

Connections

NEWSLETTER OF THE COLORADO PUBLIC UTILITIES COMMISSION

JANUARY 2012

STARTING POINT



By Matt Baker
Commissioner

Innovation in the electricity market does not occur as it would in other markets. For starters, most areas of the country are served by monopoly providers. This means there is very little incentive to seek innovative

ways to create electricity. Secondly, most providers are heavily regulated, often compounding risk-reluctant utilities with risk-averse regulators. In fact, according to a recent report from the American Energy Innovation Council, electric utilities spend a paltry 0.1 percent of their revenue on research and development, far below the U.S. industrial average.

The upside of this conservatism has been the creation of ubiquitous, reasonably priced, reliable service. This has served our society well for the last hundred years, but unfortunately the future is unlikely to be like the past. Many parts of our electric system are facing the end of their useful lives and need to be replaced. In addition, the fuels we use to power the electric system are subject to risky and disruptive price volatility. A new set of environmental considerations is forcing us to rethink the industry's nearly complete reliance on traditional fuels. If we are going to "win the future," we will need an electricity sector that is more 21st century and less 19th century. The challenge is how to innovate without jeopardizing the widely available, affordable, reliable service consumers have depended upon.

That's where renewable energy standards can come in to play. The basic principle is similar to a fundamental concept in financial planning—build a diverse investment strategy that can weather changes. Renewable energy standards introduce diversity by lowering market barriers and creating an opening for renewable technologies that have different attributes and risk profiles than traditional fuels. Colorado's experience shows that this approach has led to impressive results.

In six years, Colorado has diversified its electricity mix and built a thriving renewable energy industry while maintaining stable electricity bills. We have seen the cost of renewable energy credits for large photovoltaic solar projects decline by 75 percent, and wind in Colorado is now a least-cost energy resource.

In 2004, the voters of Colorado passed the renewable energy standard ballot initiative. This was the first voter-approved renewable energy standard in the country—and with legislative support it evolved over time to become one

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Task force issues transmission report

Central siting authority not among suggestions for improving process

The Task Force on Statewide Transmission Siting and Permitting on December 1 issued its report to the governor and legislature in compliance with Senate Bill 11-045. The report does not recommend establishment of a statewide transmission siting authority in Colorado at this time, but offers three recommendations for improving existing siting and permitting processes.

The task force consisted of 17 appointed members, including representatives from electric utilities and power providers, consumers, agricultural interests, landowners and state and local governments. The task force conducted four public meetings, during which it received testimony and presentations from experts on various transmission issues. Significant public comment, both written and oral, also was received. In addition to two meetings in Denver, meetings were held in Burlington and Pueblo, to accommodate statewide public interest in transmission issues.

Senate Bill 11-045 required the task force to examine the advantages and disadvantages of a statewide transmission siting and permitting framework for electric transmission facilities.

The report includes the following recommendations:

- The task force supports increased cooperation and collaboration among local governments that review transmission applications in Colorado. Therefore, Colorado Counties Inc. (CCI), the Colorado Municipal League (CML), and transmission owners and operators agree to meet and develop proposed improvements



In a report issued to the governor and legislature on December 1, the Task Force on Statewide Transmission Siting and Permitting offered three recommendations for improving existing local and state siting processes.

to the siting and permitting review process for multi-jurisdictional projects, and report the results to the PUC.

- When local government land-use decisions on utility projects are appealed to the PUC, and the PUC's decision is subsequently appealed, cases should go directly to the Colorado Court of Appeals, rather than to a district court. Task force members agree that this change in the appellate review process will foster a more efficient and timely judicial review.
- The task force supports establishment of processes and provision of resources to resolve transmission siting and permitting disputes between local governments and

transmission operators. The task force recommends that the PUC open an investigatory docket to consider various issues, including:

- Best practices for transmission permitting and siting;
- Best practices for providing advisory services to the PUC when local government land-use decisions on utility projects are appealed to the Commission; and
- Whether a transmission permitting and siting resource center for the benefit of local governments, transmission operators, the public, and the PUC would be helpful.

A copy of the task force's full report can be viewed from the PUC website at <http://www.dora.state.co.us/puc/index.htm#>.

