

# Connections

NEWSLETTER OF THE COLORADO PUBLIC UTILITIES COMMISSION

JANUARY 2011

## STARTING POINT



By Doug Dean  
Director

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

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

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

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

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

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

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

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

## PUC approves plans to cut emissions

Meets December 15  
deadline under Clean  
Air Act, Clean Jobs Act

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

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

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

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



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

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

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

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

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

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

(Continued on page 3)

## Judge finds need for SLV power line

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

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

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

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

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

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

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

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

The proposed project involves

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

The project is currently estimated to cost approximately \$180 million and is expected to be in service by spring of 2015. Tri-State and Xcel Energy would share costs and capacity ownership rights for the individual transmission segments based on an agreement, still to be negotiated.

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

## PUC chairman's term expires Jan. 10

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

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

Binz's term is the first of the three

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

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

# PUC sets 2011 registration fees for telemarketers

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

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

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

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

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

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

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

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

Customers may register a residential or wireless phone number, or file a complaint about possible violations of the no-call law, by either calling toll-free at 1-800-309-7041 or by going on-line at [www.colorado.gov](http://www.colorado.gov).

## 2011 Telemarketer Registration Fees

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

# Surcharge for relay services increased

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

The Colorado Public Utilities Commission (PUC) approved the 9-cent increase in the monthly surcharge, which is assessed to all residential and business telephone lines in Colorado.

The Colorado legislature established the TRS program in 1989. The relay program allows people who are deaf hard of hearing, or speech disabled to communicate on the telephone with a hearing party through the use of various technologies including

Captioned Telephone service.

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

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

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

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

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

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

## POSITIVE CHARGES

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

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

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

# CNG seeks to acquire ownership of Eastern

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

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

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

foothills and mountains southwest of Denver.

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

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

and the installation of anodes on unprotected steel lines.

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

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



Anthony Lovato

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

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

## INSIDE CONNECTIONS

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

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

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

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

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

in finance from CU-Denver as well.

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

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

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

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

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



Jovanna Robertson



Tony Cummings



Bill Schlitter



Rebecca Lim



Keith Hay



Ken Kassakhian

# PUC reviewing RTD's plans for 'quiet' crossings

*City officials  
with no bells, horns  
along light rail route*

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

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

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

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

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

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

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

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



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

# Qwest-CenturyLink clear Colorado hurdle in merger

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

The PUC concluded the proposed \$10.6 billion stock swap transferring Qwest's local and long-distance subsidiaries to CenturyLink was "in conformity to the public interest." Colorado is one of numerous state and federal regulatory approvals required.

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

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

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

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

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

Together, CenturyLink and Qwest

served local markets in 37 states with approximately 5 million broadband customers, 17 million local access lines, 14 million video subscribers and 850,000 wireless customers. The companies overlap in 10 states, including Colorado.

Qwest, which acquired US West in 2000, is the largest local phone provider in Colorado. CenturyLink, which acquired PTI Communications in 1997, is the second-largest provider serving primarily rural exchanges. Most of the territory currently served by CenturyLink was obtained when US West sold 45 exchanges in Colorado to P11 in 1994.

# Phone surcharge starts 2011 unchanged, may need to go up

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

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

The surcharge has been at 2.2 percent

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

In its annual report to the legislature, PUC staff estimates that statewide high cost support and administrative expenses for 2011 will be \$61.7 million. Of that amount, Qwest is expected to receive \$36.2 million, with the rest going to rural

independent and wireless carriers.

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

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

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

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



**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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## Emission plans

(Continued from page 1)

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

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

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

## Qwest basic rate bumped up

The maximum rate of Qwest Communication's stand-alone basic residential service increased to \$17.00 a month on October 1, completing a two-step process approved by the Colorado Public Utilities Commission in 2009.

The rate rose from \$16.52, which was the ceiling established by the PUC in July 2009 after Qwest asked to lift the \$11.88 rate cap that had been in place since 1995. A 2008 law removed the statutory rate cap and gave the PUC the authority to determine the maximum basic and residential rate based on each provider's costs and revenues, the average national price for comparable service and flexible pricing options.

In 2009, the Commission rejected Qwest's proposal to establish the ceiling at \$16.24, instead opting for the \$16.52 rate, based on the 11 percent increase in national average prices since the implementation of the 14-year rate cap.

