

Connections

NEWSLETTER OF THE COLORADO PUBLIC UTILITIES COMMISSION

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STARTING POINT



By Doug Dean
Director

Through its ambitious renewable energy standard and its economy-shaping incentives to wind and solar industries, Colorado has been a focal point in the national effort to develop cleaner, more sustainable ways of generating electricity.

In addition, the PUC's recent decisions on Xcel Energy and Black Hills plans to retire aging coal plants and replace them with natural gas-fired generation in advance of looming Environmental Protection Agency regulations on nitrogen oxide and other emissions further cast a spotlight on our state. Legislative and energy policy leaders from around the nation have been closely watching the Colorado process as a possible model for similar efforts.

The focus will continue to be on Colorado in 2011 when public utility commissioners from throughout the western U.S. gather in Denver later this year. The Colorado PUC will host the 2011 Western Conference of Public Service Commissioners (WCPSC) June 12-15 at the Brown Palace Hotel. As many as 300 participants are expected to attend, including PUC commissioners and staff, utility officials and industry representatives.

The WCPSC is one of five regional affiliates of the National Association of Regulatory Utility Commissioners (NARUC). The Western Conference is comprised of utility commissioners from Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, Wyoming, and Guam.

The WCPSC meets annually for education, training and information-sharing among utility regulators from the West. The theme for this year's conference is "The Mile High Experience—Tradition and Transformation."

Speakers and panels for this year's conference are still being identified and developed, but will feature current issues and challenges facing regulators in the areas of electricity, natural gas, telecommunications and water. Sessions are expected to focus on regulatory, industry and consumer perspectives.

Registration for the conference is expected to begin around March 1, and sponsorship opportunities are available. As agendas and activities are finalized, they will be posted on the PUC website: <http://www.dora.state.co.us/puc/index.htm#> under the 2011 Western Conference of Public Service Commissioners banner.

Colorado last hosted the WCPSC conference in 1999 in Vail. Proceeds from the conference are used to support the activities of the WCPSC committees throughout the year.

PUC approves plans to cut emissions

*Meets December 15
deadline under Clean
Air, Clean Jobs law*

The Colorado Public Utilities Commission (PUC) issued written orders December 15 approving emissions reduction plans for Xcel Energy and Black Hills Corporation as required under the state's Clean Air-Clean Jobs Act passed earlier this year.

The PUC written rulings met a four-month, compressed process required under the law to review the utilities' proposed plans to meet the current and reasonably foreseeable requirements of the federal Clean Air Act, including a 70-80 percent reduction in nitrogen oxide levels by 2017. The companies filed their initial plans on August 13.

In its orders, the PUC cited numerous positive benefits to the approved plans, including greater net economic development, air quality and public health improvements, and modernization of the state's electric system.

"The state of Colorado and its electric consumers are much better off because our actions in approving these plans," PUC Chairman **Ron Binz** said. "With these decisions, we have taken bold steps to reduce air pollution from power plants in a way that will be less expensive to consumers than any other course. This is vastly preferable to waiting for the Environmental



The W.N. Clark electric generating station in Canon City, owned by Black Hills, will be retired under an emissions reduction plan approved by the Public Utilities Commission. (Photo courtesy of Black Hills.)

Protection Agency to impose a plan for cleaning up power plant emissions."

The PUC approved a plan for Xcel Energy to retire 550 megawatts of coal generation by closing three units at its Cherokee plant in Denver, one unit at the Arapahoe plant in Denver, and the Valmont plant in Boulder by the end of 2017. A new natural-gas fired unit will be built at the Cherokee site to replace the retired plants. The PUC also approved converting another coal-fired unit at Arapahoe to natural gas genera-

tion, and a fourth unit at Cherokee to natural gas. The PUC will explore other possible options for Cherokee 4 in Xcel Energy's next electric resource plan, which will be filed in 2011.

The PUC also approved the installation of additional emission control technology at Xcel Energy's Pawnee and Hayden power plants.

The \$1.4 billion plan is expected to add about 2.5 percent to electric rates by 2020.