PUC to consider Xcel electric rate proposal

The Colorado Public Utilities Commission (PUC) has suspended and set for hearing a proposal by Xcel Energy to increase its electric rates by \$141.9 million.

Hearings on the proposal, filed in November, are expected to take place sometime this spring.

The company also requested that it be allowed to implement \$100 million of the proposed amount on an interim basis while the case is pending. A 2010 law passed by the legislature allows the PUC to consider interim rates if the utility shows it will be adversely affected by the revenue deficiency during the time period required to hold hearings on the suspended rates. The PUC was expected to rule on interim rates by January 21.

Xcel Energy's proposal would increase monthly bills for residential customers, using an average of 632 kilowatt-hours (kwh) per month, by \$4.01, or 5.99 percent. Monthly bills for commercial customers, using 1,123 kwh per month, would rise by \$5.30, or 4.83 percent.

More than half of the proposed increase is due to the loss of the Black Hills Electric wholesale contract, which expired at the end of 2011, and increases in property taxes. The company also is seeking to recover recent investments in

the electric distribution system, costs associated with efforts to improve the state's air quality, and a \$10 million plan to clear and remove trees killed by the mountain pine beetle from Xcel's transmission and distribution lines.

The company is seeking a 10.75 percent return on equity, the profit that a utility is authorized to earn to attract investors, up from the current 10.5 percent.

Commissioner awaiting word on term

As of December 30, there had been no word on whether PUC Commissioner **Matt Baker** would be reappointed, or whether a replacement would be named.

Baker's term was set to expire on January 9, 2012. He is one of three commissioners appointed to regulate intrastate telecommunications services; investor-owned electric, gas and water utilities; and for-hire motor carriers in Colorado.

Baker was appointed to the PUC in January of 2008 by former Gov. Bill Ritter to replace Polly Page. He will continue serving in his current position, even after expiration of his term, until

a replacement is named by Gov. John Hickenlooper.

PUC Commissioners serve four-year, staggered terms and no more than two appointees may be from the same political party. Appointments must be confirmed by the Colorado Senate.

Last April, Gov. Hickenlooper appointed **Joshua Epel** as chairman of the PUC, replacing Ron Binz, whose term expired in January of 2011. 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.

PUC sets telemarketer do-not-call fees

The Colorado Public Utilities Commission (PUC) has established the registration fees for 2012 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 2012 will remain the same as for 2011, 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 350 telemarketers will pay registration fees

in 2012, generating about \$121,530 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, 2011, more than 3.4 million telephone numbers had

been placed on Colorado's no-call list.

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

2012 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

Starting Point

(Continued from page 1)

of the most progressive. The initiative set a requirement that Colorado's investor-owned utilities generate 10 percent of their retail sales from renewable resources by 2015. As it became apparent that the state's largest utility would meet the renewable requirements years ahead of schedule, the Colorado General Assembly has increased the standard twice to the now-existing 30 percent by 2020. Finally, the voters and the General Assembly both mandated the entire program be halted if it increased utility bills by more than 2 percent. You get the picture. Innovate but contain the risk.

In 2004, Colorado's IOUs had negligible amounts of wind and solar power. Today, 12 percent of their electricity comes from these resources. Colorado's utilities have integrated these variable resources with only minor costs and have led the country in techniques to integrate intermittent resources on the grid.

On the economic development side, Colorado is now home to one of North America's largest concentrations of wind turbine and tower production facilities. Our solar manufacturing cluster includes breakthrough thin-film technology that is revolutionizing the production of PV. As a first mover, Colorado is also home to many of the research, support, production and sales operations that are driving renewable energy expansion.

While Colorado's largest utility, Xcel Energy, has exceeded its goals, it has stayed within the 2 percent cap set by the legislature. In fact, despite Xcel making the major capital investments in its Colorado system, the average residential electricity bill has failed to keep up with inflation over the last five years.

Colorado's renewable energy standards' proof is in the pudding. We have a much more diverse, robust, modern energy portfolio. We have seen significant economic development. We have kept costs reasonable. What else could you want?

Customer service award winner chosen



PUC Director Doug Dean (right) congratulates Ted Barrett, the 2011 winner of the Dom Hidalgo customer service award.

