



2016
2017

Annual
Report

Public Utilities
Commission



COLORADO
Department of
Regulatory Agencies



A Message From The Director



Doug Dean

Director, Colorado Public Utilities Commission

Colorado Department of Regulatory Agencies

The Colorado Public Utilities Commission (PUC) touches the lives of virtually every Coloradan on a daily basis through the regulation of investor-owned electric, natural gas, telecommunications, private water utilities and motor vehicle carriers for hire.

The PUC seeks to balance the needs of consumers and utility providers to ensure that Coloradans receive reliable, safe and affordable utility services. In meeting that objective, it protects consumers by:

- Setting fair and reasonable rates;
- Performing safety inspections on motor vehicle carriers, on new and existing natural gas pipelines, on public highway-rail crossings, and rail fixed guideway systems;
- Creating quality standards for utility services;
- Making utility services accessible to all;
- Advancing the use of new technology across all utility industries;
- Preserving utilities' financial health;
- Encouraging competition in utility markets where appropriate.

The PUC is part of the Department of Regulatory Agencies (DORA), and as such we also have undertaken strategic efforts to participate in Department-wide efforts to cut unnecessary "red tape" while strengthening our consumer protection lens wherever possible.

The PUC has had a very productive fiscal year on both fronts. We've enhanced our consumer protection work while we adapted regulation to technological changes in our regulated sectors.

Looking forward, we will continue to pursue policies that support economic development and business while, at the same time, meet our mission of consumer protection.



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From DORA's Leadership

At the Colorado Department of Regulatory Agencies (DORA), we believe in promoting a Colorado in which consumers and service providers partner to forge common successes. With a sharp focus on streamlining and modernizing processes and enhancing end-to-end customer experiences, we strive to advance an environment and regulatory framework where both businesses and consumers are treated fairly and the economy thrives. DORA looks to deliver the fastest, easiest, and most enjoyable experience to our customers—the businesses and individuals who interact with us to get the services they need. We are committed to protecting customers, reducing unnecessary “red tape,” and ensuring that businesses thrive in an environment that protects consumers.

PUC Mission Statement

The Colorado Public Utilities Commission serves the public interest by effectively regulating utilities and facilities so that the people of Colorado receive safe, reliable, and reasonably-priced services consistent with the economic, environmental and social values of our state.



Overview

DORA's Mission, Vision and Core Values

OUR MISSION

Consumer protection is our mission.

OUR VISION

To ensure Colorado has an effective regulatory landscape where both consumers are protected and businesses can thrive in a competitive and fair marketplace.

OUR CORE VALUES

DEDICATION

We are dedicated to serving the people of Colorado. We know that with sensibility, patience, and a positive attitude, we can do great things. We are committed to making our strengths stronger, focusing on the added value we bring to state government.

OPENNESS

We know that the best outcomes are built from including diverse perspectives in decision making. We seek and provide honest feedback, learning from mistakes and successes, and building trust by listening.

RESPECT

We treat our team members, customers, and stakeholders with respect and sensitivity to different views and interests. We recognize people for their contributions, and approach every interaction with mindfulness and presence.

ACCOUNTABILITY

We are committed to personal responsibility, demonstrating credibility and sincerity in our work. The strength of our Department is built upon the trust and confidence we inspire in our community, and we pledge to uphold that trust through our professional conduct.



PUC Commissioners

CHAIRMAN JEFFREY P. ACKERMANN



Jeffrey Ackermann was appointed Chairman of the Colorado Public Utilities Commission effective Jan. 9, 2017 by Gov. John Hickenlooper.

Prior to his appointment, Chairman Ackermann served as executive director of the Colorado

Energy Office (CEO). Under his leadership, the CEO made significant strides in improving innovative production and efficient consumption of Colorado's energy resources. He has more than three decades of experience in state government and the energy sector. Previous to his CEO appointment, the Chairman led the research efforts at the PUC, focusing on issues ranging from electric system planning to the regulatory implications of emerging technologies. He also served as an advisor to the commissioners on energy efficiency (demand-side management).

Chairman Ackermann started his professional career in the service of low-income energy consumers: twice as director of the state's energy efficiency assistance program (weatherization) as well as an advocate for energy consumers with the state's nonprofit energy assistance fund.

