

STARTING POINT



By Doug Dean
Director

As usual, there was a flurry of activity in the final days of this year's legislative session, and several of the last-minute bills involved the Public Utilities Commission (PUC).

Most importantly, from our perspective, the General Assembly on the final day approved HB-1372, which increased the cap on the annual fee that public utilities pay to fund utility regulation. The fee is set as a percentage of the public utility's gross intrastate utility operating revenues for the preceding calendar year, and had been capped at one-fifth of one percent.

The cap, which had not been amended since it was placed in statute in 1955, no longer provided sufficient revenue to meet legislative appropriations for utility regulation. Jurisdictional revenues have fallen from \$7.2 billion to \$5.9 billion over the last 10 years, primarily due to market forces which have resulted in historically low natural gas prices that Colorado consumers currently enjoy.

As a solution to the Fixed Utility Fund shortfall, the legislature approved passage of a bill increasing the cap to one-quarter of one percent for energy utilities, while leaving the one-fifth of one percent cap in place for telecommunications utilities. This cap is a maximum that can be assessed; the Department of Revenue sets the actual percentage each June based on a review of each utilities' revenues.

The new cap is expected to eliminate any shortage in the Fixed Utility Fund for the coming fiscal year and beyond, avoiding the need for the agency to seek any General Fund appropriations.

Also on the final day of the session, the Colorado Senate confirmed the reappointment of PUC Chairman Joshua Epel to a new four-year term that expires in January of 2019. Coupled with the April 29 confirmation of Glenn Vaad, the PUC now has a full complement of confirmed commissioners.

Other bills considered in the final days affecting the PUC:

- A bill to continue the Office of Consumer Counsel (OCC) for six years was approved, but it limited the scope of OCC participation in PUC proceedings to electric and gas cases, and not telecommunications.
- A proposal to increase the number of PUC commissioners from three to five and establishing geographic regions for commissioner representation died in the Senate after passing the House.

(Continued on page 2)

Senate confirms PUC commissioners

Chairman **Joshua Epel** and Commissioner **Glenn Vaad** were confirmed to the Public Utilities Commission (PUC) by the Colorado Senate prior to the end of the 2015 legislative session.

Epel, who was reappointed by Governor John Hickenlooper to a term expiring in January 2019, was confirmed on May 6. Vaad was confirmed on April 29 for a term that expires in January 2017.

Epel, an attorney from Greenwood Village, has served as chairman of the PUC since May of 2011. He is chairman of the National Association of Regulatory Utility Commissioners (NARUC) Task Force on Environmental Regulation and serves on the Energy Resources and the Environment Committee. He also is co-chair of the SEE Action Committee on Industrial Energy Efficiency and Combined Heat and Power Working Group.

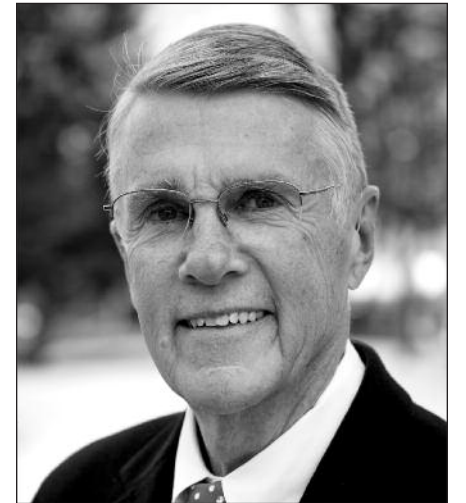
Vaad, a former Weld County commissioner and state legislator, worked for 31 years at the Colorado Department of Transportation prior to being appointed as a PUC commis-



Joshua Epel

sioner in 2014. He has more than 25 years of public service in a variety of elected and appointed positions, including eight years elected as a Weld County commissioner, six years elected as a state representative, and nine years on the St. Vrain Valley Board of Education.

Vaad and Epel serve with Commissioner **Pam Patton** on the three-member PUC, which regulates rates



Glenn Vaad

and services of investor-owned electric, gas and water utilities, intrastate telecommunications providers, and for-hire motor carriers in Colorado. Patton's term expires in January of 2016.

