natural gas usage in a more efficient manner.

The pilot program is expected to deliver a number of benefits both to Atmos and its customers, including improved efficiency in the provision of natural gas service, improved customer service, and a substantially reduced environmental impact. Atmos said it also expects the pilot program to provide it with the information necessary to assess whether the AMI program should be continued or expanded throughout its service territory.

As part of the program approval, the PUC also granted Atmos' request to implement a surcharge on customer bills to recover the actual costs incurred with the program. The surcharge will be applied to all of Atmos' customers, since the information gleaned from the pilot program is expected to provide statewide benefits.

Atmos provides natural gas service to more than 110,000 customers in 15 counties in Colorado, including the larger towns of Canon City, Cortez, Crested Butte, Durango, Greeley, Lamar and Steamboat Springs.

Installation of the equipment necessary to implement the AMI program is expected to be completed in September. Following that, the pilot will be conducted for a one-year period to give Atmos sufficient time to gather and analyze data to determine whether the program should be continued and/or expanded. The company will file a report with the PUC within 120 days once the pilot is completed.

New taxi company springs up in El Paso County

A new taxi company is expected to hit the streets of Colorado Springs this summer.

Spring Cab was granted authority in February by the Colorado Public Utilities Commission (PUC) to provide taxi service between all points in El Paso County and Denver International Airport (DIA), following a stipulation reached between Spring Cab and incumbent Yellow Cab of Colorado Springs.

Under the agreement, approved by a PUC administrative law judge, Spring Cab may commence taxi service on July 1 with a maximum of 25 vehicles in service at any one time. Spring Cab may gradually increase the number of in-service taxis to a maximum of 50 on January 1, 2013. The company is prohibited from filing an application to extend its authority until after January 1, 2013.

In addition to taxi service, Spring Cab originally sought to provide scheduled shuttle service between Colorado Springs and DIA. However, as part of the stipulation, Spring Cab agreed to remove that part of its request and restrict its authority to taxi service.

Colorado Springs Yellow Cab currently is the only taxi company serving the Colorado Springs area. Colorado Cab Company, which operates Denver Yellow Cab, also has submitted an application to begin service in the Colorado Springs area, seeking authority to put 25 vehicles on the streets.

Hearings on the Colorado Cab request have been completed. Following closing statements of position, which are due on May 17, a PUC administrative law judge will rule on the application.

A 2008 law changed the entry standards for taxi companies wanting to serve the state's most populous counties. Under the current standard, new applicants wanting to provide service in Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas, El Paso and Jefferson counties must show that they are financially and operationally fit. The burden of proof then shifts to anyone opposing the application to prove that granting such an application would be a detriment to the public interest.

Under this standard, Union Cab was authorized in 2009 to begin providing taxi service in the Denver metro area. Several other applications from taxi companies wanting to enter the Denver market are pending before the PUC.

Chaffee seeks higher 9-1-1 surcharge

The Chaffee County Emergency Telephone Service Authority Board has asked the Public Utilities Commission (PUC) to approve an increase in its monthly 9-1-1 surcharge from $1.00 to $1.25.

The Chaffee County authority board was formed in 1989 by agreement between Chaffee County, Salida, Buena Vista, Poncha Springs, Chaffee County Fire Protection District, South Arkansas Fire Protection District, and Salida Hospital District. The authority serves about 1,100 square miles and has a combined population of about 17,143.

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 authority boards.

Under Colorado law, a 9-1-1 authority 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.

The Chaffee County authority board was granted an increase from 70-cents to $1.00 in 2006. However, budget forecasts project than an additional 25-cent increase is needed to pay for system upgrades, capital expenditures, personnel and maintenance expenses, and future equipment expenses, including a "Reverse 9-1-1" system.

If approved by the PUC, the new surcharge would become effective on July 1.

About one-quarter of Colorado's 58 emergency telephone authorities that assess 9-1-1 surcharges in Colorado now exceed the 70-cent cap. Only 10 authorities statewide collect less than the 70-cent amount.