(Continued on page 3)

Judge finds need for SLV power line

A Public Utilities Commission (PUC) administrative law judge has recommended conditional approval of a proposal by Tri-State Generation and Transmission and Xcel Energy to jointly construct new electric transmission facilities in southern Colorado.

The judge, in a decision issued on November 19, ruled that the applicants had demonstrated a "present or future need" for construction of the project and that existing facilities are not reasonably adequate. The proposed, 150-mile San Luis Valley-Calumet-Comanche Transmission project is intended to improve system reliability in the San Luis Valley and facilitate the delivery of renewable resource generation in southern Colorado to the Denver metro load center.

"The record establishes that the applicants have met their burden of proof to establish that the project meets applicants' reliability and export needs and purposes," the ALJ wrote.

As a condition of approval, the judge required that at least 700 megawatts (MW) of generation must be interconnected with the project within 10 years from the date the line is placed in service. The generation may be located anywhere in the Energy Resource Zones (ERZ) 4-5, but it is not required to be renewable resource generation, and the generation may be owned by any entity.

If the condition of 700 MW of interconnection is not met, Xcel Energy would be required to refund 50 percent

of the money it has collected from its ratepayers to fund the project.

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 PUC does not determine the route of the line.

In addition to the finding of need, the ALJ ruled that the applicants had met their burden of proof with respect to the reasonableness of noise and electromagnetic field levels that are projected to occur when the project is in service. The ALJ also attached several reporting and technical study requirements as conditions of approval.

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 also includes a new substation to be built near Walsenburg.

The project is currently estimated to cost approximately \$180 million and is expected to be in service by spring of 2015. 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.

Exceptions to the judge's recommended decision were due on December 16, and replies to exceptions are due by January 10. The PUC will schedule deliberations on any exceptions at a later weekly meeting.

PUC chairman's term expires Jan. 10

The term of Public Utilities Commission (PUC) chairman **Ron Binz** expires on January 10, 2011, with a replacement to be named by governor-elect John Hickenlooper.

The PUC consists of three commissioners appointed by the governor and confirmed by the Colorado Senate. The commissioners serve four-year, staggered terms and no more than two appointees may be from the same political party.

Binz's term is the first of the three

current commissioners to expire since Hickenlooper's election in November. Commissioner **Matt Baker's** term expires in January of 2012, and the term of Commissioner **Jim Tarpey** expires the following year.

As of December 30, there had been no word on whether Binz would be reappointed, or whether a replacement would be named. The PUC regulates intrastate telecommunications services, investor-owned electric, gas and water utilities, and for-hire motor carrier utilities.

PUC sets 2011 registration fees for telemarketers

The Colorado Public Utilities Commission (PUC) has established the registration fees for 2011 that telemarketers will pay to obtain the state's do-not-call list.

The fees are set on a sliding scale based on the number of employees of the soliciting company. The fees collected are used to pay for administration of the program by a third-party vendor, and to support enforcement activities provided by the Colorado Attorney General's Office.

The fees for 2011 will remain the same as for 2010, ranging from \$250 for telemarketers with 5-10 employees, up to \$500 for companies with more than 1,000

employees. Telemarketers with less than five employees are not charged an annual registration fee.

PUC staff estimates that about 330 telemarketers will pay registration fees in 2011, generating about \$117,320 in annual revenues.

Colorado's no-call program allows residential and wireless telephone subscribers to notify solicitors of their objection to receiving solicitations by telephone or fax by placing their telephone numbers on a do-not-call list at no charge. Telemarketers must update their do-not-call lists four times a year to help reduce the number of unwanted telephone calls.

A state enforcement action may be brought against commercial telemarketers for three or more violations in a month. Certain types of calls are excluded from no-call rules, including political calls, calls from charitable organizations, and calls from businesses that have an existing relationship with a customer.

As of December 15, 2010, more than 3.4 million telephone numbers had been placed on Colorado's no-call list.

Customers may register a residential or wireless phone number, or file a complaint about possible violations of the no-call law, by either calling toll-free at 1-800-309-7041, or by going on-line at www.coloradonocall.com.