PUC commissioners serve staggered four-year terms. No more than two appointees may be from the same political party. Epel and Patton are Democrats, Vaad is a Republican.

PUC holds firm on Black Hills decision

Says proposed project is not cost effective; could hurt ratepayers

The Colorado Public Utilities Commission (PUC) upheld its decision on Black Hills Energy's electric resource plan, reaffirming that the company's proposal to acquire additional renewable energy resources was not cost effective and would be an additional burden to ratepayers.

The PUC on April 16 unanimously denied requests for reconsideration of its February decision in which it determined that none of the three alternatives proposed in the company's resource portfolio was cost effective.

The PUC ruled then that the Black Hills' proposal to acquire a 60-megawatt wind farm could cost as much as \$246 million with resulting increases to ratepayers. That's on top

of expected increases in 2015, 2016 and 2017 for a third gas-fired generation unit at the Pueblo Airport Generating Station, which the PUC reluctantly approved because it had no choice under the Clean Air Clean Jobs Act. The company's proposal also would exceed 2016 Renewable Energy Standard Adjustment (RESA) collections set at the 2 percent retail rate cap, requiring the company to advance funds for the project that would add further costs to ratepayers.

The Commission strongly refuted arguments that the proposed wind project would provide cost savings to ratepayers over both the short term and the long term. The PUC said Black Hills' estimates were based on unrealistic natural gas price forecasts over the 25 years of the proposed wind facility.

"The record clearly shows that the original proposal by Black Hills is predicated on unrealistic assumptions, and will result in a net negative impact

to their ratepayers," PUC Chairman Joshua Epel said during deliberations on the requests for reconsideration.

The PUC contrasted the Black Hills proposal with 430 megawatts of wind bids that it had had approved in Xcel's most recent electric resource plan. The Commission noted that cost of the proposed Black Hills project was nearly 70 percent higher per megawatt-hour than the most cost-effective bid for Xcel.

"Our decision is designed to protect the citizens of Pueblo from a proposal that is grossly disproportionate in ratepayer impact to those approved for (Xcel)," Epel said.

The PUC said it remains committed to the development of cost-effective renewable energy in Colorado.

"This Commission consistently has and will approve cost-effective renewable energy projects that are predicated on accurate gas forecasts and are designed as a hedge against gas volatility," Epel said.

Xcel seeks approval of 3-year gas rate plan

Xcel Energy has filed a request with the Public Utilities Commission (PUC) for approval of a three-year plan that will raise natural gas rates by \$109.1 million over the next three years to pay for investments to its gas pipeline distribution system.

The Xcel proposal, filed on March 3, includes a cumulative increase of \$66.2 million in base rates, and an additional cumulative increase of \$49.2 million to extend and modify the current Pipeline System Integrity Adjustment (PSIA).

The company is proposing to increase revenues in steps over the course of the three year plan. If approved as filed, residential customers (using an average of 64 therms)

would see monthly rates increase by about \$1.76, or 3.4 percent, in 2015; by \$1.10, or 2.0 percent in 2016; and \$1.57, or 2.9 percent, in 2017. The average small commercial customer's monthly bill (using 275 therms) would increase by \$6.81, or 3.2 percent, in 2015; by \$4.57, or 2.1 percent, in 2016; and by \$6.43, or 2.9 percent, in 2017.

The company is seeking a 10.1 percent return on equity (ROE) for 2015 and 2016, and a 10.3 percent ROE in 2017, up from its currently authorized 9.72 percent. The ROE is the return that a utility is authorized to earn on its investment, in order to attract the capital needed to ensure safe and reliable service at reasonable cost for

consumers. The PUC sets a maximum ROE, but it is not guaranteed.

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

The company said that its proposal includes the accelerated replacement of older pipes with modern, longer-lasting materials. It also includes enhanced and expanded programs to identify and quickly repair leaks; improved response to emergency situations; and removal of existing interior meters.