He earned a bachelor's degree from Albion College and a master's degree in nonprofit management from Regis University.

His four-year term expires in January 2021.

COMMISSIONER FRANCES A. KONCILJA



Frances Koncilja was appointed to the Colorado Public Utilities Commission by Gov. John Hickenlooper in January of 2016 and confirmed by the Colorado Senate in February.

Originally from Pueblo, Commissioner Koncilja has practiced law in

the Denver area since 1972. She began her career with the Colorado State Public Defender's Office, and later worked for the U.S. Attorney's Office. She entered private practice in 1978 and in 1993 founded the law firm Koncilja & Associates, which she closed as the result of her appointment to the PUC. For 23 years, the firm handled a broad range of commercial, civil and bankruptcy disputes in state and federal courts.

Throughout her career, Commissioner Koncilja has dedicated herself to public service and the people of Colorado, and has had notable appointments and affiliations.

She earned a Bachelor of Arts degree from Southern Colorado State College in Pueblo and received a Juris Doctorate from the University of Colorado law school.

Her four-year term expires in January of 2020.

COMMISSIONER WENDY M. MOSER



Wendy Moser was appointed to the Colorado Public Utilities Commission effective Jan. 9, 2017 by Gov. John Hickenlooper to fill the remaining two years of a vacated position.

Prior to her appointment, Commissioner Moser was senior manager at Charter

Communications, where she was responsible for government franchise relations, public affairs policies and procedures, and regulatory requirements in multiple western states.

She has vast experience in telecommunications and utilities, and more than 25 years of experience in regulatory law, including stints at Qwest and Black Hills Energy.

Commissioner Moser earned her bachelor's degree from South Dakota State University and a law degree from the University of Denver.

Her term expires in January 2019.





History of the PUC

As the economy in Colorado becomes more dynamic and diverse, the balance of consumer protection and certain economic regulation becomes greater for programs overseen by the Public Utilities Commission (PUC).



EARLY HISTORY

The types of services we call “public utilities” have existed in Colorado for over a century, dating back to 1885 when a Railway Commissioner was established. At that time there were already shared services like electric streetlights in central Denver, and a telephone line from Denver to Pueblo. The Colorado legislature brought those types of public utilities under state regulation in 1913 by creating the Public Utilities Commission, consisting of three members and jurisdiction to regulate and control public utilities in Colorado. That model continues to this day.

TRANSPORTATION REGULATED BY THE PUC

Many different types of transportation businesses have come and gone under the PUC’s regulation since its founding. The PUC absorbed the function of the Railroad Commission to set rates for the state’s common carriers. In 1915, the definition of “common carrier” was amended to include trucks and automobiles used for transportation of freight and passengers. The first act dealing specifically with the regulation of motor vehicle common carriers was enacted in 1927.





“HOME RULE” JURISDICTION

In 1954, a constitutional amendment passed which made the entire operations of public utilities operating in “Home Rule” cities under the jurisdiction of the PUC. The amendment, however, does not apply to municipally-owned utilities.

HIGHWAY CROSSINGS

In 1965, the legislature created a Highway Crossing Protection Fund and allocated for the Highway Users Tax Fund to be used for grade crossing protection. The fund allows the Commission to work with various railroad companies, as well as county commissioners and city councils, in order

to work out grade crossing protection plans and to determine how costs are apportioned or allocated.



FIXED UTILITIES

The regulation of the “fixed utilities” – electric, gas, water and telecommunications companies – has seen some ebb and flow over the decades. Today, the PUC has some degree of jurisdiction over hundreds of fixed utilities and more than 10,000 motor carriers. In 1961, Colorado’s rural electric cooperatives went to the legislature to seek PUC regulation, and then sought an end to that regulation in 1983. They were successful both times. The 1983 deregulation procedure required a vote of each co-op’s membership, and most of the state’s coops voted to become deregulated; 1983 was also the year when legislation ended the PUC’s jurisdiction over municipal utilities. The status of the post-divestiture telephone industry required the PUC to bring under its regulation some of the new long distance telephone companies operating in Colorado.