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

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

In addition to the stand-alone basic residential rate rates for both basic measured service and basic message service increased on October 1 up from \$10.52 to \$10.83 per month. Under measured service, customers pay a lower flat monthly rate and then a per-minute charge for each local call. Under message service, customers pay a lower flat monthly charge and can make up to 30 free local calls each month, paying a per-call charge for any calls over 30.

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

# Commission affirms judge in Mile High Cab case

*PUC upholds decision  
that new taxi company  
not in public interest*

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

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

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

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

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

counties with populations of 70,000 or more must show that they are financially and operationally fit. The burden of proof then shifts to anyone opposing the application to prove that granting such an application would be a detriment to the public interest.

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

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

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

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

## Eastern Colorado power line proposed

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

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

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

customers in the project area.

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

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

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

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

*Company also asking  
for new rider to recover  
pipeline improvements*

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

The Xcel proposal, filed December 17, would increase natural gas bills for residential customers by about 3.12 percent, or \$1.83 a month, based on average usage of 68 therms per month. Monthly bills for small business customers would go up about 3.23 percent, or \$6.90 a month, based on use of 291 therms.

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

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

integrity programs throughout the state.

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

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

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

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

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## SourceGas rate case settled; changes effective last month

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

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

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

The monthly bill impact of the new rates on residential customers in Base Rate Area 1, which includes the Western Slope and the Front Range north of Denver, will be about \$2.67, or 2.6 percent, and the impact on small commercial customers will be about \$4.07, or 2.6 percent more. For Base Rate Area 2—which includes northeast Colorado, the La Junta area, and the

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

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

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



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*CONNECTIONS*

MAY 2012 EDITION:  
*"ATT CHOSEN AS NEW VENDOR FOR RELAY COLORADO"*



# Connections

NEWSLETTER OF THE COLORADO PUBLIC UTILITIES COMMISSION

MAY 2012

## STARTING POINT



Bu Doug Denn  
Director

The Colorado Supreme Court has sided with the Public Utilities Commission (PUC) in a dispute over setting maximum rates for residential basic telephone service, ending a three-year court battle.

The state's highest court on April 30 reversed a district court judgment that had set aside the PUC's 2009 decision in a case involving a rate cap for Qwest Communications. The Supreme Court, in a 5-0 decision, concluded that the PUC considered all of the statutorily-mandated factors in setting the rates, and that the PUC's decision was supported by substantial evidence.

The case involved an application by Qwest (now CenturyLink) seeking to raise basic residential rates that had been frozen at \$14.88 by the Colorado legislature in 1995. A law passed in 2008 lifted the statutory rate cap and gave the PUC the authority to determine the maximum basic residential rate based on each provider's costs and revenues, the average national price for comparable service and flexible-pricing options.

In its decision, the PUC established a maximum rate of \$16.52 a month for one year, and a ceiling of \$17 per month thereafter, based on an analysis of cost changes and national price trends. The Colorado Office of Consumer Counsel sought review of the PUC's decision in district court.

The Supreme Court disagreed with the lower court's findings that the PUC failed to provide specific factual findings on the evidence in connection with two of the three statutorily-mandated factors.

The high court made two specific findings worth noting. First, it adopted the PUC position of viewing the phased-in rates as a single, 14-percent increase with a lower first-year rate to prevent rate shock, and that such a result was consistent with the statutory directives of maintaining affordable rates. Second, the court specifically held that the PUC properly applied the statutory directive to consider the change in nationwide average prices and upheld the PUC's approach of multiplying the then existing rate by a percentage increase.

"We conclude that the PUC regularly pursued its authority in setting the maximum rate for basic local telephone services because it considered all of the statutorily-mandated factors and substantial evidence supports its decision," the court wrote.

## PUC approves multi-year Xcel plan

*Rate agreement offers savings, predictability over three-year period*

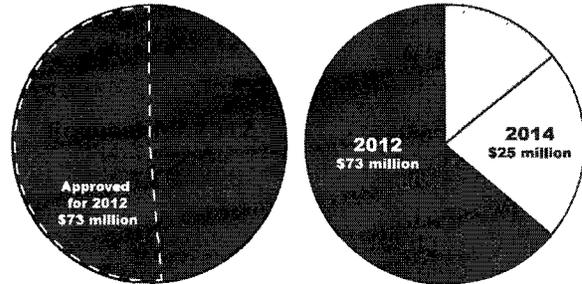
The Colorado Public Utilities Commission (PUC) has approved a three-year electric rate agreement for Xcel Energy that will provide significant rate savings to customers as well as rate predictability over the length of the agreement.

