

# Presentation to the Joint Select Committee on Rising Utility Rates

Colorado General Assembly

Office of the Utility Consumer Advocate

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<https://uca.colorado.gov>



**COLORADO**

Department of  
Regulatory Agencies

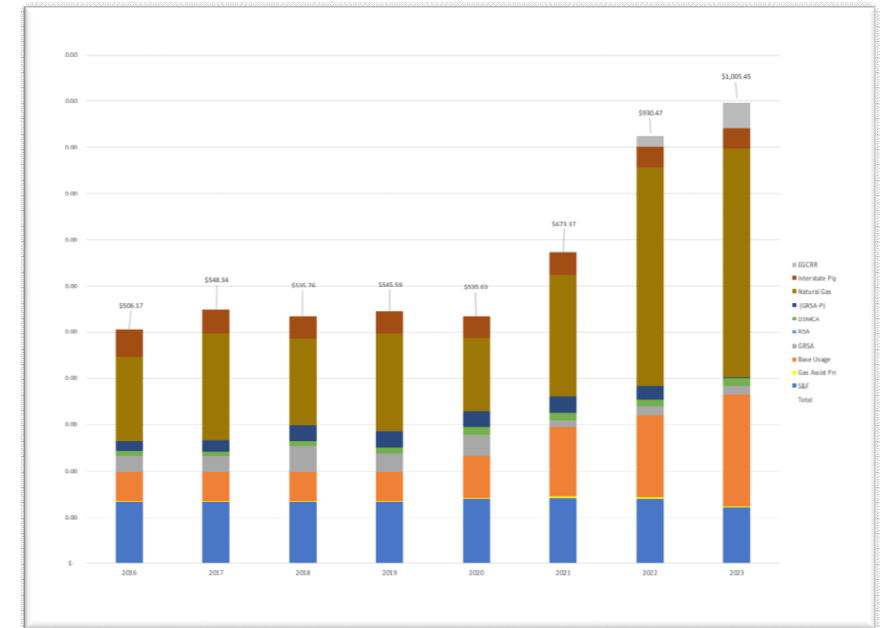
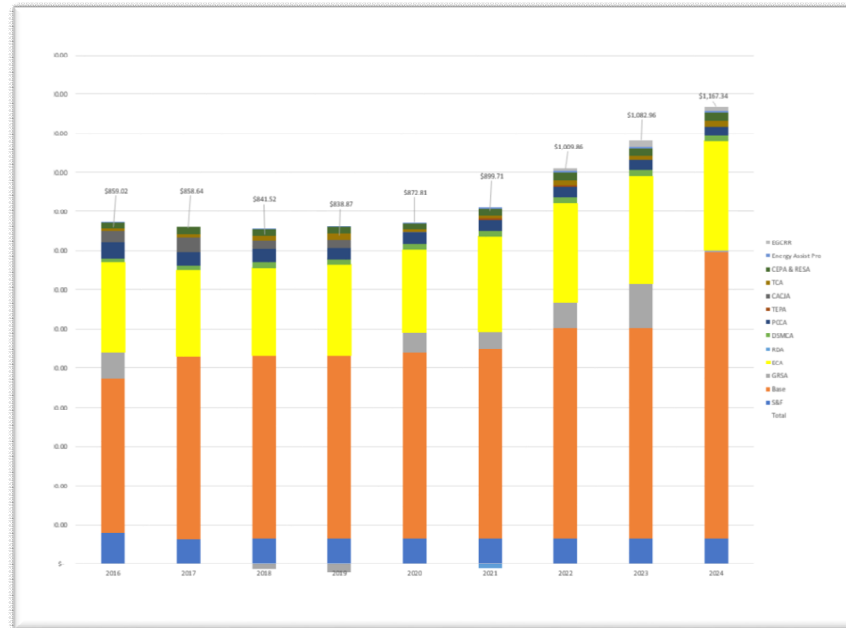
Office of the Utility Consumer Advocate