THE PUC AND DORA

In 1968, the Colorado Department of Regulatory Agencies was created pursuant to the Administrative Organization Act of 1968. The act moved the PUC as a division under the umbrella of the new department.





Regulatory Areas of the PUC

ENERGY

The Energy Section is responsible for supporting the mission of the Commission to assure the availability of safe, reliable, adequate, and efficient electric, gas and steam services to utility customers at rates that are just, reasonable, and not discriminatory. The section conducts financial and engineering analyses, rulemaking, audits and investigations for the Commission in issues of operating authority, rates, quality of service, resource planning, compliance and enforcement.



TELECOMMUNICATIONS

The Telecommunications Section is responsible for supporting the mission of the Commission to assure a wide availability of high quality, safe and efficient telecommunications services at rates that are just and reasonable through the promotion of a competitive telecommunications marketplace and the implementation of flexible regulatory treatments. The section conducts financial analyses, engineering analyses, audits, investigations and regulatory policy analysis to inform the Commission on matters of retail, wholesale and 911 operating authority, rates, quality of service, compliance and enforcement. The section also administers various telephone service subsidy programs.





TRANSPORTATION

The Transportation Section regulates the affordability and availability of motor carriers transporting passengers for hire, rates and authorization for non-consensual tows of motor vehicles, and contractual agreements between household goods movers and shippers.

The section conducts financial reviews, ensures fair and cost-based carrier rates; conducts audits and service complaint investigations; processes carrier applications; and issues permits, based on compliance with insurance and safety standards.



RAIL/TRANSIT/SAFETY

The Rail/Transit Safety Section is responsible for safety at all public highway-rail crossings in Colorado and is the State Safety Oversight Agency for rail fixed guideway systems. The section conducts on-site safety inspections, accident investigations, and performs a complete audit of all transit agencies rail fixed guideway systems every three years.





GAS PIPELINE SAFETY

The Gas Pipeline Safety Section ensures the safety of all intrastate natural gas pipeline systems. The section conducts gas pipeline safety audits of operator's pipeline system operation and maintenance records, on-site construction and repair inspections, and incident investigations.



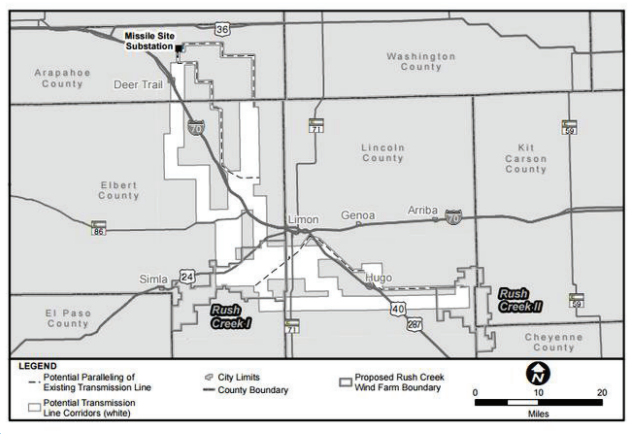


Highlights

PUC Approves Colorado's Largest Wind Farm

The PUC approved Xcel Energy's \$1.1 billion, 600 megawatt Rush Creek wind generation project. Vestas Americas will supply 300 Colorado manufactured turbines for what will be Colorado's largest wind farm, located on approximately 116,000 acres in parts of Arapahoe, Cheyenne, Elbert, Kit Carson and Lincoln counties. The project

is expected to begin construction in 2017, with anticipated commercial operations in 2018. This timing allows Colorado customers to benefit from federal Production Tax Credits incentives. The Rush Creek project will increase Colorado wind capacity to more than 3,500 megawatts.



Source: The Denver Post, May 13, 2016

\$1.1 Billion
600 megawatt
Rush Creek
Project





SB 180—A Big Win For Cutting Red Tape

As a big win for cutting “red tape,” Gov. Hickenlooper signed Senate Bill 180 on June 1, 2017. SB 180 streamlines the regulatory process governing motor carriers in Colorado that are regulated by the PUC.

Previously, the PUC was required to meet an unreasonable burden of proof when enforcing the transportation laws. Previous law required that the PUC prove that a carrier intended to violate the law. This is akin to a police officer having to prove that you meant to speed, rather than just having to prove you were speeding.