The PUC on April 26 unanimously approved without modification a settlement granting Xcel a \$114 million increase in electric base rates spread over a three-year period. The settlement was supported by Xcel, PUC staff, the Office of Consumer Counsel, a number of medium and large electric customers, and trade groups.

The settlement provides all Coloradans with reasonable rate increases for vital services and provides stability and predictability for the next three years, which is important to businesses and consumers." PUC Chairman Joshua Epel said. "When compared to the magnitude of rate increase that could have occurred, it is a significant savings."

Residential customers will see increases on average of \$2.54 per month in 2012, \$1.29 per month in 2013, and \$0.73 per month in 2014 for a total

### Multi-Year Electric Rate Agreement



of \$4.56 per month, or 6.6 percent over the three-year period.

Commercial customers will see increases of \$3.70, \$1.94 and \$1.21 to their average monthly bills in 2012, 2013 and 2014, respectively. Over the three years this will be an increase of \$6.85, or 6.1 percent. Industrial and transmission customers will see comparable percentage increases as well.

The settlement reflects a rate increase in 2012 that is approximately 50 percent less (\$70 million) than the company's initial request. The new rates for 2012 were effective May 1.

The settlement lowers Xcel's allowable return on equity to 10.0 percent (from 10.5 percent), and lowers its overall return on

rate base to just over 6 percent.

An additional benefit for ratepayers under the settlement is Xcel's proposal to alter the manner in which it accounts for investments under the Clean Air Clean Jobs Act. During the effective period of the settlement, Xcel will forego the ability to recover return on its construction work in progress, using an alternative mechanism known as Allowance for Funds Used During Construction. While this will increase the level of the rate base recovery of those costs will be spread over the useful lives of the investment. When these amounts are appropriately discounted for the time value of money, ratepayers will benefit from this proposal.

## PUC to review Xcel/Boulder dispute in June

The Public Utilities Commission (PUC) has scheduled a pre-hearing conference for June 27 to discuss Xcel Energy's application to place restrictions on participation by City of Boulder customers in the company's renewable energy, energy efficiency and voluntary green energy programs.

The PUC said in an order issued in April that the primary purpose of the pre-hearing conference "will be to determine whether it is appropriate to continue this docket, and if so, to adopt a procedural schedule."

Xcel Energy in February filed an application seeking PUC approval of several proposed changes to its Solar Rewards, demand-side management, solar gardens and Windsource

programs offered to customers in Boulder. The company stated that Boulder's preliminary actions taken in exploring possible municipalization of its electric system provide a reasonable basis for Xcel to differentiate Boulder customers participating in those programs.

Xcel argues in its application that if Boulder creates a municipal utility, the city rather than Xcel will be the long-term beneficiaries of the investments made through these programs. Xcel said it wants to protect itself and its customers from the potential loss of such benefits and the potential burdens on other customers in the event that Boulder opts to depart from the company's system.

In its April order, the PUC requested that parties file comments addressing the PUC's jurisdiction and the timing of the company's requested relief, as well as a list of the key policy and legal issues raised by the application. The Commission also directed Boulder to provide information regarding its municipalization efforts, including when and how it expects to establish a municipal electric utility.

Initial comments were due by May 18, with reply comments due by June 15. The Commission intends to review comments submitted by the parties prior to convening the pre-hearing conference on June 27, and to determine the appropriate next steps at that time.

## Commissioner takes Hewlett Foundation post

Commissioner Matt Baker left the Colorado PUC on May 11 to join the William and Flora Hewlett Foundation in California.

The San Francisco-based Hewlett Foundation has been providing social and environmental grants around the world since 1967. In his new job as an Environment Program Officer, Baker will help develop and implement grantmaking strategies for climate and energy. He will also collaborate with environmental leaders and others in the public and private sectors to achieve the Foundation's goals for reducing greenhouse gases and advancing clean energy.

Baker's PUC term expired in January

of this year, and he was awaiting reappointment when the opportunity arose to join the Hewlett Foundation.

"Matt Baker served Colorado well and we are sorry to see him go," Colorado Gov. John Hickenlooper said. "He was a tireless champion of clean energy and affordable electricity as commissioner of the Public Utilities Commission."

Baker was appointed to the PUC in January of 2008. Prior to his PUC appointment, Baker served as executive director of Environment Colorado.

