

# Connections

NEWSLETTER OF THE COLORADO PUBLIC UTILITIES COMMISSION

MAY 2013

## STARTING POINT



By Doug Dean  
Director

The Rail/Transit Safety Section and the Gas Pipeline Safety Section are often two of the less visible areas that fall under Public Utilities Commission (PUC) authority, yet these sections provide important

benefits and protections to the people of Colorado.

The PUC holds primary jurisdiction over all public highway-rail crossings in Colorado, including opening, closing, upgrading overpasses or underpasses, and the allocations of crossing costs. The PUC also has responsibility for the oversight of the safety and security of rail fixed guideway systems, or light rail.

The Rail/Transit Safety Section processed more than 125 applications for rail crossings and other rail matters last year, about three times more than a typical year. This surge in rail activity, which hasn't been seen in Colorado in perhaps 100 years, is due primarily to the construction associated with the FastTracks program.

The opening last month of RTD's West Corridor added 12.1 miles of track, 23 new at-grade crossings and 17 grade-separated crossings to the PUC's light rail responsibilities. The West Corridor presents some unique operating and design challenges as the route passes through many residential neighborhoods. There will be more opportunities for trains to interact with vehicles, bicycles and pedestrians, and we will be closely monitoring the new line for any safety issues.

This surge in rail crossing applications is likely to continue at least through next year while RTD develops two additional light rail lines and four commuter lines to complete the FastTracks project.

The Gas Pipeline Safety Section is charged with enforcing the state's gas pipeline safety regulations to provide for the safety of the citizens of Colorado. The PUC's authority extends to all intrastate owners/operators of natural gas transmission pipelines, local distribution companies, regulated natural gas gathering pipelines, master meter natural gas systems, liquefied petroleum gas systems, and liquefied natural gas facilities.

The section recently underwent its annual audit by the federal Department of Transportation's Pipeline and Hazardous Materials Safety Administration (PHMSA) and the results were very positive. The section is expected to receive a high score and close to maximum funding again from its PHMSA performance grant.

Kudos to sections chiefs **Pam Fischhaber** of the Rail/Transit Section and **Steve Pott** of the Gas

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## Commissioners confirmed by Senate

### *Tarpey, Patton terms official following vote*

Commissioners **James K. Tarpey** and **Pamela J. Patton** were confirmed by the Colorado Senate on March 27 to terms on the Colorado Public Utilities Commission (PUC).

Tarpey was reappointed in December by Gov. Hickenlooper to a new four-year term. Patton has been serving since her appointment by Gov. Hickenlooper last June. Commissioners are allowed to serve pending confirmation if they are appointed while the legislature is not in session.

Tarpey, an attorney from the Denver metro area, has been a commissioner at the PUC since January 2008, when he was appointed by then Gov. Bill Ritter to replace Carl Miller of Leadville, who retired with a year remaining on his term. Tarpey was appointed to a full, four-year term a year later.

Tarpey served as president of the Western Conference of Public Service Commissioners in 2011. He also chaired the Colorado Task Force on Statewide



Pamela Patton

## Repeal of program to provide savings

Legislation repealing the state's Low-Income Telephone Assistance Program (LITAP) was signed by the governor on April 1.

Repeal of the state program is expected to save Colorado consumers more than \$2 million per year by eliminating the \$.07 monthly surcharge on customer telephone bills. The state also will save an estimated \$900,000 by transferring administration of the program to the federal government. Meanwhile, the federal Lifeline program remains available to low-income customers.

Since 1990, the state LITAP and federal Lifeline programs worked in tandem to help eligible low-income consumers obtain affordable access to basic local telephone service. However, as a result of federally-mandated changes in consumer eligibility requirements, the state's cost to administer the LITAP program was expected to rise in 2013 from \$118,000 to as much as \$900,000 a year, with no federal funding increase to cover the expansion of the program.

Continuation of the state program would have required a significant increase in the monthly consumer surcharge to cover the expanded administrative costs. The legislature

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PUC Commissioner Jim Tarpey introduces Colorado Court of Appeals Justice Stephanie Dunn prior to taking the oath of office for his second full term. Both Tarpey and Commissioner Pam Patton, who was sworn in previously, were confirmed by the Colorado Senate on March 27.