The new law clarifies the legislative intent of prior legislation on enforcement. The purpose of recent changes was to ensure that the PUC could revoke a carrier’s permit for failing to comply with a Commission order.

The new law also ensures that the PUC has the resources it needs to consistently enforce the transportation laws. There have been times in the past when the PUC has been unable to enforce the law because legal resources were not available due to lack of funds. The law creates a legal services offset fund in the Attorney General’s office to allow for consistent access to legal resources.

The PUC is obligated to ensure that the motor carrier laws are enforced. The new law provides greater efficiency to the PUC and greater clarity to the regulated carriers.

**Senate
Bill 180**

streamlines
a regulatory
process



Commission Explores Mountain West Transmission Initiative

The Colorado PUC hosted several major meetings with utility regulators and electric transmission stakeholders from several western states to learn more about the Mountain West Transmission Group's (MWTG) plans to explore participation in a regional transmission organization (RTO). RTO is an electric power transmission system operator (TSO) which coordinates, controls and monitors a multi-state electric grid.

The PUC hosted all-day and half-day meetings to obtain information about the plan and to discuss with the MWTG participants the potential benefits, costs and risks of the options under consideration.

More than 200 people participated in the informational meetings and dozens more participated by webcast. Utility regulators from Arizona, Colorado, Missouri, Montana, Nebraska, New Mexico, Utah and Wyoming have been among the participants, as well as representatives from utilities, consumer groups, environmental organizations, and other state and federal agencies.

The MWTG is made up of 10 electricity service providers across the Rocky Mountains, including Xcel Energy, Black Hills, Colorado Springs Utilities, Platte River Power Authority, and Tri-State Generation and Transmission Association. The group serves 6.4 million customers in Arizona, Colorado, Montana, New Mexico, South Dakota, Utah and Wyoming.

The MWTG announced in January its intention to explore participation with the Southwest Power Pool (SPP). The SPP oversees the bulk electric grid and wholesale power market in the central United States on behalf of a diverse group of utilities and transmission companies in 14 states. If the MWTG enters into an agreement with SPP, the utilities would give control of their transmission facilities to SPP, which will then operate the transmission.



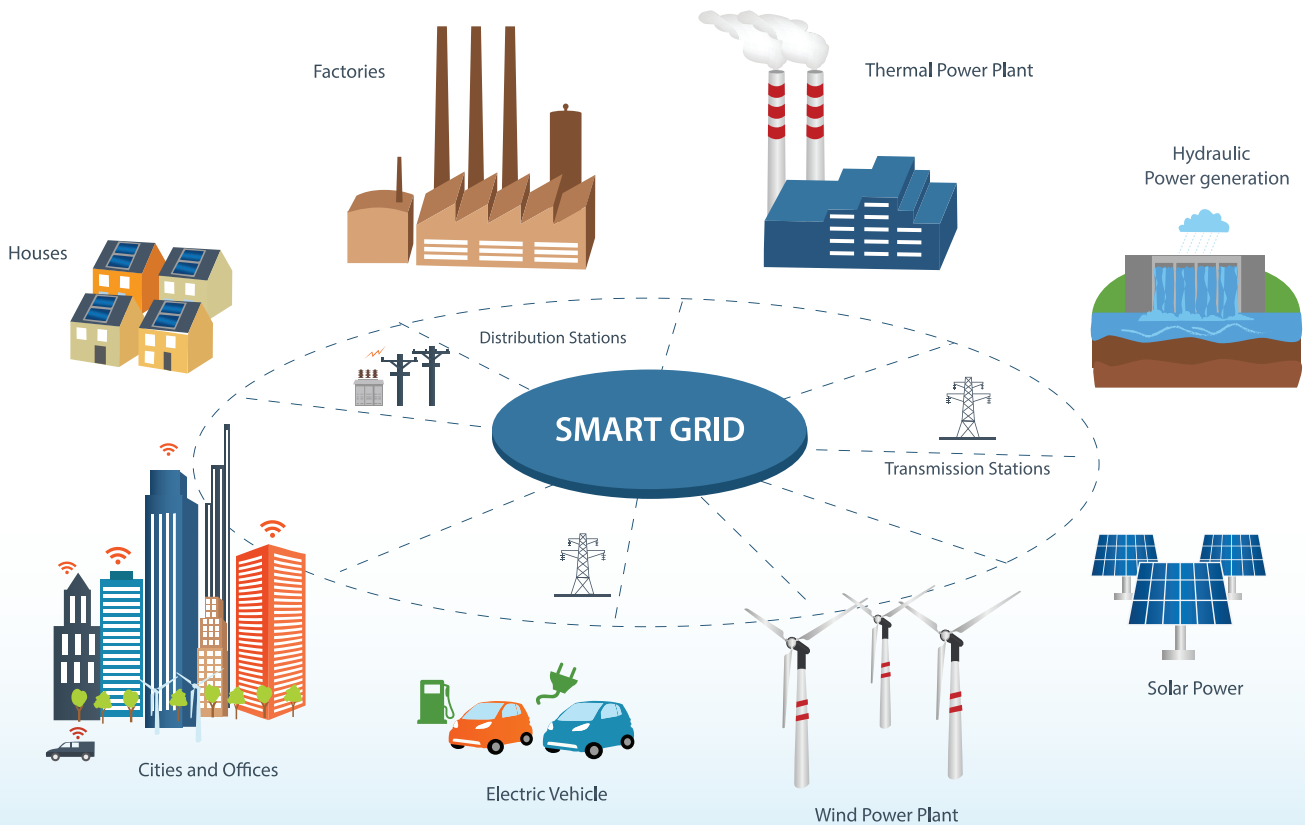
PUC Approves Xcel Energy to Modernize Power Grid