The base rate component of a monthly bill includes a fixed monthly (Continued on page 2)

PUC to identify more areas with telecom competition

The Colorado Public Utilities Commission (PUC) will hold public hearings around the state this July to take public comment about whether effective competition for basic telephone service exists in certain geographic areas.

The PUC last year determined that 56 CenturyLink wire centers, situated mostly along the densely-populated Front Range corridor from Fort Collins to Pueblo, offered multiple providers for basic local telephone service. The PUC decision relaxed regulation of basic telephone service in those areas, and eliminated high-cost funding in those areas.

The new proceeding is looking at

104 additional wire centers of CenturyLink and its subsidiaries, which are in more rural areas of the state. A PUC Administrative Law Judge has divided the proceeding into two phases. The first phase will examine 48 wire centers in which three or more providers offer basic telephone service. The second phase, expected to occur next year, will evaluate the remaining 56 wire centers.

Under telecom reform legislation adopted last year, subsidies used to ensure basic telephone service are to be provided only in high-cost areas "without effective competition."

The PUC has scheduled four public hearings the week of July 13-16 to

receive comment from customers in potentially affected areas about the extent to which they have or lack alternatives to CenturyLink voice service. The public comment hearings will be July 13 in Denver (PUC, 1560 Broadway, Suite 250); July 14 in Delta (City Council chambers, 360 Main Street); July 15 in Colorado Springs (City Council chambers, 107 N. Nevada), and July 16 in Fort Morgan (City Council chambers, 110 Main Street). The public comment hearings will begin at 4 p.m. and continue until finished, but no later than 7 p.m.

Formal evidentiary hearings are scheduled to begin November 9 and last for about two weeks. In addition to

CenturyLink and PUC staff, parties to the case include AT&T Corp., Bresnan Broadband of Colorado, the Colorado Office of Consumer Counsel, Comcast Phone of Colorado, Viaero Wireless, Northern Colorado Communications, Sprint Communications, Sprint PCS, and Teleport Communications America.

A decision on the first phase of the proceeding is expected by early next year.

Proposed Wire Centers for Phase 1 review

Wire Center	# of carriers	Wire Center	# of carriers	Wire Center	# of carriers
Cottonwood	7	Wiley	3	Frisco	3
Coal Creek	5	Alamosa	3	Greeley	3
Elizabeth	5	Ault	3	Green Mountain Falls	3
Fort Morgan	5	Avon	3	Harmony	3
Hudson	5	Avondale	3	Hayden	3
Manzanola	4	Boulder Main	3	Idaho Springs	3
Rocky Ford	4	Breckenridge	3	Julesburg	3
Brighton	4	Brush	3	Kiowa	3
Hillrose	4	Calhan	3	La Salle	3
Larkspur	4	Castle Rock	3	Manitou Springs	3
Morrison	4	Central City	3	Nederland	3
Palisade	4	Colo. Springs Main	3	Ovid	3
Platteville	4	Copper Mountain	3	Penrose	3
Stratmoor	4	Delta	3	Vail	3
Weldona	4	Eaton	3	Vineland	3
Cheraw	3	Evergreen	3	El Paso	3

POSITIVE CHARGES

Holly Bise was hired as the new administrator of the Colorado Relay Service effective February 2.

As administrator, Bise manages the Relay Colorado program, which provides full telephone access to people who are deaf, hard of hearing, deaf-blind, or speech-disabled. She is responsible for ensuring compliance with state and federal statutes regarding the relay program, and making sure that the best possible service is provided to users.



Holly Bise

She also serves as the "face" of Relay Colorado—representing programs, advocating on behalf of users and promoting awareness of the service.

Prior to joining the Public Utilities Commission as Relay Administrator, Holly worked for nearly three years as the Colorado Outreach and Marketing Channel Manager for AT&T Relay.

Relay Colorado allows text-telephone (TTY) users to communicate with regular telephone users through trained relay operators. The operator will dial the requested number and relay the conversation between the two callers. The service is available 24 hours a day, 365 days a year. To use Relay Colorado, simply dial 711.

INSIDE CONNECTIONS

Larry Duran is on his second career of helping utilities prepare for emergencies.