2011 Telemarketer Registration Fees

Number of Employees	Fee Amount
1-4	\$0
5-10	\$250
11-50	\$350
51-100	\$450
101-250	\$470
251-400	\$480
401-1,000	\$490
1,001+	\$500

Surcharge for relay services increased

The monthly surcharge that provides funding for the state's telecommunications relay services (TRS) for disabled telephone users increased to 20 cents on October 1.

The Colorado Public Utilities Commission (PUC) approved the 8-cent increase in the monthly surcharge, which is assessed to all residential and business telephone lines in Colorado.

The Colorado legislature established the TRS program 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 through the use of various technologies, including

Captioned Telephone service.

The PUC reviews the fund balance, revenue and expenditure projections each year and adjusts the surcharge as necessary. The previous surcharge of 12 cents a month had been in effect since March 1, 2009.

Since that time, certain trends and events have taken place that have resulted in a lower than acceptable fund balance. Specifically, some carriers have continued to lose telephone subscribers and therefore serve fewer access lines on which to collect the surcharge. Additionally, the legislature has appropriated nearly \$1.3 million from the relay program to bolster additional services,

including Reading Services for the Blind, the Colorado Commission for the Deaf and Hard of Hearing; and the Colorado Commission for the Visually Impaired.

Also, captioned telephone relay services have grown from some 4,000 minutes in fiscal year 2004 to nearly one million minutes in fiscal year 2010.

The surcharge increase was necessary to ensure an adequate fund balance for the next fiscal year, PUC Relay Administrator Joe Benedetto said.

The charge appears as a separate line item on every customer's bill and is listed as the "Colorado Telecommunications Relay Service Fund."

POSITIVE CHARGES

The team of advisors and attorneys working on the Black Hills and Xcel Energy emissions reductions plans deserve considerable praise for enduring long hours and an extreme amount of work to meet the December 15 statutory deadline. Kudos to **Ron Davis, John Reasoner, Bob Bergman, David Beckett, and Erin Overturf.**

PUC employees showed their generosity by supporting a couple of charitable campaigns during the holiday season. Employees donated food and money to the Food Bank of the Rockies during the annual PUC Thanksgiving food drive. Thanks to **Joe Benedetto, Chris Lowe, and Noel Giesige** for heading up that effort. PUC employees also brought donations for the Santa Shop sponsored by the Colorado National Guard, which collected toys for children of Colorado servicemen and servicewomen. Thanks to all who participated in spreading holiday joy.

Welcome to new PUC employees **Jovanna Robertson**, a rate/financial analyst in the Transportation section; **Tony Cummings**, a criminal investigator in the Transportation section; **Bill Schlitter**, a criminal investigator in the Transportation section; and **Rebecca Lim, Keith Hay, and Ken Kassakhian**, who are working in the Research and Emerging Issues section under funding from a federal recovery grant.

CNG seeks to acquire ownership of Eastern

Colorado Natural Gas, Inc. (CNG) is seeking to acquire ownership of Eastern Colorado Utility Co. for about \$3 million.

The two companies filed a joint application with the Public Utilities Commission (PUC) on December 7 seeking approval of the transfer of ownership and assets of Eastern to CNG early next year. The PUC is expected to set the application for hearing.

Eastern Colorado Utility Co. provides natural gas service to about 3,800 residential and commercial customers along I-70 in eastern Colorado, including the towns of Byers, Strasburg, Bennett, Watkins, Deer Trail, Kit Carson and Sheridan Lake. CNG provides service to about 14,200 retail customers in various service areas in the

foothills and mountains southwest of Denver.

The two companies reached agreement on the sale on December 3. According to the application, CNG intends to freeze existing Eastern rates for 10 years, at which point the company would file a rate case for its new Eastern Division. However, CNG is also seeking approval of a Capital Expenditure Rider, which would fund \$3 million in system upgrades to maintain safety and reliability standards.

The upgrades would include building an additional line for Strasburg, upgrading meters to ensure accurate and consistent readings from customer to customer, replacement of regulators that are no longer supported by the manufacturer,

and the installation of anodes on unprotected steel lines.

