



CURRENT
ENERGY GROUP

The Growth of Utility Profits for Colorado Electric Investor-Owned Utilities

Prepared for Western Resources Advocates



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Background on Utility Profits

Electric rates are designed to recover a utility’s costs of providing electricity service to customers, plus a reasonable profit. The Return on Equity (ROE) is the amount of profit that an investor-owned utility can make as compensation for shareholders that provide capital to the utility. ROE in Colorado is set by the Colorado Public Utilities Commission as a percentage of the net value of all investments a utility has made. ROE is set during a rate case and is not guaranteed, but rather is the amount the utility has a fair opportunity to earn through its operations. The ROE is one of several costs that customers pay for in their monthly bills—alongside operational costs such as fuel and salaries, capital costs, and taxes—and so the higher the ROE or the value of the utility’s investments, known as rate base, the more that customers pay each month towards utility profits.

Xcel Energy’s current approved ROE for electric service is 9.3%, and Black Hills Energy’s is 9.4%; the average ROE awarded in 2025 nationwide was 9.66%.¹ ROE’s approved in Colorado have been relatively flat for the last decade (Table 1), though the amount of profit earned by Colorado utilities has increased dramatically.

Table 1: Approved ROE for Colorado Investor-Owned Utilities

Utility	Case No	Year Approved	Approved ROE
Black Hills Energy	24AL-0257E	2025	9.4
Black Hills Energy	16AL-0326E	2016	9.37
Black Hills Energy	14AL-0393E	2014	9.83
Xcel Energy	22AL-0530E	2023	9.3
Xcel Energy	21AL-0317E	2022	9.3
Xcel Energy	19AL-0268E	2020	9.3
Xcel Energy	14AL-0660E	2015	9.83

Increases in Utility Profits in the Past Decade

Xcel Energy

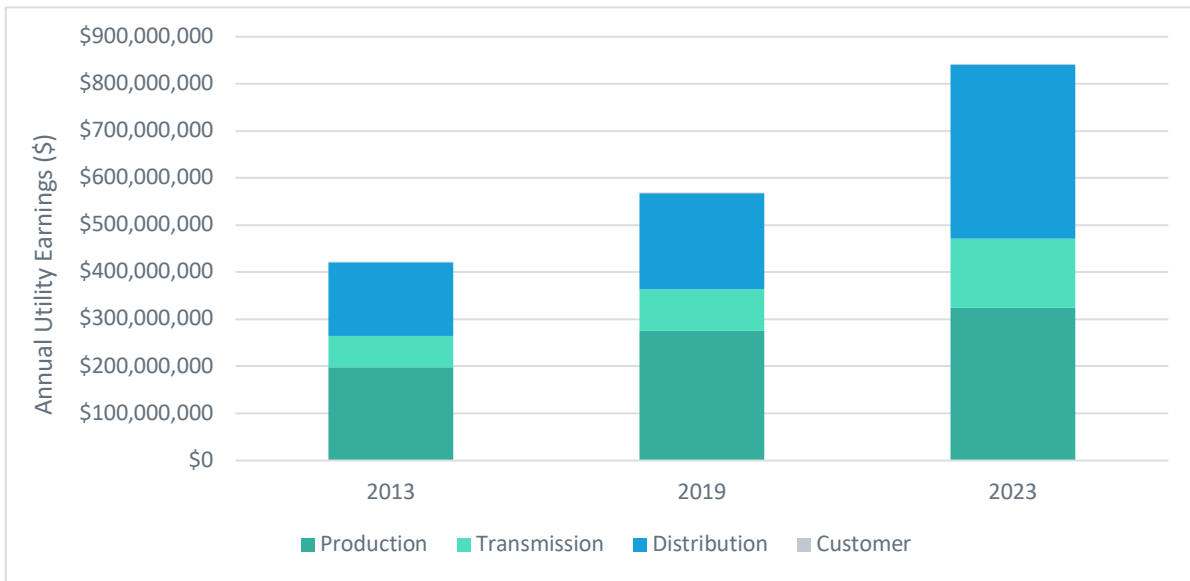
For Xcel Energy, total utility earnings included in rates almost doubled between 2013 and 2023, growing from \$422 million per year to \$842 million per year. Over half of the increase in earnings was from earnings on distribution system investments, which have more than doubled in the last decade to \$370 million per year and now represent the largest category of earnings for the utility.

The increase in utility earnings is being driven by a significant increase in the net value of utility capital investments, which also more than doubled over the same time period from \$5.6 billion to

¹ Average through September 30, 2025 from S&P Global RRA.