Transmission Siting and Permitting in 2011–2012. Prior to his appointment to the Colorado PUC, Tarpey participated as an attorney in numerous state and federal regulatory proceedings on both energy and telecom issues.

Patton, from Bayfield in southwestern Colorado, spent 12 years as a member of the La Plata Electric Association (LPEA) board of directors prior to her appointment. She was picked to fill the vacancy when Matt Baker left the PUC last May to join the William and Flora Hewlett Foundation in San Francisco.

Patton served 20 years as an intelligence officer in the U.S. Navy. In addition to her position with LPEA, Patton

also served on boards for FastTrack Communications Inc. and the LPEA Round-Up Foundation.

Tarpey's appointment was effective January 7, 2013, for a term expiring in January of 2017. Patton's term expires in January of 2016.

The two commissioners serve with Chairman **Joshua Epel** on the three-member PUC, which regulates rates and services of investor-owned electric, gas and water utilities, intrastate telecommunications providers, and for-hire motor carriers in Colorado.

PUC commissioners serve staggered, four-year terms. No more than two appointees may be from the same political party.

## PUC to identify areas where telephone competition exists

The Colorado Public Utilities Commission (PUC) opened a proceeding on April 24 to begin its review of where effective competition exists for basic voice telecommunications services across the state.

The review is the second phase of a comprehensive telecommunications reform effort designed to fulfill the PUC's legislative mandate to foster competition while maintaining affordability and universal service across the state.

A PUC administrative law judge initially will consider which CenturyLink wire centers, or telephone exchanges, may be classified as effectively competitive areas (ECAs). That designation would result in relaxed regulation of basic voice telephone service in those areas.

The PUC said priority for the initial review will be given to 70 wire centers where there are at least four providers (one incumbent plus three competitors) offering service to a majority of customers in the wire center.

In addition to the presence of multiple providers, other factors, contained in Colorado law, also will be considered to determine whether effective competition exists in an area. Those factors include the extent of economic,

technological, or other barriers to market entry; the ability of consumers to obtain service from other providers at reasonable and comparable rates, on comparable terms, and under comparable conditions; and the ability of any provider to affect prices or deter competition.

In the first phase of the reform effort, the PUC adopted changes to its telecom rules to recognize the technological and competitive changes in an evolving industry. Those rules became effective April 14.

"With these rules, the Commission is reducing regulatory requirements where effective competition exists and continuing to provide high-cost support in rural, underserved areas," the Commission said in its decision.

Under the new rules, in areas where there is effective competition, retail rate regulation for basic service will be removed. Areas that do not have effective competition will remain fully regulated. The PUC will retain jurisdiction over E-911 emergency services for all areas.

State subsidies for basic voice service in competitive areas will be presumed to be unnecessary, unless a telecom provider can demonstrate a continued need for support.



# Colorado PUC chairman leads national task force

## Panel studies impact of environmental rules on utility customers

Colorado Public Utilities Commission (PUC) Chairman **Joshua Epel** has been named chairman of a national task force analyzing new environmental/clean air rules and how they may impact utility customers.

National Association of Regulatory Utility Commissioners (NARUC) President Philip Jones appointed Chairman Epel as the new chairman of NARUC's Task Force on Environmental Regulation and Generation. Chairman Epel, who has served on the task force since its inception last year, replaced Commissioner Jim Gardner of Kentucky, who took another leadership position within NARUC.

NARUC's Task Force on Environmental Regulation and Generation assists in managing the association's efforts in responding to, and educating members about, Environmental

Protection Agency (EPA) proposed regulations.

This group supports the efforts of the association by coordinating sessions at NARUC meetings, organizing educational efforts, and acting as a liaison between the association and the EPA. The task force also works with the Federal Energy Regulatory Commission (FERC) as both organizations plan future joint meetings through the FERC-NARUC Forum on Reliability and the Environment.

"I am pleased Chairman Epel is willing to serve his regulatory colleagues by chairing this important committee," President Jones said. "With new environmental rules being implemented, and more likely on the horizon, we must ensure that utility regulators are up to date with the latest information and resources. Chairman Epel is uniquely suited for this leadership position."

Epel was appointed chairman of the Colorado PUC in April of 2011. He is a member of the NARUC Board of Directors, its Committee on Energy Resources and the Environment, and

the NARUC-FERC Sunday Morning Collaborative.