Larry is an analyst in the PUC's Research and Emerging Issues (REI) section. He joined the Commission in August 2010 following his retirement from Qwest Communications as Director-Disaster Preparedness.

At the PUC, Larry worked on the development of the Colorado Emergency Assurance Emergency Plan (CEAEP), which assists the Commission when the Governor declares a disaster such as during the wildfires and floods of 2013. During these and other adverse events, Larry is assigned the role of Essential Support Function-12 (energy) representing the PUC at the State Emergency Operations Center (SEOC), where he coordinates actions to help mitigate impacts to the utility infrastructure.

"I have certainly enjoyed working here at the PUC and have learned a lot about the important regulatory

role of this organization," he said.

When he is not tracking outages and collaborating with utilities on disaster preparedness, Larry enjoys volunteering for many non-profits during off hours.

"Everyone at some point in their lives finds themselves in need of a helping hand so I do what I can to support these organizations," he said.

Larry spearheaded the PUC's Colorado Combined Campaign efforts in 2010 and 2011 and more recently for DORA in 2014, which saw an increase in donations of 87% over the previous year. In addition, he also led and participated in DORA's Communications Working Group for two years.

Larry enjoys trying to stay active and "many years ago" earned BA and MBA degrees in addition to a black belt in Okinawan karate, also known as Matsubayashi-ryu (Shorin-ryu). He also enjoys running and has completed 11 marathons and numerous other races.



Larry Duran

Maintaining an active physical and mental lifestyle is a priority for him and because there is still much to learn here at the PUC, "it sure helps with the mental side of things," he said.

One of his favorite quotes is: "Worry about your character not your reputation. Your character is who you are, and your reputation is who people think you are."

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

Starting Point

(Continued from page 1)

- A bill changing entry standards for taxi applicants in the Denver metro area and Colorado Springs was approved. The measure requires the PUC to grant authority once it determines that an applicant is operationally and financially fit, without consideration of whether there is a public need for the service.

Overall, I believe it was a successful end to another busy legislative session. We are pleased with the outcomes, especially the solution to our Fixed Utility Fund problems, and the commissioner confirmations.

Xcel gas rate plan

(Continued from page 1)

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.



PUC Commissioners (from right) Joshua Epel, Pam Patton and Glenn Vaad chat with Governor John Hickenlooper at a ribbon-cutting ceremony for SunShare's newest Community Solar Garden (CSG) near the Green Valley Ranch/west Denver International Airport area on Friday, April 17.



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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Think safety first at all highway-railroad crossings

New light rail corridors, growth in freight traffic require extra vigilance

Motorists, pedestrians and bicyclists are reminded to always think safety first when approaching any highway-rail crossing in Colorado.

Accidents at freight rail and light rail crossings have increased significantly since 2010, according to statistics provided to the Colorado Public Utilities Commission (PUC). And the opening of new light rail and commuter rail corridors in the Denver metro area, along with expected growth in rail freight traffic throughout Colorado, means more interaction between trains and people in the near future.

In 2010, there were 35 freight and light rail crossing accidents in Colorado; in 2014 that number jumped to 59 accidents. While light rail accidents are limited to the Denver metropolitan area, freight rail accidents are more common in more rural areas of the state. Since 2010, 219 accidents have occurred at freight rail and light rail crossings in Colorado, resulting in 14 fatalities and 50 injuries.

"All pedestrians, bicyclists, and motor vehicle drivers need to be alert and safe around all freight rail and light rail crossings," said **Dr. Pam Fischhaber**, chief of the PUC's Rail/Transit Safety section. "Any distraction could be potentially dangerous and life-threatening."

The PUC is the primary state agency responsible for safety at all public highway-rail crossings in Colorado, as well as all rail fixed guideway systems (light rail) within the state.

People approaching an at-grade rail crossing in a vehicle, or on foot, should always expect a train at a railroad crossing at any time, on any track, from any direction, Fischhaber said. And they should always look both directions for a train at any railroad crossing.