The proposed rider, based on usage, would be an additional line item on customers' bills for 10 years until CNG's first Eastern Division rate case, at which time CNG would request approval to roll the investment into base rates.

As part of the transaction, CNG has requested a clarification of the Eastern service territory. Eastern was established in 1955 before utility applications included legal metes and bounds descriptions of the service territory. ECU has constructed and operated its natural gas system within 5 miles either side of their natural gas pipeline, and this is the service territory that CNG is requesting to obtain.



Anthony Lovato

Most people are aware of Public Utilities Commission (PUC) regulation in the areas of energy, telecommunications, and even transportation. But there are some responsibilities within the PUC that are less familiar, even to some who work within the agency.

Anthony Lovato has one of those jobs.

Lovato, an engineer in the Rail/Transit Safety section, is the administrator of the State Safety Oversight Program—a program mandated by Congress to oversee the safety and security of rail fixed guideway systems. For Colorado, that means Regional Transportation District's light rail system.

INSIDE CONNECTIONS

Lovato oversees many elements of RTD's light rail system for compliance with federal and state regulations, and in accordance with RTD's System Safety Program Plan and System Security Plan, which include accident investigations, drug and alcohol testing, facilities maintenance, maintenance of way, operations, safety, security, and vehicle maintenance.

"I like the uniqueness of it," Lovato said. "As an auditor, I get to learn about the intricacies of light rail transit. And I like playing a part in a complex system that moves thousands of people every day."

Lovato, who is also the PUC's unofficial photographer, joined the Commission in July of 2008. Prior to that, he was a transportation engineer for the City and County of Denver, where he worked on various capital improvement projects.

"I timed and built traffic signals in certain areas throughout the city. And I worked on the T-Rex project for a few years," he said.

Lovato holds a bachelor's degree in civil engineering from the University of Colorado-Denver, and received a master's

in finance from CU-Denver as well.

Away from work, he is active in his church, where he helps organize community outreach efforts. He is also a mentor for DenverKids, Inc—an organization that helps at-risk youth who mostly attend Denver Public Schools.

He enjoys writing music to perform for his wife and new baby boy, and hopes to do more fishing in 2011.

Lovato recently learned that his surname means "to be washed or purified."

"I was told that if I walked through the streets of Sicily, they would proclaim, 'Hey, there goes Anthony the Pure.' To be quite honest, I was afraid that my name might have meant 'toilet' or 'bathroom,' being that Lovato can almost be found in the word 'lavatory.' Needless to say, I'm wiping my brow, thankful that I'm 'Anthony, he who has been washed,' and not 'Anthony, he who is made out of porcelain.'"

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



Jovanna Robertson



Tony Cummings



Bill Schlitter



Rebecca Lim



Keith Hay



Ken Kassakhian

PUC reviewing RTD's plans for 'quiet' crossings

Cites safety concerns with no bells, alarms along light rail route

The Colorado Public Utilities Commission (PUC) will review plans by the Regional Transportation District (RTD) to establish "quiet" crossings along its new West Corridor light rail route.

RTD last fall submitted applications for authority to construct 11 at-grade crossings along its West Corridor route in Lakewood and Denver. RTD is requesting that it be allowed to operate these 11 crossings without auditory warning sounds from the train or the crossing signal. City officials and residents of the neighborhoods along the West Corridor have expressed support for the "quiet" operation of the crossings to lessen the negative impact to their quality of life.

However, PUC staff has raised safety concerns about not having bells, horns or gongs from the trains and no bells at the crossings. A major concern, according to

Pam Fischhaber, head of the PUC's Rail/Transit Safety section, involves pedestrians.

"Sometimes, pedestrians do not pay attention because they are talking with someone, or they have headphones in their ears reducing the sounds they hear around them," Fischhaber said.

The PUC, which holds primary jurisdiction over all public highway-rail crossings in Colorado—including opening, closing, upgrading, overpasses, and underpasses, along with the allocation of costs—in December granted RTD authority to construct the light rail tracks through the crossings. But it referred the quiet crossing issue to an administrative law judge for hearing.