Ted Barrett was selected by PUC co-workers to receive the 2011 Dom Hidalgo customer service award.

Barrett was one of three finalists chosen by a panel of PUC employees. The other finalists were Noel Giesige and Susan Travis.

Barrett is a criminal investigator in the PUC's Transportation section, performing safety and compliance reviews of regulated transportation carriers and

enforcing state and federal motor carrier statutes. He specializes in towing issues and often works with the Consumer Affairs unit in handling consumer complaints against towing carriers.

"Most (towing) cases involve very emotional and irate complainants, requiring a level-headed approach. This is one of Ted's strengths in dealing with consumers and carriers," wrote a co-worker in submitting Barrett's nomination.

He also maintains and demonstrates a positive attitude in the face of difficult and challenging situations.

"Given the numerous job duties assigned to him and the number of internal and external customers he deals with, it is essential to have this skill, which he does and does well," according to Barrett's nomination.

The annual customer service award was established in 1998 to recognize the PUC employee who displays con-

sistent and superior customer service throughout the year. The award is named for former PUC employee Dom Hidalgo, who exemplified exceptional customer service for more than 35 years in the PUC's Transportation section before he died in 1997.

Nominees for the award must have worked at the PUC for a minimum of three years and exhibit consistent and sustained effort in: demonstrating patience and tolerance; maintaining a positive attitude; assisting other employees; promoting a spirit of cooperation with others; dealing effectively in difficult situations; identifying improvements in processes or procedures; and displaying innovation in problem solving.

Nominations for the award were solicited from all PUC employees. After the panel narrowed the field to the three finalists, the winner was chosen by a vote of all PUC employees.

Barrett received eight hours of administrative leave along with an individual plaque, and his name will be engraved on a permanent plaque displayed in the reception area. Giesige and Travis each received four hours of administrative leave and individual plaques.

INSIDE CONNECTIONS

As an unabashed trivia buff with a goal of someday becoming a Jeopardy contestant, Ken Kassakhian looks to collect information whenever and wherever he can. Which makes him perfectly suited for his position with the PUC.

Ken is an analyst in the Research and Emerging Issues (REI) section, preparing research materials for Commissioners on items that are not currently in litigated proceedings, but are issues that the Commission will likely have to address in the future. Such issues might include expansion of smart grid technologies, dynamic pricing, emerging markets and technologies for home energy management, and new utility business and regulatory models.

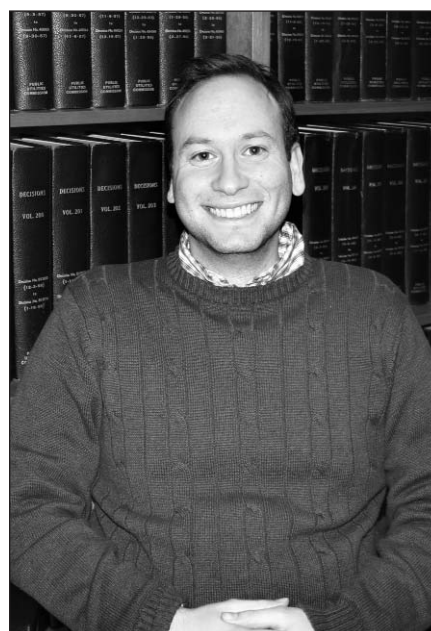
"What I love most about my job is the multi-disciplinary nature of the work researching anticipated future impacts on the electric sector in Colorado," Ken said. "In mapping out the range of potential issues to communicate to Commissioners on a given topic, the relevant subjects informing an issue might come from subjects as varied as economics, finance, law,

power systems engineering, marketing or behavioral science. I love research and information, so the work fits really well with my personality and interests."

Ken holds a bachelor's degree in English Literature from the University of California-Berkeley and an MBA and Graduate Certificate in Renewable and Sustainable Energy from the University of Colorado. One of his first jobs out of college was teaching high school social studies in Hollywood by day, while captioning television rerun episodes of The Twilight Zone and Cosby Show by night.

Since then, his career has gravitated toward policymaking, including stints on political campaigns, on Capitol Hill, and for a number of policy advocacy groups. He worked at the National Renewable Energy Laboratory in Golden before coming to the PUC in 2010.