Operation Lifesaver, a non-profit organization providing public educa-



Motorists wait while a light rail train enters a crossing intersection near downtown Denver. The opening of additional light rail corridors in the near future means more interaction between people and trains in the Denver metropolitan area, making rail crossing safety even more important.

tion programs in all 50 states to prevent collisions, injuries and fatalities on and around railroad tracks and highway-rail grade crossings, offers free safety presentations to any group or organization. To request a presentation from Colorado Operation Lifesaver, call 303-739-3677 or email Coloradolifesaver@gmail.com. Or visit the organization's website at www.OLI.org and click on the "Request a Safety Presentation" link at the top of the page.

Rail Crossing Safety Tips for everyone:

- Always expect a train at a railroad crossing at any time, on any track, from any direction;
- Always look both directions for a train at any railroad crossing.

Rail Crossing Safety Tips for drivers:

- Don't drive around crossing gates – it is both unsafe and illegal to do so in Colorado;
- It is both unsafe and illegal in Colorado to stop or allow yourself to become trapped on tracks. Proceed through a highway-rail grade crossing only if you are sure you can completely clear the crossing without stopping;
- Always obey warning signs at a railroad crossing whether they are passive (signs) or active (flashing lights, gates, bells).

Rail Crossing Safety Tips for pedestrians and bicyclists:

- Be alert and aware when you are around railroad tracks and at light rail and commuter rail train stations;
- Don't wear headphones or stare at your phone when you are around railroad crossings;
- Always obey safety warnings whether they are passive (signs) or active (flashing lights, gates, bells, pedestrian swing gates);
- Don't trespass on railroad or light rail tracks.

PUC approves need for new electric substation in Thornton

The Public Utilities Commission (PUC) has approved an application by Xcel Energy for a Certificate of Public Convenience and Necessity (CPCN) to construct a new electric substation project in Thornton.

The PUC, in oral deliberations on April 29, ruled that the proposed project was necessary and in the public interest.

The company filed an application in October for PUC approval of the project, which would consist of the installation of one 50 MVA transformer, five new distribution feeders, and associated transmission facilities.

Xcel said the project was needed to resolve low voltages and reliability issues that put the Thornton area at risk for extended outages during peak demand periods. The company said it expects these problems to worsen with forecasted growth in the area.

The Office of Consumer Counsel (OCC) and the City of Thornton intervened in the proceeding. However, after further investigation and discussions with the company, the OCC entered into a stipulation with Xcel stating that it did not oppose granting of the CPCN.

The City of Thornton also said it did

not dispute the need for the project, but asserted that its lack of opposition to a CPCN would not affect the city's decisions in reviewing future land-use requests by the company for the proposed substation.

Utilities are required by law to seek PUC authority to build and own certain major electric infrastructure projects in Colorado. The PUC determines whether there is a need for the project, and whether the application is in the public interest. Siting of such projects is determined through local government permitting processes and is not controlled by the PUC.

In addition to the CPCN, the PUC granted Xcel's request to make specific findings regarding the reasonableness of the noise and electro-magnetic field levels that the company estimates will result from operating the project.

With a CPCN in hand, Xcel will proceed with pursuing land permitting and acquisition, and finalizing the transmission line route. The company has indicated that the new distribution substation and transmission interconnection are needed by summer of 2016 in order for the company to continue to provide reliable electric service to Thornton.

PUC grants certificate for eastern Colorado transmission line

The Public Utilities Commission (PUC) has approved an application by Tri-State Generation and Transmission Association to build a new high-voltage transmission line in eastern Colorado.

The PUC in deliberations on April 9 granted a Certificate of Public Convenience and Necessity (CPCN) for the project, which was proposed by Tri-State to alleviate existing transmission constraints, mitigate reliability concerns, accommodate existing and potential future generation resources in the region, and address reasonably anticipated transmission system needs.

The proposed line is to be constructed as a single-circuit, 230-kilovolt (kV) transmission line between the existing Burlington and Lamar substations. It will be approximately 90-110 miles long and will cost about \$72.6 million to build.

"This is a significant step at achieving transmission buildout north to south in eastern Colorado," PUC Commissioner **Pam Patton** said. "It is an important part of improving the 230 kV backbone across Colorado."