PUC Commissioners are appointed by the governor and serve four-year staggered terms. No more than two appointees may be from the same political party.

Appointments must be confirmed by the Colorado Senate.

An announcement on Baker's replacement is expected by the end of May.

In April of 2011, Gov. Hickenlooper appointed Joshua Epel as chairman of the PUC. Epel's term expires in January of 2015. The term of Commissioner Jim Tarpey, who was appointed to a vacancy in 2008 and reappointed for a full four-year term in 2009, expires in January of 2013.

The PUC regulates rates and services of investor-owned electric, gas and water utilities, interstate telecommunications providers, and for-hire motor carriers in Colorado.

# AT&T chosen as new vendor for Relay Colorado

AT&T Corporation was recently selected as the new Telecommunications Relay Services (TRS) provider for Relay Colorado.

A three-year contract with provisions for two option years, is expected to be signed in May.

The Colorado Telecommunications Relays Services for Disabled Telephone Users was established by the legislature in 1989. The relay program allows people who are deaf, hard-of-hearing or speech disabled to communicate on the telephone with a hearing party.

The Colorado Public Utilities

Commission (PUC) is the administrator of the relay program, which is funded by a 20-cent per month surcharge on telephone access lines. Relay Colorado is accessed by dialing 7-1-1 and is available 24 hours a day, 365 days a year.

The relay program in Colorado includes both traditional relay services, in which text-telephone (TTY) users communicate with regulator telephone users through trained relay operators, and enhanced relay services like



Captioned Telephone (CapTel) relay. Captioned Telephone relay allows callers to listen to another party and read written captions of the conversation in real time, similar to captioned television.

Captioned Telephone minutes have increased in Colorado from 4,000 in 2001 to 900,000 in 2010.

Under the new contract in addition to providing relay services, AT&T is required to provide \$100,000 annually for relay outreach. The state may fund up to an additional \$100,000 each year

for outreach purposes. Outreach will include things such as television and radio ads, public service announcements, printed material, the Relay Colorado website, exhibits, workshops and community meetings.

The PUC annually reviews the Relay Colorado fund balance, revenue and expenditure projections prior to each fiscal year and sets the surcharge for the following 12 months. The charge appears as a separate line item on every customer's bill and is listed as the 'Colorado Telecommunications Relay Service Fund.'

# Call before you dig important to remember all year

April was officially "Dig Safely Month" in Colorado and across the country but the message to "call before you dig" is an important one to remember all year round.

Gov. John Hickenlooper signed an honorary proclamation designating April 2012 as Dig Safely Month in Colorado, and a number of events were held around the state to promote public safety and raise awareness for the damage prevention industry. But as the summer landscaping and construction season moves into full swing, the ongoing campaign in a way to remind

excavators, contractors and homeowners that state law requires them to call 8-1-1 before starting any excavation or digging project.

Colorado 811 (formerly the Utility Notification Center of Colorado) is the statewide notification association of owners and operators of underground facilities created by the Colorado Legislature in 1981. Colorado 811, a non-profit corporation, serves as a com-



munications link between excavators and the member facility owners and operators to provide

crucial information regarding the location of underground facilities.

By law, an excavator must contact Colorado 811 at least three days prior to any excavation work. Colorado 811 notifies the member facility owners or operator of the planned excavation and the facility owner marks the location of

the underground facility. The "one-call" process greatly reduces the likelihood of damage to underground facilities and the likelihood of injury to any person working at an excavation site.

Colorado adopted the abbreviated 8-1-1 dialing code in April of 2007, making it even easier for excavators to comply with the requirements of the state's "call before you dig" law. Excavators can dial 8-1-1 from anywhere in the state. There is no charge for the call or for the marking of underground facilities.

# INSIDE CONNECTIONS

Attention to detail makes a good editor, and when it comes to details of PUC decisions, there is none better than **Suzette Scott**.

Suzette is responsible for shepherding all PUC Commission and Administrative Law Judge decisions through the formatting, editing and mailing process. She gives the orders decision numbers, enters the Commissioners' edits, makes sure the orders are grammatically correct, ensures that orders are entered on correct templates and formatted in compliance with Commission standards, and that any relevant attachments or appendices accompany the decisions when they are issued.

"I like the diversity of the information. I like the new technology that keeps all of the information right at your fingertips," she said.

Suzette also maintains the decision tracking log and makes sure that orders are completed on time and distributed to appropriate internal and external parties.