The PUC approved Xcel Energy’s initiative to modernize the power grid by equipping certain homes and businesses in Colorado with state-of-the-art meters that will allow customers to more closely track their energy usage.

The \$612 million upgrade over the next six years should make it easier for consumers to conserve energy. It also will smooth out voltage fluctuations on the grid which is estimated to save about 2 percent of the electricity from being wasted due to inefficiencies.

The technology upgrades will require Xcel to replace up to 1.6 million existing meters with more sophisticated ones that can communicate in real-time. Customers will notice that switch in 2020, but they will have an option to stick with the older technology.

The meters and other upgrades will give Xcel advanced warning of transmission problems. The meters will be able to pinpoint outages instead of having to wait for customers to call in. The first 13,000 new meters will provide real-time feedback



MODERN GRID
SMART ENERGY



on the voltage traveling through the grid, which is key to reducing losses.

As more customers produce their own energy or turn to energy saving measures like LED bulbs, paying for the system has become a bigger concern.

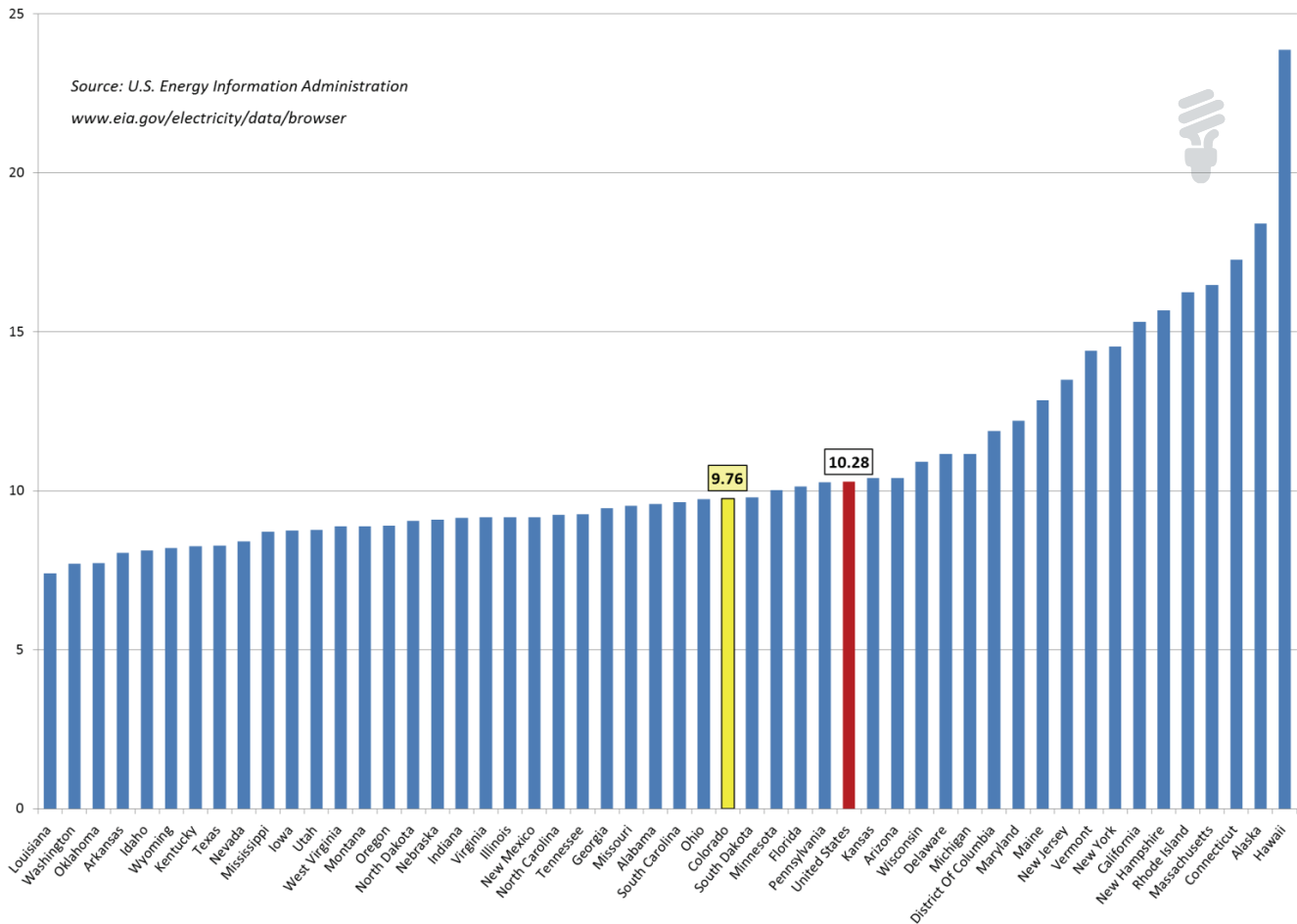
Xcel initially proposed a fixed “grid charge” on all customers to recoup system costs. But renewable energy and environmental groups pushed back, arguing that higher fixed costs on monthly bills made rooftop solar systems less economic for businesses and homeowners.

There were 11 parties that came together to craft a settlement with Xcel on grid modernization and also drop the grid charge.