# Office of the Utility Consumer Advocate (UCA)

- C.R.S. 40-6.5-104
  - “Shall represent the public interest, and to the extent consistent within, the specific interests of residential consumers, agricultural consumers, and small business consumers...”
  - “In evaluating the public interest, including the impact on rates and charges to consumers,...to statutory decarbonization goals..., just transition ..., environmental justice, and the short- and long-term effect of proceedings..”
  - Authorized to appear before the Public Utilities Commission, federal agencies, and the courts

# Causes of Today's High Costs

- Increase in commodity prices
- Colder than usual weather
- Growth trend in utility base rates



# Development of Monopoly Energy Utilities

- Grew from the development of the railroad industry and the tendency to consolidate market power to the detriment of the public
- Competing electric providers saw opportunity in consolidation to invest heavily in growth without the perils of competition
- Promotion of “natural monopoly” concept as a technical fix and a means to calm risk-averse investors
- Developing monopolies looked a lot like railroads of the past which then necessitated regulation

# The “Regulatory Compact”

- Rhetorical concept in which the utility accepts the obligation to serve in return for the opportunity to recover its costs and receive a “reasonable” rate of return for its efforts
- This is not a legal agreement and has never been affirmed specifically by law
- Utility regulation is premised on state constitution and laws
- Use of a Regulatory Compact paradigm reduces regulation to a financial transaction between utility and regulator and moves focus away from the public interest

# What is the Public Interest?

- Amorphous term which derives its meaning from state law
- Law is the strict determining factor
- Colorado: Just and Reasonable Rates, Safe and Reliable Service, Decarbonization Goals, Renewable Energy Requirements, Just Transition, Equity, etc...
- Reasonableness is the standard of law for determining prudence and the method for recovery of costs

# Return on Equity (ROE)

- The earnings on the equity portion of the rate base that utilities are allowed to collect
- Reflects tension between the shareholder desires and the ratepayer's rates
- Set to attract capital without unreasonable shareholder return
- Relational to the cost of debt, equity to debt ratio, and to level of expenses
- “Art” not a “science”
- Risk is a primary adjuster

# Misconceptions about Regulation

- Public interest is reached through a balancing of interests or positions
- Public outcry, concerns or opinions have no place within decision-making
- Any activity beyond basic service is contrary to the interest of the utility and therefore needs to be incentivized
- “Regulatory Compact” is a fixed and understood doctrine
- Information is symmetric, transparent, and available
- Resources are not determinative in outcomes



# Public Interest -Risks of this Approach

- Vision and priorities become that of the utility and not what is in the public interest
- Issues are framed by the utility and intervenors based on private interests and not the public interest
- Positions of the parties are prioritized over perspectives
- Political pressures come to bear
- By proxy, what is good for the utility becomes good for the public interest

# Where are we Today?

## Black Hills: Why This Dividend King Is Currently A Buy

Colorado's newest coal-fired generator has been shut down for two weeks. Regulators have ordered Xcel to tell them why

Frustrated with their utilities, some Coloradans want the state to change its rules so communities can buy their own electricity

December natural gas bills will jump 54% as Xcel passes a stack of price hikes on to Colorado customers

Atmos Energy declares \$0.74 dividend

Xcel Energy has a backlog of people waiting to get their solar panels plugged into the grid. Why?

## Breakdowns, shutdowns and cost overruns plague Xcel's Comanche 3 coal-fired power plant, investigation finds

Dividend History for Xcel Energy, Inc. (xel)