Utilities and electric cooperative associations are required to seek PUC authority to build and own new trans-

mission facilities designed at 230 kV or above. The PUC determines whether there is a need for the project, and whether the application is in the public interest. Siting of transmission lines is determined through local government permitting processes and is not controlled by the PUC.

Tri-State, headquartered in Denver, is a non-profit generation and transmission company that supplies electric power to 44 electric distribution cooperatives in four states, including 18 cooperatives in Colorado. It owns interests in electric generating facilities in Arizona, Colorado, New Mexico and

Wyoming, and it owns transmission facilities in Colorado, Nebraska, New Mexico and Wyoming.

The proposed project, which is expected to be in operation by the end of 2020, is designed to improve Tri-State's operational flexibility with respect to the transmission system used to import power into the eastern Colorado region.

As part of approving need for the project, the PUC also ruled that the expected noise and electro-magnetic field levels associated with the line as designed and quantified in the application were reasonable.

SourceGas proposes Colorado gas choice program

SourceGas Distribution has filed an application with the Public Utilities Commission (PUC) for approval of a program that would allow residential and small customers the opportunity to choose their natural gas supplier.

If approved, the SourceGas Choice Gas Program, which the company currently offers in Nebraska and Wyoming, would be the first of its kind in Colorado. SourceGas Distribution provides natural gas distribution service to about 92,000 customers in five service territories throughout Colorado.

The company is proposing to implement its gas choice program on June 1,

2016 in SourceGas Distribution's North Eastern and Western Slope service territories. Eligible customers would have the option to purchase their natural gas supply from gas marketing firms that are not regulated by the PUC as utilities, including SourceGas Distribution's commodity marketing affiliate.

Under the proposal, filed March 26, SourceGas would continue its role of ensuring the delivery of natural gas supply through its pipeline system. The company would also be positioned to provide gas supply on a fallback basis under rates and conditions approved by the PUC.

The Colorado Legislature passed a law in 1999 designed to encourage competition in natural gas markets. The law allows gas utilities to voluntarily submit plans to offer gas choice in their territories.

Under SourceGas Distribution's proposal, eligible customers are expected to be able to choose between several suppliers and to choose from several pricing options. In Nebraska, the SourceGas program has six competing suppliers, while the Wyoming program has eight. Customers can also choose to continue to purchase gas from SourceGas

Distribution as they have in the past.

SourceGas estimates that it will cost approximately \$1.53 million in transition costs to implement its gas choice program, resulting in an increase of about \$0.46 per customer per month over a five-year period. The company said customers can benefit by selecting fixed price options or fixed monthly bill options that provide certainty in what a sometimes volatile, fluctuating natural gas commodity market.

The PUC is expected to conduct hearings on the proposal later this summer, with a decision expected sometime in the fall.

New three-year electric rate plan for Xcel in place

The Colorado Public Utilities Commission (PUC) has approved a settlement agreement that will increase electric rates for Xcel Energy customers by about 2 percent over the next three years to pay for clean air improvements. The new rates took effect in February.

The settlement, reached between the company, staff of the PUC and other parties, called for a net revenue increase of about \$41.5 million annually, a significant decrease from the \$137.7 million originally proposed by the company.

As approved by the PUC, Xcel's base electric rates actually decreased by about \$39.4 million per year. However, a Clean Air-Clean Jobs Act (CACJA) rider will be added to customer bills as investments are completed in 2015 and 2016, resulting in the overall net increase. The CACJA was passed by the

legislature in 2010 and required utilities to develop and implement emissions reductions plans.

"I believe this settlement lays a strong foundation for a low-carbon future at a reasonable cost, which is what the legislature intended," PUC Chairman **Joshua Epel** said.

Under the settlement, monthly rates for Xcel residential customers, using an average of 632 kilowatt-hours (kwh) per month, will increase by 1.31 percent, or \$0.96, in 2015 and about 0.97 percent, or \$0.72, in 2016; and decrease by 0.15 percent, or \$0.11, in 2017. Rates for commercial customers would reflect similar percentage changes.