Because the current fleet of meters is nearing the end of its useful life and faced replacement anyway, staying with the old technology would have cost \$90 per meter, versus \$118 for the smart meters.

According to PUC staff, the benefits of the newer technology far outweigh the added costs.

2016 Average Electricity Cost (cents/kWh)



Notable Utility Cases and Accomplishments

PUC APPROVES MAJOR XCEL ENERGY SETTLEMENT



The PUC approved a comprehensive settlement that resolved three major Xcel Energy cases involving electricity pricing and renewable energy, while adding appropriate safeguards for ratepayers. In November 2016, the PUC approved without modification an agreement that resolves Xcel's phase II electric rate case, a solar subscription program, and the company's 2017 Renewable Energy compliance plan. The decision allows for the company to offer subscriptions to a new 50 megawatt (MW) solar facility through its **Renewable*Connect program**. The voluntary program, modeled after the company's **Windsource subscription program**, would enable customers to offset their annual electric usage with solar energy. The settlement also eliminated the company's proposed fixed monthly grid charge and



establishes a pilot program to precede the potential full-scale rollout of residential time-of-use (TOU) rates. Finally, the decision allows for the acquisition of more than 300 MW of on-site solar and community solar gardens between 2017 and 2019 through the suite of **Solar*Rewards programs**. It also provides for new offerings for both rooftop solar and community solar gardens for low-income customers.