"This is a critical time in the utility industry and I thank President Jones for this opportunity," Chairman Epel said. "The EPA regulations are coming at a time of massive investment in the utility infrastructure. As the economic regulators, we must make sure the system works cleanly, efficiently and for the betterment of our consumers."

Prior to his PUC appointment, Chairman Epel was Assistant General Counsel at DCP Midstream, where he oversaw all environmental, public health and safety matters for the company. He was also responsible for multiple areas of operations and helped develop the company's climate change strategy.

Chairman Epel's environmental work led him to be appointed to the Colorado Oil and Gas Conservation Commission (OGCC), where he served as chair. At OGCC, he was instrumental in streamlining business and regulatory processes to strike a balance between business, regulation and the environment.



Joshua Epel

## POSITIVE CHARGES

⚡ Congratulations to **Cliff Hinson**, who was selected as DORA's representative for Public Service Recognition Week. Each year during the first week of May, the state recognizes exceptional performance of employees in state government from across Colorado. Cliff, a Criminal Investigator at the PUC, was chosen by the department for leading the effort to bring about change and improvement to the Transportation's Investigations and Compliance unit, which has resulted in stronger consumer protection. Cliff was recognized on May 7 at this year's Public Service Recognition Event at the Governor's Mansion Carriage House.

⚡ Welcome to new PUC employees **Robin Lateef** and **Marna Steuart**, financial analysts in the Economics section; and **Melody Mirbaba**, an administrative law judge in the Administrative Hearings section.

⚡ Kudos to **Ellie Friedman** and **Tony Munoz** of the Research and Emerging Issues section for organizing the recent Public Interest Workshop at the PUC. A panel consisting of PUC Commissioner **Jim Tarpey**, Administrative Law Judge **Mana Jennings-Fader** and former PUC and Office of Consumer Counsel analyst **Frank Shafer** spent time discussing what the "public interest" means and how it affects our work at the PUC. Examples were drawn from past PUC cases.

Robin Lateef



Below, left to right: Melody Mirbaba and Marna Steuart



## New energy office director pulled from PUC



Jeff Ackermann

**Jeff Ackermann** was selected by Gov. John Hickenlooper to be Director of the Colorado Energy Office. He started in his new position on April 1.

Previously, Ackermann led the research efforts at the Colorado Public Utilities Commission (PUC), focusing on issues ranging from electric system planning to the effective use of energy efficiency and renewable energy.

"Colorado is leading the nation in promoting energy efficiency and developing domestic energy resources from natural gas to wind to solar," Hickenlooper said. "Jeff Ackermann is a

welcome addition to our team and will help continue efforts to expand our state's energy industry, create jobs and grow the economy."

Ackermann, who lives in Denver, established a research team for monitoring, analyzing and reporting on emerging trends and developments in Colorado's energy sector for the Public Utilities Commission. In his previous role at the Commission, he assisted in creating and integrating electric and gas Demand-Side Management (DSM) into the business practices of Colorado's energy utilities.

"The Colorado Energy Office has a compelling mission, working at the crossroads of the energy economy and economic development," Ackermann said. "I am honored to join the Hickenlooper team and bring my skills and experience to advance Colorado's globally recognized efforts related to energy."

Prior to the working for the PUC, Ackermann was manager of the state's low-income DSM programs at the state's energy office. He provided leadership in this area twice in his career, from 2004-2007 and 1984-1995, at which

time he played an integral role in negotiating a state-utility partnership that has been serving low-income households since 1993.

Ackermann has worked in the philanthropic world, promoting various advocacy strategies for low-income households. He was a product developer at Public Service Company of Colorado, where he was the team lead for the design, development and implementation of Windsource, the nation's most successful customer-driven renewable energy development.

Ackermann earned a bachelor's degree from Albion College and a master's degree in Nonprofit Management from Regis University.

## Starting Point

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Pipeline Safety Section for managing these effective programs that are vital for the safety of Colorado's citizens.

## INSIDE CONNECTIONS

Engineers are by nature problem solvers, continually looking to learn new things and gain new experiences. **Paul Caldara** brings that nature to the Energy Section at the Public Utilities Commission (PUC).

"What I really like about my job is that I will always keep learning about this industry," said Caldara, who has worked in the utility industry for more than 20 years. "If I go to bed without having learned anything new that day, it was a wasted day."