Her considerable editing and writing skills are not limited to her job, either. In her spare time, Suzette currently is working on her third novel, and is researching a book about the history of African Americans in Kansas. One of her ancestors, Linnus Groves, was a former slave who became known as the Potato King in



Suzette Scott

1902 for growing the most bushels of potatoes per acre than anyone else in the world at the time.

"Another part of my family was one of the original founders of the tiny town of Nickodevas, which is a town founded by former slaves and is a historical landmark," she said.

Suzette has been with the PUC since 1988. Prior to that, she worked for two other state agencies—the Real Estate Commission and the Department of Natural Resources. Her career also has included stints with the Denver Public Library, the federal Bureau of Land Management and the federal Bureau of Reclamation.

Away from the job, Suzette also plays the piano and belongs to an African American Literary Group called RAWSISTA7. She also enjoys spending time with her beautiful 3-year-old granddaughter.

"My personal philosophy is that you have to love and accept yourself," Suzette said. "I believe that when you have achieved that one thing, then you can do anything you set your mind to."

*Inside Connections will feature a PUC employee each edition as selected by PUC staff members.*

# POSITIVE CHARGES

Congratulations to the Gas Pipeline Safety section for hosting a very successful pipeline safety seminar in March. The seminar drew approximately 200 attendees from among pipeline utilities and contractors. Kudos to Steve Pott, Joe Molloy, Fred Johnson, Kevin Stilson, Katie McBride, Chris Lowe, and Cheryl Fisher for organizing the event.

Welcome to new PUC employees Marianne Ramos, an engineer in the Advisory Section, and Jennifer Garcia, an administrative assistant in the Administrative Services, telecommunication unit.

Marianne Ramos



Jennifer Garcia



PUC staff presented Commissioner Matt Baker with special Colorado reminders at a farewell reception on April 30. Baker took a position with the Hewlett Foundation in California as an Environment Program officer.



**Dora**  
Department of Regulatory Services

CONNECTIONS is the newsletter of the Colorado Public Utilities Commission. It covers Commission cases and areas of opportunity to consumers, utilities, consumer groups, and decision makers.

Comments, suggestions, and requests for more information should be directed to:

Tracy Bove  
1700 Broadway, Suite 270  
Denver, Colorado 80202

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# Transportation rule changes add consumer protections

## Mileage limits, credit card options set for non-consensual tows

A PUC Administrative law judge has issued a recommended decision adopting proposed changes to transportation rules that provide additional consumer protections and public safety enhancements.

The recommended decision was issued April 6 after several rounds of comment and hearing. A final decision on the rules is expected later this spring, after the PUC takes up exceptions to the judge's recommendations.

The judge adopted several changes to the non-consensual towing rules, including a requirement that towing carriers accept at a minimum Visa and MasterCard for payment of services. Currently, PUC rules state that a towing operator must accept at least one credit card as payment, but does not specify any particular card.

The judge also recommended increasing the hook-up charge for non-consensual tows from \$151 to \$160 but imposed restrictions to mileage fees that can be tacked on by towing carriers. The recommended rules impose a maximum mileage limit of 12 miles for Front Range tows and 16.5 miles for non-Front Range tows and established a maximum per mile charge. Currently,



A PUC administrative law judge has recommended changes to the non-consensual towing rules, along with other transportation rules, that will add consumer protections and safety enhancements.

there are no mileage restrictions in the rules.

The judge also eliminated additional fees that may be charged for non-consensual tows in "mountain areas."

The recommended rules also require household goods movers to provide a written estimate of total costs and limit actual charges to no more than 10 percent above the written estimate. If a household goods mover accepts credit cards as payment, then it must accept at a minimum, MasterCard and Visa.

Other recommendations adopted by the judge include:

- Increased fines for some rule viola-

tions by regulated passenger carriers, including failure to follow rules on record keeping, violations of driver on-duty hours, and failure to follow PUC safety rules on driver substance abuse testing and enforcement.

- Explicitly expanding the definition of "passenger" to include assistance animals—ensuring that people with disabilities will have full access to transportation services.
- Clarifying those vehicles that qualify as luxury limousines.
- Establishing additional service requirements for taxis in counties with higher population densities,

such as mandatory 24-hour operations, digital dispatch systems, and newer vehicles.

- Establishing a civil penalty for violations of tax rules concerning taxicab or service and driver counties.
- Limited the hours of service rules.
- Added the definition of "synthetic service" to be used in place of call-and-demand limousine service to help distinguish the service from luxury limousine service.
- Established an age of vehicle rule (12 model years or newer) for taxation and contract carriers with few exceptions.