PUC CUTS BLACK HILLS' RATE REQUEST BY 87 PERCENT

The PUC significantly reduced a request by Black Hills Energy to increase its electric rates in Colorado. The PUC's oral deliberations on Nov. 30, 2016 resulted in a net revenue increase of \$1.16 million, or 13 percent of the \$8.9 million originally requested by the company. The total increase included a \$636,000 increase in base rates and an increase of approximately \$525,000 in the **Clean Air-Clean Jobs Act (CACJA)** adjustment rider. The net increase in revenues resulted in a \$.90 per month increase in average residential bills, compared to the requested \$5 per month increase requested by Black Hills in May. Small commercial bills went up \$3.38 per month (0.9 percent). The new rates were implemented on January 1 2017.

Black Hills had sought to recover costs related to a new gas-fired generation unit at the Pueblo Airport Generating Station. The new plant is replacing the power generation previously provided by the W.N. Clark coal-fired plant in Cañon City, which was retired to comply with the CACJA. While the PUC said the company was allowed by state law to build the replacement generation, it expressed disappointment that less expensive options were not pursued. The PUC made numerous decisions resulting in significant cuts to the company's proposed revenue requirement, including the areas of overall capital structure and return on equity; the specific rate of return on the new gas-fired generation unit; pension expenses for company employees; executive incentive and equity compensation; property tax allowances; cost recovery of investments made using federal stimulus grants; and additional cost categories.

The PUC established an overall 9.37 percent return on equity (ROE) for the company, a reduction from the previous 9.83 percent approved ROE. The ROE is the return that a utility is authorized to earn on its investments in order to attract the capital needed to ensure safe and reliable service at reasonable cost to consumers. The PUC sets a maximum ROE, but it is not guaranteed.

Over the course of the last fiscal year, the Commission handled a variety of complicated cases, worked to make the regulatory process more efficient and transparent and made the State of Colorado a safer place to work, live and more.





Assisting Colorado Consumers

✓ COMPLAINT UNIT NETS CONSUMER SAVINGS

The PUC’s External Affairs section secured \$45,703 in credits and refunds on behalf of utility customers during the 2016-17 fiscal year, according to the section’s annual consumer assistance summary. The section works to resolve disputes between customers and utilities, including transportation companies.

\$45,703
in credits
and refunds

✓ CONSUMER CONCERNS ADDRESSED AND RESOLVED

The Consumer Assistance unit fielded 5,639 calls, a decrease from 6,066 calls in the previous fiscal year. More than half of the calls were resolved or answered by staff without the need to refer them to a utility or a transportation company.

In all, consumer assistance staff addressed inquiries regarding 1,244 different telecommunications, gas, electric, and companies, as well as 694 transportation companies, in its efforts to resolve a wide variety of consumer concerns. The unit addressed 1,938 inquiries and closed 1,961 for the fiscal year; compared to 1,951 inquiries and 2,266 closed the prior fiscal year. The unit resolved 99-percent of inquiries within 15 business days.

For the most recent fiscal year, the section closed 480 complaints concerning Qwest (CenturyLink QC) compared to last year’s total of 621. The PUC closed 446 complaints related to Xcel Energy (Public Service Company), a decrease as compared to 586 contacts during the previous fiscal year.

FY 2016-2017 GENERAL COMPLAINTS BY INDUSTRY TYPE

Electric & Gas	446
Electric only	91
Gas only	66
Telephone	581
Water	60
Total Fixed Utility Complaints =	1,244
Total Transportation Complaints =	694
TOTAL FOR YEAR =	1,938

The complete 2016-17 Consumer Assistance Summary is available at www.dora.colorado.gov/puc under the Consumer section.