The judge also will examine the proposed timing operations of the four-quadrant gates at the crossings and the impact of the gates on the streets running adjacent and parallel to the crossings.

The West Corridor crossings are the first of what are expected to be more than 150 crossing applications that will be filed with the PUC as RTD builds out its light-rail system throughout the Denver metro area over the next decade.



Light rail crossings along RTD's West Corridor would operate without audible warnings under a plan being reviewed by the Public Utilities Commission.

Qwest-CenturyLink clear Colorado hurdle in merger

The Colorado Public Utilities Commission (PUC) on December 15 approved CenturyLink's proposed acquisition of Qwest Communications International, and accepted several settlements that will provide service quality and rate protections to retail and wholesale customers.

The PUC concluded the proposed \$10.6 billion stock swap transferring Qwest's local and long-distance subsidiaries to CenturyLink was "not contrary to the public interest." Colorado is one of numerous state and federal regulatory approvals required.

In accepting the merger, the PUC approved a settlement between the applicants and PUC staff that calls for the combined companies to invest no less than \$70 million in broadband infrastructure in Colorado over a five-year period. Also, the agreement calls for all merger-related costs to be excluded from customer rates, and for the merged company to provide additional service quality reports on a monthly basis.

The PUC also approved a settlement agreement between the joint applicants and competitive local exchange companies to exclude all merger-related costs

from wholesale rates, maintain all existing wholesale performance requirements, and use Qwest wholesale operational support systems until at least July 1 of 2013.

Other agreements between the joint applicants and the Department of Defense, Communications Workers of America, and 360 networks also were approved or acknowledged.

In a 2-1 vote, the PUC also asked the merged company for a commitment to maintain the historical level of Qwest's corporate and charitable contributions in Colorado for a period of three years.

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

Phone surcharge starts 2011 unchanged, may need to go up

A surcharge to help keep basic local telephone service affordable for all Coloradans will remain at 2.2 percent for the first quarter of 2011, but may need to be increased later in the year, according to an annual review of the program.

The Colorado High Cost Support Mechanism provides money to reimburse telecommunications providers that serve areas with higher than average costs. This allows basic local phone rates to remain reasonably comparable across the state.

The surcharge has been at 2.2 percent

since July of 2008 and is reviewed quarterly. Depending on future needs, the surcharge may need to be increased to 2.9 percent after the first quarter of 2011, according to the program's annual budget approved by the Public Utilities Commission (PUC).

In its annual report to the legislature, PUC staff estimates that statewide high cost support and administrative expenses for 2011 will be \$61.7 million. Of that amount, Qwest is expected to receive \$56.2 million, with the rest going to rural

independent and wireless carriers.

Most Colorado telecommunications customers pay the surcharge, which is assessed as a percentage of a customer's in-state monthly telecommunications charges for local, wireless, paging, in-state long distance and optional services.

The PUC reviews the fund on a quarterly basis and reports to the legislature each December 1 on the previous year's contributions and disbursements, along with projections for the coming year. A number of factors could impact the

surcharge in 2011, including additional wireline and wireless carriers seeking support in 2011, and the outcome of proposed state and federal rulemakings and legislation.

After considering the impact of various factors and assumptions on the 2011 budget, the PUC found that contributions in addition to the reserve balance will sufficiently cover disbursements for the first quarter of 2011, but the surcharge may need to be increased to 2.9 percent during subsequent quarters.

Emission plans

(Continued from page 1)

"We're confident that the 2.5 percent impact of this plan would be higher if we wait for the EPA to impose an emissions reduction plan," Binz said.

Although there was contradictory evidence on the impact of the proposed plan on the coal mining industry, the Commission directed its staff to work with other local and state agencies to develop a contingency proposal for funding the retraining of coal mine workers if the emissions reduction plan results in layoffs in the mining industry.

For Black Hills, the PUC approved retiring the company's two coal generation units in Canon City and replacing them with a new gas-fired unit in Pueblo. Black Hills customers are expected to see an increase of about 5 percent in rates once the plan is fully implemented.