Legislation approved in 2007 required utilities to develop Demand Side Management (energy efficiency) programs. That led to a position for Caldara at the PUC, reviewing DSM applications filed by utilities and helping promulgate natural gas DSM rules. He has since transitioned to electric transmission duties, where he has been very involved in the new PUC transmission planning rules.

"My position at the PUC provides me a tremendous vantage point to learn about different facets of this interesting



Paul Caldara

and important industry," Caldara said.

Caldara holds bachelor's degrees in Communications and Electric Engineering. As well as being a Professional Engineer, he is LEED accredited and is a Certified Energy Manager.

Prior to joining the PUC, Caldara served as Manager of Utilities Distribution and Projects at the University of Colorado at Boulder. Among the projects he was responsible for was the design and development of

the 13 KV electric distribution system that serves the main and east CU campuses. Before that, he worked for Xcel Energy, first as a natural gas and electric distribution engineer, and later as an account executive acting as a technical sales agent between the company and large university customers.

Away from work, Caldara volunteers as a Range Officer at the Boulder Rifle Club. Other interests include glass blowing, oil painting, rock climbing, mountain biking, hunting, architecture and reading.

Caldara's engineering background has led him to meet many of the original U.S. astronauts, including Capt. James Lovell, who commanded the Apollo 13 mission and uttered, "Houston, we have a problem," when an oxygen tank on the spacecraft exploded on the way to the moon. He also met Gene Kranz, the NASA flight director who voiced that famous command, "failure is not an option," when directing his team to develop the complicated procedures to bring the crippled spacecraft home.

Now that's problem solving. (Inside Connections will feature a PUC employee each edition as selected by PUC section chiefs.)



**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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# Black Hills Energy re-files electric resource plan

Black Hills Energy on April 30 re-filed its electric resource plan (ERP) with the Colorado Public Utilities Commission (PUC).

The proposed plan, which covers a resource acquisition period from 2013 through 2019, seeks approval for the company to construct a new, 40-megawatt (MW) gas-fired unit at the Pueblo Airport Generating Station to be on-line in 2017; approval to solicit a two-year 50-MW purchase power agreement beginning in 2015; and approval to solicit competitive bids for the acquisition of 74 MW of additional resources needed by 2017.

Colorado's regulated electric utilities

are required to file a plan every four years forecasting future electric demand and how the utility will meet that demand. Black Hills filed its 2013 ERP last October, but its application was dismissed by the PUC for failing to fully comply with the Commission's ERP rules.

Black Hills provides electric utility service to approximately 93,500 customers in 21 southeastern Colorado communities, including Pueblo, Canon City, Florence and Rocky Ford.

In the resubmitted plan, Black Hills again is seeking authority to build and operate a 40-MW gas-fired unit as replacement capacity for the Clark

Station coal-fired units in Canon City that were shut down pursuant to the Clean Air-Clean Jobs Act. Although the PUC has previously determined that replacement capacity for Clark was in the public interest, it ruled the company's previous proposal did not provide the evidence necessary to demonstrate that the airport project was just and reasonable.

In its new application, Black Hills said it has demonstrated that the proposed airport project meets the specific standards set forth by the PUC in its previous decision.

Black Hills also is seeking authority to retire two aging steam plants in

downtown Pueblo at the end of 2013.

In addition, Black Hills said its evaluation showed the need for an additional new resource by 2017 to meet the projected power needs in its service territory. The company plans to acquire this resource through a Phase II competitive solicitation.

In a separate application, Black Hills also is seeking approval for the expedited acquisition of up to 30 MW of wind resources that the company says it needs to comply with the 20 percent renewable energy standard (RES) requirement in 2015.

A PUC decision on the ERP is expected later this summer or fall.

## Tri-State seeks dismissal of formal rate complaint

The Public Utilities Commission (PUC) is expected to hold a hearing in early June to address legal issues involving a formal complaint filed by several Colorado rural electric cooperatives and large rural electric customers against Tri-State Generation and Transmission Association.

An Administrative Law Judge will take oral arguments on a motion to dismiss the formal complaint filed by Tri-State, which asserts that the PUC lacks jurisdiction to hear the complaint.