In addition to his love of trivia, Ken enjoys movies and reading, and recently joined an improvisational theater class with a local theater in Denver, reflecting his personal philosophy of "Semper Gumby"—always be flexible."



Ken Kassakhian

"It's not actually Latin, but I think it's a good motto to remind oneself to always be flexible in thought and action and reorient oneself to new conditions and be aware of the new opportunities that life presents all the time," he said.

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

POSITIVE CHARGES

PUC employees contributed \$13,687 of DORA's \$48,300 total toward the 2011 Colorado Combined Campaign. Thanks to Larry Duran and Lynn Notarianni for leading another successful campaign.

Welcome to new PUC employees: Kevin Stilson, an engineer in the Gas Pipeline Safety section; and Fiona Sigalla, an economist in the Energy section.

Kevin Stilson



Fiona Sigalla

Colorado PUC staff members meet with a delegation from Iraq during a visit in November. The project, sponsored by the State Department's International Visitor Leadership Program, was part of an effort to help Iraqi engineers gain in-depth understanding of the U.S. electricity sector and explore the role of federal, state and local government in regulation of the electrical grid and power companies.



PUC reduces Black Hills' electric base rate hike

The Colorado Public Utilities Commission (PUC) reduced a proposed annual revenue increase for Black Hills Energy/Colorado Electric by about 42 percent, granting the company a \$10.48 million base rate hike instead of the \$17.5 million requested by the company.

Black Hills filed its rate case last April, seeking to recover the costs of two new natural gas-fired turbines at Pueblo, along with associated infrastructure and other utility expenses. The company originally asked for a \$40.2 million revenue increase. Black

Hills later amended its base rate request to \$17.5 million, while shifting an additional \$12.5 million in costs to the Electric Commodity Adjustment (ECA) and Transmission Cost Adjustment (TCA) for future collection.

The PUC, in deliberations on December 6, granted Black Hills \$10.48 million of its base rate request, while authorizing a 9.9 percent return on equity (ROE), instead of the company's proposed 11.0 percent. The ROE is the profit that a utility is authorized to earn to attract

investors, but it is not guaranteed.

The PUC decision was expected to add about 4.91 percent to customer base rates, beginning in January. With the ECA and TCA changes, however, monthly bills were expected to increase by about \$17.50 per month for residential customers and about \$63.70 per month for small business customers.

The decision achieved a reasonable balance between providing the utility the money it needed to remain healthy, while also protecting ratepayers in tough economic

times, the commissioners said.

Black Hills Energy/Colorado Electric serves about 93,300 customers in 21 Colorado communities, including Pueblo, Cañon City, Florence, and Rocky Ford.

The proposed rate hike covers costs associated with the additional generation being built at the Pueblo Airport Generating Station to replace a purchased power agreement with Xcel Energy that expires at the end of 2011. That purchased power agreement supplied about 75 percent of the company's electricity needs.

Judge denies Black Hills request for third gas unit

An Administrative Law Judge for the Public Utilities Commission (PUC) has issued a 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 recommended decision, issued December 14, also denied the

company's request to retire two steam turbine units at its downtown Pueblo plant. The judge ruled that Black Hills had not met its burden of proof establishing that either request was in the public interest.

In December of 2010, the PUC approved Black Hills' plan under the Clean Air Clean Jobs Act to retire the company's two coal generation units in

Canon City and acquire 42 megawatts of replacement power. However, the PUC deferred 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.

In the recommended decision, the judge found that Black Hills did not meet the statutory requirements for granting a CPCN for the third turbine at the airport site. She expressed concerns that forecasted demand for capacity and power was overstated, and that costs for the 90-megawatt, \$100 million turbine were understated. She also found that the company had not conducted a

"meaningful investigation" into alternatives, including independent power producer purchases.

Black Hills, the Office of Consumer Counsel, and several government and natural gas intervenors had proposed a settlement in the case. However, because the application was denied in its entirety, the judge did not consider it.

Exceptions to the judge's recommended decision were due in early January. The matter is not expected to come before the full Commission until at least February.

Black Hills serves about 93,300 customers in 21 Colorado communities, including Pueblo, Cañon City, Florence, and Rocky Ford.