Price: 65.07 | Annualized Dividend: \$2.68 | Dividend Yield: 3.2%

| Ex. Div. Date | Amount   | Type    | Yield | Change | Decl. Date | Rec. Date  | Pay. Date  |
|---------------|----------|---------|-------|--------|------------|------------|------------|
| 3/14/2023     | \$0.52   | Quarter | 3.2%  | +5.7%  | 2/23/2023  | 3/15/2023  | 4/20/2023  |
| 12/28/2022    | \$0.4875 | Quarter | 2.6%  | 0%     | 12/14/2022 | 12/29/2022 | 1/20/2023  |
| 9/14/2022     | \$0.4875 | Quarter | 2.6%  | 0%     | 8/17/2022  | 9/15/2022  | 10/20/2022 |
| 6/14/2022     | \$0.4875 | Quarter | 3%    | 0%     | 5/18/2022  | 6/15/2022  | 7/20/2022  |
| 3/14/2022     | \$0.4875 | Quarter | 2.6%  | +5.6%  | 2/23/2022  | 3/15/2022  | 4/20/2022  |
| 12/1/2021     | \$0.4575 | Quarter | 2.6%  | 0%     | 12/8/2021  | 12/22/2021 | 1/20/2022  |
| 9/14/2021     | \$0.4575 | Quarter | 2.6%  | 0%     | 8/18/2021  | 9/15/2021  | 10/20/2021 |
| 6/14/2021     | \$0.4575 | Quarter | 2.6%  | 0%     | 5/19/2021  | 6/15/2021  | 7/20/2021  |
| 3/12/2021     | \$0.4575 | Quarter | 2.9%  | +5.4%  | 2/17/2021  | 3/15/2021  | 4/20/2021  |
| 12/1/2020     | \$0.43   | Quarter | 2.6%  | +5.2%  | 2/19/2020  | 3/12/2020  | 4/20/2020  |
| 12/24/2019    | \$0.405  | Quarter | 2.6%  | 0%     | 12/11/2019 | 12/25/2019 | 1/20/2020  |
| 9/12/2019     | \$0.405  | Quarter | 2.6%  | 0%     | 8/21/2019  | 9/12/2019  | 10/20/2019 |
| 6/13/2019     | \$0.405  | Quarter | 2.7%  | 0%     | 5/15/2019  | 6/14/2019  | 7/20/2019  |
| 3/14/2019     | \$0.405  | Quarter | 2.9%  | +5.6%  | 2/26/2019  | 3/15/2019  | 4/20/2019  |
| 12/27/2018    | \$0.38   | Quarter | 3.1%  | 0%     | 12/12/2018 | 12/28/2018 | 1/20/2019  |
| 9/14/2018     | \$0.38   | Quarter | 3.5%  | 0%     | 8/16/2018  | 9/15/2018  | 10/20/2018 |
| 3/14/2018     | \$0.38   | Quarter | 3.5%  | +5.6%  | 2/21/2018  | 3/15/2018  | 4/20/2018  |
| 12/27/2017    | \$0.36   | Quarter | 3%    | 0%     | 12/13/2017 | 12/28/2017 | 1/20/2018  |
| 9/14/2017     | \$0.36   | Quarter | 2.9%  | 0%     | 8/23/2017  | 9/15/2017  | 10/20/2017 |
| 6/13/2017     | \$0.36   | Quarter | 3.1%  | 0%     | 5/17/2017  | 6/15/2017  | 7/20/2017  |

## Black Hills Move to Consolidate Utilities Knocked Down by Colorado Regulators

BY RICH NEMEC  
May 7, 2020

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Rapid City, SD-based Black Hills Corp. management said it has battled Covid-19 to a draw, but a move to consolidate the natural gas utilities were body slammed last month by Colorado regulators.



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# What is the UCA Hearing from Consumers?

- UCA has received over 600 customer complaints since December
- Complaints focus on the following:
  - Escalating cost of utility bills
  - Reported utility profits
  - Legal fees
  - Lack of utility communication and responsiveness to concerns
  - Interconnection of rooftop solar
  - Communication on smart meters/ time-of-use rates

# Returning the Public Interest to the Center

- Send policy signals that costs, affordability of rates and other public interests are the primary drivers of decision-making
  - The utility is the agent not the focus
- Require utility performance as the basis for increased returns
- Ensure customers receive justified value commensurate with increased rates
- Ensure resources are available to intervenors and the public allow them to meaningfully participate