# Pilot program to allow medical exemptions from tiered rates

A pilot program allowing an exemption from residential tiered electric rates for low-income customers with proof of a qualifying medical condition or use of an essential life support device will be implemented by Xcel Energy this summer.

The short-term program will run from June 1 through Sept. 30 and will include a flat rate of 6.322 cents per kilowatt-hour (kWh) for all qualifying residential usage. Sign-up was required by May 1 and was open to customers who were eligible for the Low-income Energy Assistance Program (LEAP), and could provide documentation from

a licensed physician that the customer has a qualifying medical condition or requires the use of an essential life support device.

The Public Utilities Commission (PUC) earlier this year considered adopting rules creating a permanent medical exemption from tiered electric rate plans based on a customer's medical need. However, the PUC found it had insufficient information on which to base rules, and suggested a pilot program to acquire additional information.

Xcel sent notices to all potential program participants who met the

LEAP income criterion and whose monthly summer use during 2011 exceeded 820 kWh—the usage level at which the alternative rate benefits the customer. Those customers were given the opportunity to enroll in the medical exemption pilot program.

Costs for the program, including any lost electric revenues for the three months of the pilot, are to be recovered through the Electric Commodity Adjustment on all Xcel customer bills.

At the conclusion of the short-term pilot project, Xcel will file a report with the PUC, including the number of participants, their incomes, and elec-

tricity usage. That information will be used by the PUC to determine whether to proceed with permanent rules.

Xcel currently is the only Colorado electric utility with a tiered-rate plan in effect. The PUC approved a tiered-rate structure for Xcel in 2010 to more accurately reflect the actual costs of electric usage.

Tiered rates are designed to promote efficient use of energy during the months when demand for electricity is highest, and help avoid the necessity of building costly power plants that may be used only a few weeks during the year.

# Hearing August 1–2 on SmartGrid costs

An evidentiary hearing on Xcel Energy's application to recover the remainder of its costs for the SmartGridCity pilot project in Boulder has been rescheduled for August 1–2 at the Public Utilities Commission (PUC) in Denver.

The hearing, originally set for this spring, was pushed back due to a number of events that have occurred since the procedural schedule was established, including the resignation of Commission Matt Baker, who was to preside over the hearing. A PUC Administrative Law Judge will now hear the case.

The PUC last year capped recovery of the SmartGridCity investment at \$27.9 million, instead of granting the full \$113.5 million requested by Xcel. The Commission expressed concerns about the cost overruns of the project, and whether smart grid technologies would provide consumer and utility benefits on a going-forward basis.

"If the company demonstrates in a future application that the SmartGridCity project has a cobenefit and valuable utility, we may allow the company to recover the balance of the

investment disallowed in this case," the PUC stated in its decision.

Xcel filed its follow-up application last December, stating that it has now met the standard for full recovery of its capital investment, and it is seeking to include the amount previously held back.

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 or service.

Xcel stated in its application that SmartGridCity is now fully installed and is an integral part of its distribution system in Boulder. The company states that the enhanced distribution already is improving the reliability of electric service in Boulder, and lessons learned from SmartGridCity are being used to determine cost-effective grid modernization strategies that can be applied elsewhere in its service territory.

# Gas utilities pass on savings from lower commodity prices

Several natural gas utilities in Colorado recently implemented decreases in their natural gas commodity rates to reflect lower prices in the wholesale market.

Black Hills Energy/Colorado Gas reduced rates by about 10 percent beginning March 1 for both residential and commercial customers. The lower rates apply to bills for Black Hills gas customers in 27 Colorado communities, including Castle Rock, Fountain, Larkspur, Monument, Woodland Park, Limon and Burlington.

Xcel Energy's rate changes, part of its quarterly gas cost adjustment, became effective on April 1, resulting in bill reductions of approximately 13–15 percent for residential and small business natural gas bills, compared to the second quarter of 2011.

Atmos Energy also filed an interim gas cost adjustment that went into effect May 1. Bill reductions for Atmos residential customers ranged from 8 to 11 percent, depending on the service territory, while bills for small commercial

customers dropped by 10 to 16 percent. Atmos serves about 119,000 customers in more than 60 communities in Colorado, including Greeley, Canon City, Durango, Gunnison, Crested Butte, Lamar, and Steamboat Springs.