Xcel Energy files electric plan projecting 'low' resource need

The Colorado Public Utilities Commission (PUC) will establish a procedural schedule in January to review Xcel Energy's proposed plan outlining how it intends to meet its Colorado customers' electricity needs through 2018.

The company filed its Colorado 2011 Electric Resource Plan on October 31. The PUC scheduled a pre-hearing conference on January 18 in Denver to establish dates for testimony and hearings, to determine the scope of the docket, and to decide whether to consolidate review of the resource plan with Xcel Energy's 2014 Renewable Energy Standard Compliance Plan, filed on the same day.

In its proposed resource plan, the company is projecting a relatively low incremental resource need of 292 megawatts during the resource acquisition period of 2011 through 2018. Xcel stated that during this same period, expiring purchase power contracts will result in up to 1,200 megawatts of existing generation in the Colorado Front Range and in Wyoming being available to supply the company's requirements.

In its plan, Xcel cited uncertainties regarding the Boulder municipal utility effort, future environmental regulations, changing technologies, tax credits that impact the relative cost of renewable generation, fuel prices and economic growth. Given those uncertainties, along with the implementation of the PUC-approved Clear Air-Clean Jobs plan, Xcel stated it is focusing on shorter-term resource acquisition decisions in this plan, and preserving decisions involving new generation facilities for the 2015 plan.

Xcel also said it is well ahead of the Renewable Energy Standard (RES) requirements for renewable energy, and its 2014 RES Compliance plan only addresses the acquisition of on-site solar resources and Community Solar Gardens. In terms of targets, the company proposes to acquire 30 megawatts of traditional on-site solar resources and 6 megawatts of Community Solar Gardens.

PUC approves Xcel purchase of additional wind generation

The Colorado Public Utilities Commission (PUC) has approved a request by Xcel Energy to buy 200 megawatts of additional wind power generation near Limon in eastern Colorado.

The PUC in November approved a 25-year purchase power agreement between Xcel Energy and NextEra Energy Resources for power produced at the Limon Wind Energy Center II.

The proposal was originally developed to accommodate the City of Boulder's request to be served with additional renewable energy under a new franchise agreement. When those negotiations broke down, the company proposed the Limon II contract as a new system resource to benefit all customers.

Xcel asserted in its application that the contract would save ratepayers \$100 million over its 25-year term, primarily in reduced natural gas fuel requirements.

"A significant benefit of the Limon II contract is its value as a hedge against natural gas price volatility," the PUC

said in its written decision approving the proposal. "The Limon II wind purchase agreement is essentially a long-term fixed-price energy contract, similar to a long-term natural gas supply contract."

The company requested expedited approval of the wind purchase agreement in order for the project to meet the deadline to qualify for federal production tax credits, which currently expire at the end of 2012. Construction of Limon II is expected to begin in early 2012.

The additional purchase of wind will give Xcel Energy a total of more than 2,100 megawatts of wind generation on its system in Colorado. Renewable energy currently makes up nearly 12 percent of the company's energy supply mix in the state, with the majority of that from wind power.

"While we are cognizant that (Xcel) could possibly find a better deal on a renewable resource in the future, we find that low wind component prices, the Federal Production Tax Credits, and low interest rates will not likely coincide as they have today," the PUC said.



Dora
Department of Regulatory Agencies

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

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

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PUC considering modifications to transportation rules

A Public Utilities Commission (PUC) administrative law judge is expected to issue a recommended decision early this year on proposed changes to transportation rules.

The PUC issued the proposed rule changes last September and solicited comment from the transportation industry and other interested parties. A hearing on the proposed rules was held in December.

The PUC is responsible for safety and insurance oversight of passenger carriers, household goods movers, and towing carriers that operate on a for-hire basis in Colorado; as well as rate regulation of common and contract carriers. The PUC undertook a review of its rules to see if additional consumer protections and public

safety enhancements were appropriate.

Specifically, the PUC proposed reducing the maximum charge for a nonconsensual tow from \$154 to \$100, and eliminating the mileage charge and any applicable mountain area charges. The proposed rules also would require towing carriers to relinquish medicines, medical equipment and child restraints immediately upon demand, and require towing carriers to accept, at a minimum, MasterCard and Visa credit cards.