La Plata Electric Association, Empire Electric Association and White River Electric Association, along with the Rural Electric Consumer Alliance and

Kinder Morgan CO2 Co., filed the complaint on March 4. It alleges that Tri-State imposed a new rate on January 1, 2013, that dramatically increased rates for high load factor distribution cooperatives and high load factor customers without regard to the cost of providing service.

The complaint alleges that, based solely on Tri-State's new allocation and rate design methodology, the new rate results in a 10 to 18 percent rate increase for high-load customers and rural cooperatives that serve high load factor customers. A high load factor customer is a customer whose peak usage and average usage are close to

the same because the customer typically uses electricity 24 hours a day, 7 days a week with little change in consumption on an hourly basis.

The complainants assert the new rate design violates Colorado law and they have asked the PUC to review it as it applies to Colorado member systems and their retail customers. The complaint seeks an order from the Commission establishing a "just, reasonable, non-discriminatory, and non-preferential cost allocation and rate design methodology." It also seeks a PUC order requiring Tri-State to make an appropriate refund to any cooperative that was billed more under the

new rate than it would have been under the old.

Tri-State filed its motion to dismiss on April 4, claiming the PUC is without jurisdiction to hear the complaint under several theories, including that the Commerce Clause prohibits PUC rate regulation of Tri-State, and that PUC jurisdiction over Tri-State's rates would improperly interfere with its contracts with its member systems.

A decision on the motion to dismiss is not expected for several weeks after the hearing. If the complaint is allowed to proceed, a decision on the merits is not expected until late summer or fall.

## New gas utility proposed to serve Weld County energy park

A Loveland company is seeking Public Utilities Commission (PUC) authority to create a new natural gas local distribution utility to serve a proposed energy park in Weld County in north central Colorado.

Niobrara NatGas LLC has requested a certificate of public convenience and necessity (CPCN) to provide local gas transmission and distribution service to a one square mile area known as the Niobrara Energy Park, located northwest of Greeley. The park is proposed

to be one of the nation's first hybrid natural gas and renewable energy parks, hosting data centers, renewable energy generation facilities in the form of photovoltaic solar, natural gas fuel cells, and conventional natural gas fired generation.

In addition to providing local natural gas distribution service to data center customers within the Niobrara Energy Park, Niobrara NatGas LLC would also provide the fuel to power gas-fired electric generation in the park

to serve data center customers and other park tenants. Excess electricity could be sold to the existing utility grid.

Niobrara also seeks authority to construct transmission facilities from the nearby Cheyenne Gas Hub to the park.

Currently, there are no natural gas public utilities providing service in the area proposed in the application. The closest existing natural gas service providers are Xcel Energy and Atmos Energy, whose facilities are nine and

eight miles respectively from the nearest boundary of the park.

Niobrara NatGas said if it receives PUC approval, it expects to begin construction of its natural gas transmission and distribution facilities around the third quarter of 2015. It is anticipated that the construction schedule will last approximately 18 months, with a proposed in-service date of first quarter of 2017.

A PUC decision on the application is not expected until June at the earliest.

## San Juan gets grant to upgrade 911

The San Juan County Emergency Telephone Service Authority has received a \$34,000 grant from the Department of Local Affairs (DOLA) to help restore its E-911 capability in the county.

The money will be used to purchase a new emergency dispatch system to replace equipment and software that has failed and can no longer be repaired or upgraded due to its age.

San Juan County, in southwestern Colorado, is the state's least populated county, with a 2011 population of 692, according to the U.S. Census Bureau. The authority has provided enhanced emergency communications within the county and the town of Silverton since 2001, using equipment that was funded by a grant from the Colorado Trust.

Early last year the equipment failed, leaving the county with only basic 9-1-1 service. The authority was unable to repair the equipment and software because it was out of date. The system needs to be replaced to restore enhanced 9-1-1 service, including the ability to automatically identify the location at which service is required.

Late last year, the San Juan authority applied to the Public Utilities

Commission (PUC) to increase its monthly E-911 surcharge from \$1.00 to \$3.50 per month, and receive a \$40,000 grant from the Colorado Performance Assurance Program Tier 2 Fund to make up a shortfall in capital needed to acquire a replacement system. In January, the authority withdrew its PUC application and sought a grant from the DOLA Energy and Mineral Impact Assistance Program.