Qwest basic rate bumped up

The maximum rate of Qwest Communication's stand-alone basic residential service increased to \$17.00 a month on October 4, completing a two-step process approved by the Colorado Public Utilities Commission in 2009.

The rate rose from \$16.52, which was the ceiling established by the PUC in July 2009 after Qwest asked to lift the \$14.88 rate cap that had been in place since 1995. A 2008 law removed the statutory rate cap and gave the PUC the authority to determine the maximum basic and residential rate based on each provider's costs and revenues, the average national price for comparable service, and flexible-pricing options.

In 2009, the Commission rejected Qwest's proposal to establish the ceiling at \$18.24, instead opting for the \$16.52 rate, based on the 11 percent increase in national average prices since the implementation of the 14-year rate cap.

However, the PUC also authorized Qwest to come back in a year to raise both the residential cap and its basic service rate to \$17.

On September 2, Qwest made its filing to increase the rate consistent with the Commission's previous decision.

In addition to the stand-alone basic residential rate, rates for both basic measured service and basic message service increased on October 4, up from \$10.52 to \$10.83 per month. Under measured service, customers pay a lower flat monthly rate and then a per-minute charge for each local call. Under message service, customers pay a lower flat monthly charge and can make up to 50 free local calls each month, paying a per-call charge for any calls over 50.

Customers who purchase Qwest residential service as part of a "bundle" on a package with several features, are not affected by the changes.



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.

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Commission affirms judge in Mile High Cab case

PUC upholds decision that new taxi company not in public interest

The Public Utilities Commission (PUC) has affirmed an administrative law judge's recommended decision denying an application by Mile High Cab, Inc. to start a new taxi company in the Denver metro area.

The PUC, in oral deliberations in November, voted 2-1 against granting a Certificate of Public Convenience and

Necessity for Mile High, accepting the judge's recommendation that the issuance of a certificate would be detrimental to the public interest.

The judge ruled in a decision last summer that Mile High's proposal to run up to 150 taxis in service in Adams, Arapahoe, Denver, Douglas and Jefferson counties "would significantly harm incumbent taxicab providers economically and impede the ability of those carriers to provide safe, economical and efficient service."

Currently, the Denver metro area is served by Yellow, Metro, Freedom and Union cab companies. Under current law, taxi companies wanting to serve

counties with populations of 70,000 or more 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.

The administrative law judge found that while Mile High met its burden in showing that it had the financial and managerial resources to operate a taxi company, opponents of the application successfully rebutted the presumption of public need for an additional cab company in the Denver metro area.

"The addition of Mile High's 150 cabs likely will cause an oversupply of

the market and result in inefficiencies such as reduced customer service, inadequate vehicles, lower driver net income, as well as a re-concentration of the market if smaller or newer firms exit due to insufficient income and reserve capital to sustain them," the judge wrote.

In its review of exceptions to the recommended decision filed by Mile High, the Commission agreed by majority vote, indicating that it had concerns about the oversupply of cabs serving downtown Denver, and that Mile High's proposed service was not significantly different to justify 150 more cabs on the streets.

Eastern Colorado power line proposed

Tri-State Generation and Transmission Association has filed for approval to build a new 240-kilovolt (kV) transmission line between Burlington and Wray in eastern Colorado.

Tri-State is seeking a Certificate of Public Convenience and Necessity from the Public Utilities Commission (PUC) to build a 60-mile, \$40.3 million high-voltage line parallel to an existing 115-kV line. The project is intended to bolster the transmission system in eastern Colorado and accommodate the integration of new renewable generation resources in the Wray and Burlington areas.

Tri-State is a wholesale supplier of electricity to 44 member distribution cooperatives throughout Colorado, New Mexico, Wyoming, and Nebraska. Tri-State members K.C. Electric Association and Y-W Electric Association, Inc. provide retail service to end-use

customers in the project area.