Black Hills seeks rate hike

The Colorado Public Utilities Commission (PUC) has scheduled hearings in June on a proposed 12.4 percent electric rate hike for Black Hills/Colorado Electric Utility Company.

Evidentiary hearings are scheduled June 21–25 at the PUC in Denver. A public comment hearing is scheduled at 6 p.m. on Tuesday, June 8, at the Pueblo City Council Chambers, 1 City Hall Place, in Pueblo.

Black Hills is seeking additional annual revenues of approximately $22.9 million to cover increased operating costs and additional plant in service since the company's last rate change in 2004. The proposal does not include additional generation being built or acquired by Black Hills to replace a purchased power agreement with Xcel Energy that expires at the end of 2011.

Under the proposal, the average residential customer would see an increase of approximately $10.79 per month, and an average small business customer would see an increase of approximately $36 per month.

Black Hills serves more than 90,000 customers in 21 Colorado communities, including Pueblo, Canon City, Florence and Rocky Ford.

The company is seeking an 11.80 percent return on equity, up from its current 10.75 percent. The rate of return on equity is the profit that a utility is authorized to earn, but it is not guaranteed.

The company's last increase in base rates came in 2004 when the PUC approved a negotiated settlement that increased electric rates by 2.23 percent.

High cost fund rules proposed

The Colorado Public Utilities Commission (PUC) has opened a proceeding to consider changes to the Colorado High Cost Support Mechanism (CHCSM) rules.

The CHCSM program provides money to reimburse telecommunications providers that serve areas with higher than average costs. This allows local phone rates to remain reasonably comparable across the state.

The program is funded through a surcharge on monthly telephone bills, including local, wireless, paging, in-state long distance and optional services. Currently the surcharge is set at 2.2 percent.

The purpose of the proposed rule changes is to re-examine the high cost support rules in light of new regulatory schemes, changes in the federal Universal Service Fund (USF) program, and other recent PUC dockets that have directly implicated the CHCSM rules.

The PUC has proposed three categories of potential rule modifications for consideration: 1) whether all lines or only primary residential access lines and wireless accounts should be supported by the high cost fund; 2) whether to repeal the current identical support rule for competitive eligible providers; and 3) whether interconnected Voice over Internet Protocol (VoIP) providers should be required to contribute to the high cost fund.

A redlined version of the proposed rules can be viewed on-line by searching the PUC E-filings system for Docket No. 10R-191T.

Interested persons may submit written comments, in hard copy or through the E-filings system, on the proposed rules. Opening comments should be filed no later than May. 27. Reply comments are due June 11. A hearing on the proposed rules will be held June 28–29 at the PUC in Denver.

"In submitting comments or replies, interested persons are invited to suggest changes that will make the rules more efficient, rational or meaningful," the PUC said in its rulemaking notice. "We recognize that regulation imposes costs; therefore suggestions concerning rules that may be unnecessary or unduly burdensome will be fully considered by the Commission."

Starting Point

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allowed to trade for their own account. This should dampen the trading frenzy that some imagine for a new carbon market and keep speculation to a minimum.

Early Action Protection. The legislation should address "early action" taken by states prior to the effective date of the new law. If not, some states will be penalized for early action and all states will have the perverse incentive to wait to begin reducing carbon emissions until the bill takes effect. There is an easy "rough justice" solution that first appeared in the Dingell-Boucher bill a couple years ago: allocate emissions based on a suitable historic base period across regulated utilities.

Electric Vehicles. Finally, to enable the migration of the small vehicle fleet to electric vehicles (EVs) and plug-in hybrid electric vehicles (PHEVs), the electric sector must get credit (offsets) for the net reductions in carbon emission attributable to this migration.

"Cap and Innovate" is a common-sense approach that will efficiently reduce carbon emissions, be less disruptive to the economy, avoid regional disparities, and protect consumers and businesses. It is an efficient, cost-effective, consumer-friendly solution to our carbon conundrum.

Ron Binz is Vice Chair of the Task Force on Climate Policy of the National Association of Regulatory Utility Commissioners.

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