Once a new system is purchased, the authority is still expected to seek an increase in its monthly E-911 surcharge to cover future maintenance and operating expenses.

All telephone customers in Colorado pay a monthly surcharge to fund the equipment and operational expenses of the 911 system in their area. 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 911 authority may assess a surcharge of up to 70 cents per customer per month for 911 service without the permission of the PUC. Anything above that amount requires PUC approval.

## Bus company owner handed jail term

The owner of a Denver bus company was sentenced to six months in jail for violating a court injunction against operating without Public Utilities Commission (PUC) authority and not having insurance.

Larry Holle, owner of Bus Express, was found in contempt of court on April 8 by a Denver District Court judge for ignoring a 2005 court order that barred him from operating a motor vehicle carrier unless he was in compliance with PUC registration, insurance and safety rules.

Between 2002 and 2010, Holle received numerous PUC authority numbers under the names Bus Express and Bus Express Charters Inc. He was in and out of compliance with PUC rules during that time, and was issued numerous safety violations. By June of 2011, all of Holle's permit numbers had been revoked by the PUC.

"He's somebody who has been flip-pant with the Commission," PUC Transportation Chief **Ron Jack** said. "He's played a cat-and-mouse game and he's been in and out of compliance with PUC rules and state law."

In October of 2012, the PUC received information that Bus Express was providing transportation services

on a charter basis for schools and youth organizations around the Denver metro area. At the time, Bus Express Charters was also under an Out of Service order issued by the Federal Motor Carrier Safety Administration.

After investigating the allegations that Holle was providing service without authority and insurance, the PUC in December filed the contempt of court motion in Denver District Court. The court granted the motion after a one-day hearing in April and imposed the six-month sentence.

The PUC Transportation Section is responsible for safety and insurance oversight of passenger carriers, household goods movers, and towing carriers that operate on a for-hire basis in Colorado. It also issues permits to hazardous and nuclear materials carriers; and regulates rates of common and contract carriers.

Members of the public are encouraged to verify that companies have active permits and insurance on file with the PUC before hiring a transportation company. Permit searches can be done from the PUC website under the Transportation section.

# Hearings this month in Xcel natural gas rate case

The Public Utilities Commission (PUC) has scheduled hearings in late May on a request by Xcel Energy to increase natural gas base rates by \$104.2 million over the next three years to pay for upgrades to its natural gas pipeline system.

An Administrative Law Judge will conduct evidentiary hearings May 20–22 and May 29–31 at the PUC. A public comment hearing is scheduled for 6 p.m. on Monday, May 20.

Xcel Energy's proposal, filed last December, includes rolling into base rates about \$33.8 million from the Pipeline System Integrity Adjustment (PSIA) that is being collected through a separate charge on customer bills in 2013.

The company is proposing to

increase revenues in steps over the course of the three-year plan. If approved, residential customers would see monthly rates increase by about \$2.66, or 5.65 percent in 2013; increase \$1.40, or 2.80 percent in 2014; and increase \$1.45, or 2.83 percent in 2015. The average small commercial customer's monthly bill would increase \$10.03, or 4.99 percent in 2013; increase \$6.09, or 2.88 percent in 2014; and increase \$6.29, or 2.89 percent in 2015.

The company is asking for a 10.5 percent return on equity (ROE), up from its current 10.1 percent. The ROE is the profit that a utility is authorized to earn on its investments. The PUC sets a maximum return on equity, but it is not guaranteed.

A PUC decision on the proposal is expected by August 10.

In its filing, Xcel said it plans "to accelerate its natural gas pipeline replacement programs to ensure safe and reliable operations, but also to take advantage of low wholesale natural gas prices, low interest rates and the beneficial impact our investments will have on Colorado's economy."

Xcel also requested an average rate increase of 9.6 percent for its 133 steam customers over three years. Xcel delivers steam to downtown Denver buildings.

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

Xcel's last gas base rate change, a \$10.9 million increase, became effective in September of 2011. In April of 2012, the PUC approved a three-year electric rate agreement with Xcel resulting in a 6.8 percent increase in electric base rates over the period.

## Xcel proposing that gas customers help pay for steam plant

The Colorado Public Utilities Commission (PUC) has scheduled hearings from June 17–21 on a proposal by Xcel Energy to replace an aging electric/steam plant in Denver with a smaller steam facility partially funded by natural gas customers.