The decreases resulted from a continuing decline in wholesale natural gas prices over the last few months. The Colorado Public Utilities Commission (PUC) reviewed and approved all three requests.

Gas cost adjustments are used by utilities to pass through to their customers market fluctuations in the wholesale price of natural gas. Wholesale prices were deregulated by the federal government in the 1980s.

The natural gas commodity makes up the largest portion of a customer's natural gas bill. Both increases and decreases in the cost of purchasing natural gas are passed on to customers on a dollar-for-dollar basis, with only minor exceptions.

# PUC upholds judge in Black Hills generation case

The Colorado Public Utilities Commission (PUC) has upheld an administrative law judge's recommended decision denying a request by Black Hills Energy, Colorado Electric to build a third natural gas-fired generating unit at its Pueblo Airport Generating Station.

The PUC, in a ruling issued April 13, affirmed the judge's findings that the company failed to justify the need to build an additional 88 megawatts of capacity, and that Black Hills did not adequately consider possible alternatives.

"We understand the business case Black Hills presented for the use of the expansion slot in the air permit at (the Pueblo Airport Generating Station),"

the PUC wrote in its decision. "However, due to the absence of critical information regarding possible alternatives to new construction, including the use of existing generation capacity in Colorado, we are not convinced that the Company's objectives, which are dependent on the preservation of the expansion slot, will necessarily result in the best outcome for both Black Hills and its customers."

The PUC, in late 2010, approved Black Hills' plan under the Clean Air Clean Jobs Act to retire two coal generation units in Canon City and acquire 42 megawatts of replacement power. However, the PUC deterred specific details of the replacement generation,

including cost estimates and need for the full capacity of the third unit at the airport, to the request for a Certificate of Public Convenience and Necessity (CPCN) for the project.

The company, in its application filed last year, requested authority to build a new, \$100 million unit to replace Canon City's Clark station and the retirement of two steam turbine units at its downtown Pueblo plant.

"The record in this proceeding indicates that at least 380 megawatts of natural gas generation facilities already built and permitted in Colorado will be available when Clark closes," the PUC said. "The availability of this capacity calls into question the proposed timing

of the construction of an additional power plant in Colorado, particularly since the current conditions of the marketplace for purchased capacity appear to be due, at least in part, to utility preferences in their business decisions surrounding the expiration of the (purchased power agreement) between Black Hills and Public Service Company of Colorado."

The PUC said Black Hills and other stakeholders would have further opportunity to explore the best approach for acquiring replacement capacity for the Clark Station and the merits of retiring the Pueblo steam units during its next Electric Resource Plan, which is to be filed later this year.

## Low-income telephone assistance surcharge bumped April 1

The state Low-Income Telephone Assistance Program (LITAP) surcharge used to provide discounts to eligible low-income telephone subscribers increased to 7 cents a month on April 1.

The surcharge had been set at 5 cents a month since April of 2011. However, an analysis of the fund's obligations and reserves prompted the Colorado Public Utilities Commission (PUC) to increase the surcharge starting in April and continuing through the 2012-13 fiscal year.

The LITAP fund, also known as the "lifeline" fund, was established by the Colorado legislature in 1990. It is used to offset the costs of providing local telephone service at a discounted rate for some low-income customers.

Under the program, eligible subscribers receive a monthly discount

equal to the greater of the federal Subscriber Line Charge, currently at \$6.50 per month, or 25 percent of the basic local service rate. The program is funded through a uniform charge assessed to each residential and business line of telecommunications providers that participate in the program.

In 2008, the legislature expanded LITAP eligibility to include all Colorado residents who are certified by the Department of Human Services to receive financial assistance under at least one of the following programs: Old Age Pension, Aid to the Needy Disabled, Aid to the Blind, Supplemental Social Security income benefits, Colorado works assistance, or low-income home energy assistance benefits.

For the past three years, the LITAP surcharge has ranged from 3 to 7 cents

From April of 2006, to June of 2009, the surcharge was reduced to 0 cents following an agreement in which Qwest agreed to pay \$5.5 million to the

low-income fund to settle allegations that it had given preferential financing to certain competitors through untied interconnection agreements.

## Regulated utilities establish energy affordability programs

Colorado's regulated electric and gas utilities have made filings to put in place special programs that will limit energy bills for low-income customers.