The proposed rules also would 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 notable proposed changes:

- Requiring drivers to re-submit a set of fingerprints for background checks every three years, instead of just once upon initial employment with a regulated carrier.
- Increased fines for some rule violations 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.
- Establishing a maximum age of 12 model years for intrastate motor vehicle carriers operating vehicles with a seating capacity of 15 or less.
- 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 taxi rules concerning refusal of service and driver courtesy.

Once the administrative law judge issues a recommended decision, interested parties will have 20 days to file exceptions to the judge's ruling. The PUC would then rule on any exceptions at a future deliberations meeting.

Federal telecom reform may impact high cost fund

The surcharge to help keep basic local telephone service affordable for all Coloradoans will remain at its current level entering 2012, but will be closely watched as proposed federal telecommunications reform may impact how the state high cost fund is collected and used.

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

The surcharge on customer bills currently is 2.9 percent. It was increased from 2.2 percent in July of 2011 to cover required disbursements and reserves. In its annual review of the program, the Public Utilities Commission (PUC) said that while it anticipates the surcharge will remain at 2.9 percent in 2012, a number of

factors could impact the state fund, including Federal Communications Commission (FCC) actions to reform the federal Universal Service Fund.

The FCC issued an order and notice of further rulemaking in November calling for significant changes to the federal USF fund, including support for broadband deployment in underserved areas. The proposed changes to universal service could place further pressure on state high cost funds.

In its annual report, PUC staff estimates that statewide high cost support and administrative expenses for 2012 will be about \$55 million. Of that amount, Qwest is expected to receive \$50.2 million, with the rest going to rural independent and wireless carriers.

Most Colorado telecommunications customers pay the monthly high cost 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.

The Colorado High Cost Support Mechanism was established by the legislature in 1999, and has fluctuated between 1.6 percent and 3.2 percent, depending on the needs of the fund.

Rules set tiered-rate exemption

A PUC administrative law judge has set the framework for customers with medical conditions to apply for exemptions from tiered electric rates beginning next summer.

The judge in December issued a recommended decision adopting rules that would require any electric utility that has a PUC-approved tiered-rate plan to offer a voluntary, flat-rate to residential customers who have a qualifying medical condition or use essential life support equipment. The rules state the alternative is to be "non-preferential" and not subsidized by other residential customers.

The rulemaking was in response to a 2011 legislative measure that allowed the PUC to consider a tiered-rate medical exemption. The PUC solicited comment on the proposed rules from all interested parties, including advocates for customers with medical conditions that require higher electric consumption.

In the recommended decision, the judge found that determining whether a person's medical condition or use of medical equipment makes that person

eligible for exemption from tiered rates should be made by a licensed physician or a health care practitioner acting under a physician's authority. The rules do not limit what medical conditions or medical equipment should be considered eligible.

Certification of a qualifying medical exemption would be valid for one year, which is consistent with the PUC's current medical certificate program concerning disconnections.

Presently, Xcel Energy is the only Colorado electric utility with a tiered-rate plan in place, and that plan is for the months of June through September. An alternative rate for customers with medical exemptions would only replace the tiered-rate during those four months.

The rules do not address the specific flat rate that will replace the tiered-rate for medical exemptions. That would be determined when Xcel Energy submits a proposed tariff implementing the medical exemption program by February 1.

The PUC is expected to address any exceptions to the judge's recommended decision by the end of January.

Xcel seeks full SmartGridCity recovery

Xcel Energy has filed an application with the Public Utilities Commission (PUC) to recover the remainder of its costs for the SmartGridCity pilot project in Boulder.

The PUC last February capped recovery of the SmartGridCity investment at \$27.9 million, instead of granting the full \$44.5 million requested by the company. 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 coherent and valuable future, we may allow the company to recover the balance of the investment disallowed in this case," the PUC stated in its decision.

In its application filed December 14, Xcel Energy stated 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. The company has asked to start collecting those costs at the same time it

implements any changes from its current electric rate case, which is expected to be finished around the end of June.

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

Xcel states 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.

The PUC is likely to hold hearings on the application for full cost recovery sometime this spring.