The company is seeking a certificate of public convenience and necessity (CPCN) to build the Sun Valley Steam Center, a steam production facility consisting of two package boilers and supporting equipment. The new facility would be built on the site of the Zuni Electric Generating Station near the Platte River.

The company said the Zuni Station, which includes steam generation send-out capacity to Xcel's steam distribution system, is scheduled

for retirement at the end of 2015.

Xcel Energy and its predecessors have provided steam utility services in the downtown Denver area since 1879 to commercial office buildings, residential buildings, hotels, retail establishments, restaurants, and governmental buildings, such as the State of Colorado Capitol Complex, the Colorado Convention Center, the Denver Art Museum, the Webb Municipal Office Building, and the Auraria Higher Education Center. As of last September, the company had 133 steam customers.

In its application, Xcel said it must make significant capital investments in new steam production capacity to replace the capacity provided by Zuni Station, which has reached the end of its useful life. However, given the small

customer base currently served by the steam utility, the impact on steam rates associated with such a large investment presents significant challenges.

As part of the proposal, the company is asking the PUC to approve a "rate stabilization" plan that would allocate part of the \$29 million cost of the new Sun Valley facility to its natural gas customers. Xcel said its proposal is the most cost-effective alternative to replacing the steam capacity it is currently obtaining from the Zuni

Station and will preserve "the viability of the steam utility business for the benefit of existing and future customers."

PUC staff and the Office of Consumer Counsel have intervened in the application, expressing concerns about natural gas customers subsidizing a cost not related to their service for the benefit of another customer group.

A decision on the Xcel application is expected later this summer.

## Final SmartGrid costs denied

The Public Utilities Commission (PUC) issued its written order on April 15 affirming the denial of Xcel Energy's bid to recover the final \$16.6 million of costs for its SmartGridCity (SGC) project in Boulder.

The PUC upheld an Administrative Law Judge's (ALJ) ruling in January that the company failed to meet its burden of proof as established by the Commission in order to recover the balance of its SGC investment.

"While the company did provide important information regarding the lessons learned and the benefits associated with utility benefits from SGC, there is little to satisfy the requirement that it demonstrate the credible promise of consumer benefits that are sufficient to justify the cost overruns," the judge wrote in his recommended decision.

SmartGridCity was the first-of-its-kind demonstration project, integrating "smart grid" technologies on a community-wide scale. Smart grid allows the timely and secure exchange of information between customers and the utility to promote energy management and conservation tools. It also helps utilities more quickly detect power outages as they happen, resulting in quicker restoration of service.

The PUC in 2011 capped recovery of the SGC investment at \$27.9 million, instead of granting the full \$44.5 million requested at the time by Xcel Energy. The PUC listed a number of specific criteria that the company needed to meet to demonstrate that the project had a "coherent and valuable future" before it could seek the balance of the investment.

Xcel filed its follow-up application in late 2011, stating that it had met the standards set forth by the PUC. It said the lessons from SGC were being used to determine cost-effective grid modernization strategies that could be applied elsewhere in its service territory.

After hearings, the judge concluded that "the lack of information provided here regarding customer-facing benefits or justification of the cost overruns fails to meet the company's burden of proof."

The company filed exceptions to the judge's recommended decision, which the PUC denied with prejudice.

"The company has now had several occasions to demonstrate the prudence of its investments in this project, and we agree with the ALJ that there is no reason for allowing another attempt at cost recovery of the balance," the Commission said.

## LITAP repeal

(Continued from page 1)

chose instead to repeal the program to save both consumers and the state significant costs.

The Public Utilities Commission (PUC) and the Department of Human Services (DHS) previously administered the state and federal programs, which provided a combined benefit of up to \$15.75 per month (\$6.50 state and \$9.25 federal). Approximately 13,000 eligible Colorado consumers received the combined program benefit, and an

additional 16,000 receive only the federal Lifeline discount through "free wireless" offerings or other discounted wireless service plans.

The majority of growth in low-income participation was occurring in the federal Lifeline-only program, and not in the state LITAP program. The federal discount, through the Lifeline program, will continue to be available to low-income customers.

The repeal of the program, including the elimination of both the state LITAP discount and the monthly surcharge, was expected to take place on May 1.

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