The unit resolved
**99% of inquiries within
15 BUSINESS DAYS**



MORE THAN HALF of
the calls were resolved
or answered by staff



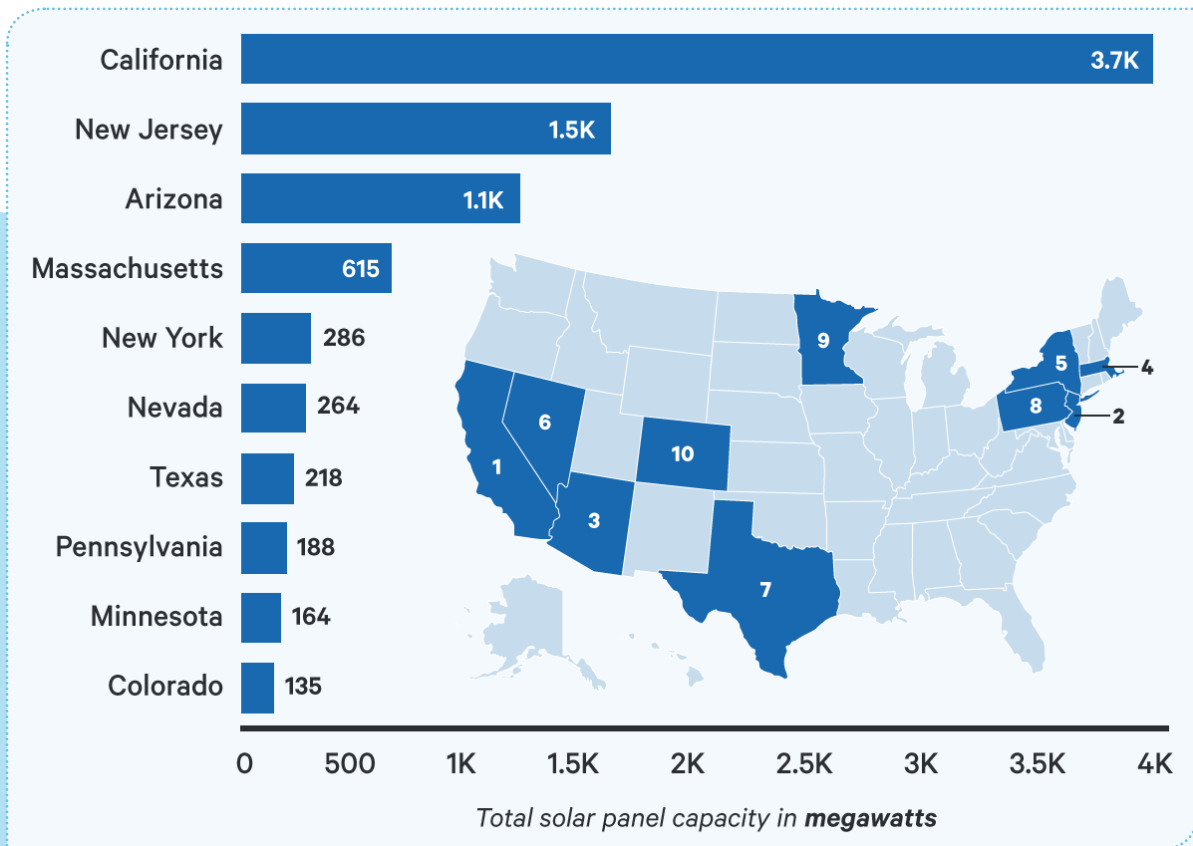


Colorado Receiving National Attention

In the energy sector this past year, Colorado joined California and Texas as the only states ranked in the top 10 in the U.S. in both wind and solar power generation, according to the U.S. Energy Information Administration data.

- Colorado is one of the top five “Most Active States” in new grid modernization techniques in Q1 2017, according to the American Energy Society.
- Colorado is a top 10 state for clean energy technology.

The 10 States With The Most Solar Power



Source: U.S. Energy Information Administration 2016

✓
Colorado Ranks In The Top Ten
in both wind and solar power generation

2016 Top 10 Technology (Including Historical Rankings)

- 1 CALIFORNIA
- 2 VERMONT
- 3 OREGON
- 4 HAWAII
- 5 WASHINGTON
- 6 MASSACHUSETTS
- 7 COLORADO**
- 8 NEVADA
- 9 MAINE
- 10 MINNESOTA

Source: 2016 U.S. Clean Tech Leadership Index, Clean Edge



COLORADO is a National Leader in Clean Technologies

10th in installed wind capacity with 2,960 MW.

3rd in cumulative square footage of LEED-certified space per capita.

10th in the adoption of alternative fuel vehicles on a per capita basis.

8th in cleantech venture capital investments at \$20.5 million.

26,270 direct cleantech workers supporting an additional 86,100 indirect workers, with an economic impact of \$4.6 billion annually.





COLORADO

Department of
Regulatory Agencies

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