The Public Utilities Commission (PUC) last year adopted rules requiring utilities to file energy affordability programs this spring that could be implemented by the upcoming heating season. The rulemaking followed a 2010 law that removed a restriction that prohibited the PUC from allowing a preference or advantage to low-income customers in setting rates.

The energy affordability filings were due April 18. Filings were received from Xcel Energy, Black Hills Energy, SourceGas, Atmos Energy and Colorado Natural Gas (CNG).

While each company's program is different, the programs generally limit the amount that a qualified low-income utility household is required to pay each month for gas and electric service. The programs also contain provisions reducing accumulated bill arrearages for low-income customers, and encourage low-income customers to participate in energy efficiency programs.

In general, electric bills for qualifying participants would be limited to 4-6 percent of their annual household income, depending on their poverty level. Gas bills would be limited to 2-3 percent of annual income. Energy costs above those amounts would be spread among the rest of the utility's ratepayers, subject to a program cap.

Black Hills, SourceGas, Atmos and CNG have requested a 25-cent charge per month on all customer bills, in the form of a separate surcharge or as part of a monthly service and facilities charge, to pay for the program in its first year.

Xcel Energy, the state's largest electric and gas utility, is requesting in its filing to make permanent the pilot programs that it has had in place since 2009. The company did not propose any changes to its current service and facilities charges. Rather, Xcel said it would submit separate filings for its gas and electric affordability programs' cost recovery at a later date.

Approval for all of the programs is expected by no later than August 1.

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## PUC extends Black Hills deposit pilot

A Black Hills Energy pilot program that waives residential customer deposits for reconnection of service in certain circumstances has been extended for six months.

The Public Utilities Commission (PUC) has approved continuation of the program until November 1, 2012.

Black Hills originally created the pilot program to assess the company's reconnection deposit policies and the barrier those policies may create to customers trying to restore electric service. Members of the company PUC staff, the Office of Consumer Counsel and local utility assistance agencies have been gathering data and meeting to discuss those issues.

Under the pilot program, a customer may have electric service reconnected without paying the normal reconnect deposit amount when: (1) the customer's service has been disconnected for nonpayment, (2) the customer has applied for and received a pledge of payment for 51 percent or more of the arrearage from a designated utility

assistance agency, and (3) the customer enters into a payment arrangement for any remaining arrearage, including reconnection fee, over the portion not covered by the agency payment pledge.

Since the pilot program began last November, the company said approximately 136 customers have benefited and approximately \$36,774 in reconnection fees have been waived. Black Hills also formed a payment assistance team within its customer service unit to work personally with customers experiencing extreme difficulty in making their electric payments.

Black Hills said it will continue to gather and assess data for the next six months as it develops conclusions and recommendations about the company's current reconnection deposit requirements. It will also need to assess the relationship between the pilot program and the company's recently filed low-income energy assistance program before it can determine if the program should be continued on a permanent basis.



**B.14**

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**B.15**

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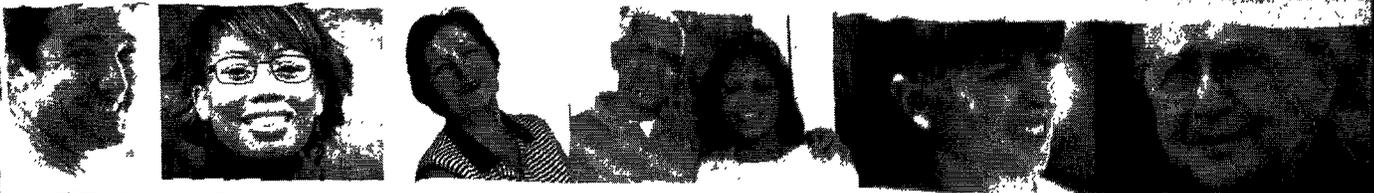
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**B.18**

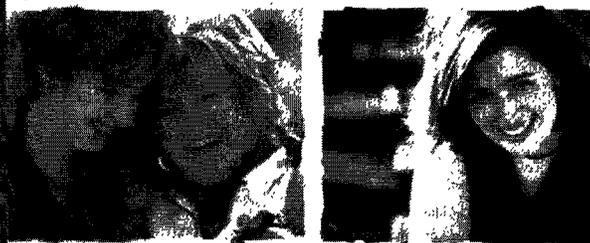
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**B.19**

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November 8<sup>th</sup>, 2010



**Exhibit C**

COPY OF COLORADO TRS RFP OF NOVEMBR 23, 2011