In its application, Tri-State states the purpose of the project is to alleviate transmission system limitations in eastern Colorado, and improve Tri-State's ability to deliver Tri-State resources to native load. The project will also increase the capacity of the electric transmission system in eastern Colorado to accommodate the integration of new generation resources, including renewable energy resources.

Along with authority to construct the project, Tri-State is asking that the PUC make findings that the projected noise and electro-magnetic field (EMF) levels associated with the project as designed in the application are reasonable.

If hearings are conducted, they would likely take place within the first quarter of 2011. Tri-State said it hopes to begin construction on the project in 2014, with an in-service date in late 2015.

Xcel Energy seeks additional \$27.5 million in gas base rates

Company also asking for new rider to recover pipeline improvements

Xcel Energy has filed a request with the Colorado Public Utilities Commission (PUC) to raise natural gas base rates by \$27.5 million, and put a new rider on customer bills beginning in 2012 to recover costs for pipeline safety improvements.

The Xcel proposal, filed December 17, would increase natural gas bills for residential customers by about 3.42 percent, or \$1.83 a month, based on average usage of 68 therms per month. Monthly bills for small business customers would go up about 3.23 percent, or \$6.90 a month, based on use of 291 therms.

The PUC is expected to hold hearings on the proposal, with a decision likely to be issued next summer.

Xcel Energy said the proposed increase is intended to recover investments and expenses in its gas distribution system that have occurred since the company's last rate increase in 2006. It would also pay for investments, along with operating and maintenance costs, for pipeline system

integrity programs throughout the state.

As part of the rate case, Xcel Energy is proposing a new adjustment clause, called the Pipeline System Integrity Adjustment (PSIA), which would appear on customer bills beginning January 1, 2012. This new charge would pay for costs incurred after 2011 related to certain federal safety regulations and reliability improvements on the company's natural gas and transmission distribution system in Colorado.

Xcel Energy said it plans to invest about \$300 million from 2011-2015 pursuant to a number of pipeline integrity management and replacement programs.

The base rate component of a monthly bill includes a fixed monthly customer charge and a volumetric charge, which varies from month to month depending on the amount of gas used. The base rates cover costs for infrastructure, equipment, labor, materials, meter reading and billing.

Base rates are separate from the rates for the gas commodity itself, which are passed on to customers on a dollar-for-dollar basis through a separate quarterly charge, called the gas cost adjustment. Gas commodity charges account for 65-75 percent of the total monthly bill.

SourceGas rate case settled; changes effective last month

New base rates for customers of SourceGas Distribution LLC became effective in December following approval of a settlement in the company's 2010 natural gas rate case.

The Public Utilities Commission (PUC) in November approved an agreement calling for a \$2.8 million increase in annual revenues for SourceGas to offset increased costs to deliver natural gas. The company had asked for a \$6 million increase in its original request.

SourceGas serves about 87,000 natural gas customers across Colorado, including the towns of Aspen, Delta, Glenwood Springs, Julesburg, La Junta, Montrose, Ouray, Telluride, Wray, and Yuma.

The monthly bill impact of the new rates on residential customers in Base Rate Area I, which includes the Western Slope and the Front Range north of Denver, will be about \$2.67, or 2.6 percent; and the impact on small commercial customers will be about \$4.07, or 2.6 percent more. For Base Rate Area 2—which includes northeast Colorado, the La Junta area, and the

Pagosa Springs and Bayfield areas—the impact will be about \$0.21 per month, or 0.3 percent for average residential customers and \$0.33 per month, or 0.3 percent, for average small business customers. The new rates went into effect on December 3.

The base rate component of a monthly bill includes a fixed monthly customer charge and a volumetric charge, which varies from month to month depending on the amount of gas used. The base rates cover costs for infrastructure, equipment, labor, materials, meter reading and billing.

The base rate increase does not affect the largest portion of the bill, the natural gas commodity costs, which are based on market prices and account for 65 to 75 percent of the total monthly bill. The base rates changes are expected to be offset by significant reductions in natural gas commodity prices. Depending on the territory served, and the source of the gas purchased, overall monthly bills for SourceGas customers are expected to be from 4 to 27 percent lower this winter than last.

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