In approving the settlement, the PUC established a 9.83 percent return on equity (ROE) for the company, down from Xcel's previous 10.0 percent. The ROE is the return that a utility is authorized to earn on its

investment, in order to attract the capital needed to ensure safe and reliable service at reasonable cost for customers. The PUC sets a maximum ROE, but it is not guaranteed.

The new rates include recovery of about \$2 billion of new capital investment for Xcel, including projects to implement its emission reductions plan approved pursuant to the CACJA.

Xcel steam plan recommended

A PUC administrative law judge has recommended approval of a settlement resolving part of Xcel Energy's proposed resource plan to meet its future steam system needs.

In a recommended decision issued April 14, the ALJ granted the settlement reached by the company, the city and county of Denver, The Colorado Energy Office, and the staff of the PUC. The settlement outlines short-term solutions agreed to by the parties, while deferring long-term decisions to a second phase of the proceeding.

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 government 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 December 2014, Xcel had 129 steam customers.

The recommended decision approves an "interim plan" that allows Xcel to upgrade a portion of the steam distribution system at the Capitol Complex to

provide higher pressure service; and convert its Zuni Station from electric operations to steam-only operations for the next 3-5 years.

For the second phase, the parties agreed that the company's three potential long-term solutions are reasonable: (1) a two-boiler project to be located at the existing Zuni Station plant site; (2) a one-boiler project to be located at the existing Denver Steam Plant; or (3) no long-term project at all.

Xcel recently implemented significant rate and tariff changes to its steam tariff, including the introduction of a new demand charge. The company said it needs time to assess how customers will respond to these recent rate changes in order to accurately project the specific maximum production sendout that will be required after 2015.

Under expedited procedures outlined in the settlement, Xcel will make a filing by July 1, 2016, selecting its preferred alternative, and parties will have an opportunity to comment on that proposal. The PUC will issue a final decision by October 1, 2016 on whether to grant a Certificate of Public Convenience and Necessity (CPCN) for the proposed project.

Net metering panels concluded

The Public Utilities Commission (PUC) is nearing the end of the information-gathering stage in its consideration of retail renewable distributed generation and net metering policies in Colorado.

The PUC conducted its fourth panel discussion on distributed generation and net metering issues on April 23. The four-hour workshop featured various panels addressing issues ranging from on-site storage, to panel orientation and sizing of photovoltaic systems, to "grid parity" and the need for incentives to install retail distributed generation in the future, to "minimum bill" concepts.

In previous panels, the PUC was provided information on the status of net metering in Colorado and the projections for growth of on-site solar distributed generation in the future; the costs and benefits of distributed solar resources under net metering; and how other states are approaching net metering issues.

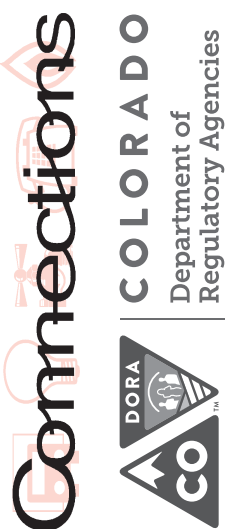
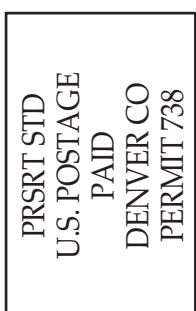
The PUC is now giving panel participants and other interested parties a final opportunity to submit written comments, based on the panel discussions, summa-

rizing the principal areas of agreement and disagreement on net metering issues, and their recommendations based on the data and information presented. Comments must be submitted by May 22, with replies to those comments due June 5.

Based on previously-filed legal briefs, written comments and the information obtained from panel discussions, the PUC intends to determine a specific course of action for addressing the net metering issue in Colorado later this year.

The PUC opened the current miscellaneous proceeding last year after Xcel Energy raised questions about the net metering credit that customers with solar installations get for electricity they send back to the grid. Xcel suggested that the net metering incentive be ramped down over time.

The solar industry countered by arguing that the company's studies have undervalued the economic and environmental benefits that rooftop solar installations provide.



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