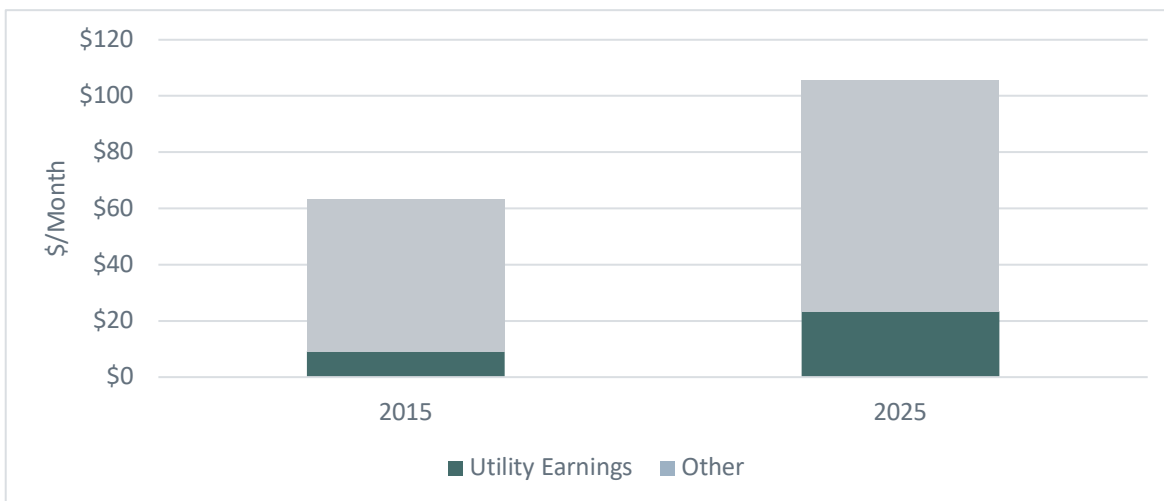
\$11.5 billion. Thus, while the ROE earned by Xcel Energy was decreased in the Company’s 2019 rate case, total earnings have continued to rise.

Figure 1: Xcel Energy return on equity included in utility rates for the last three utility rate cases.



The average residential bill for Xcel Energy has also grown significantly over the last decade, increasing by \$42 per month. More than a third of this increase is due to higher utility earnings, which account for \$14 of the rate increase over the last decade. Utility earnings now account for 22% of the monthly residential bill, up from 15% in 2015.

Figure 2: Xcel Energy’s average monthly residential bill broken down into utility earnings and other components.

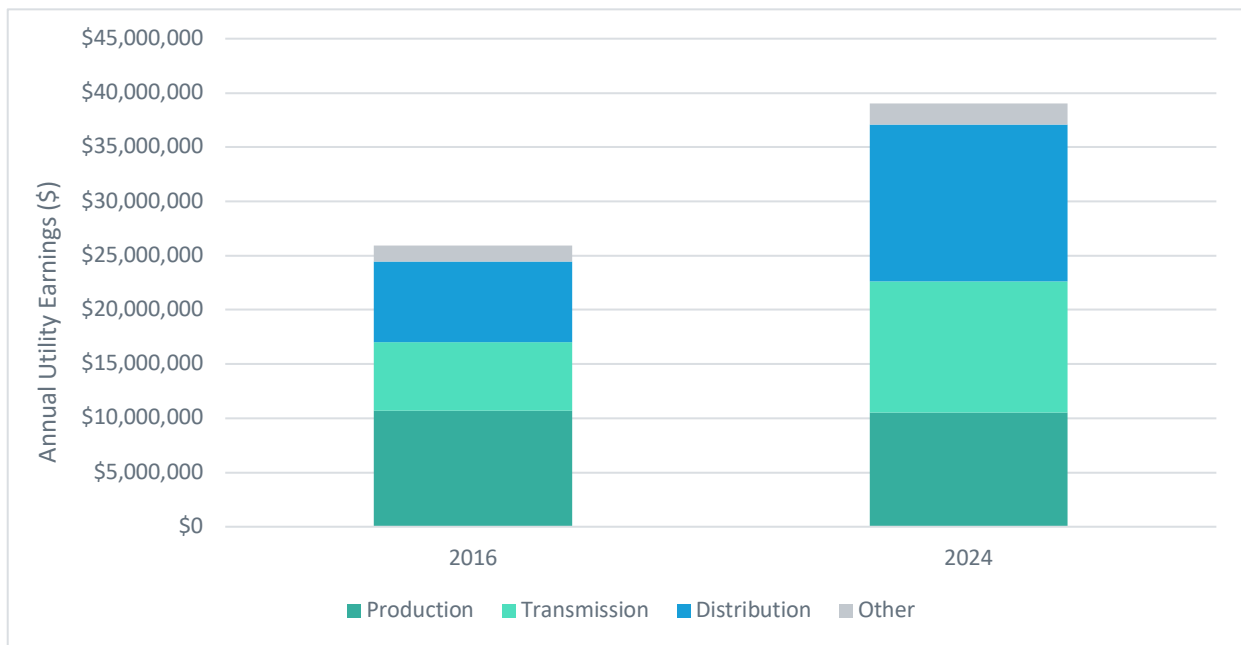


Black Hills Energy

For Black Hills Energy, total utility earnings have increased by 50% in the last two utility rate cases from \$26 million per year to \$39 million per year.² Over half of the increase in earnings came from distribution system investments, which have doubled over the last decade and now represent the utility's largest earnings category. For Black Hills Energy, earnings on electric generation investments have declined since 2016.

Earnings from Black Hills have also been driven by an increase in the value of the utility's investments, which rose from \$8.1 billion to \$11.3 billion between 2016 and 2024. Thus, while the ROE earned by Black Hills Energy was decreased in the Company's 2016 rate case, total earnings have nevertheless continued to rise.

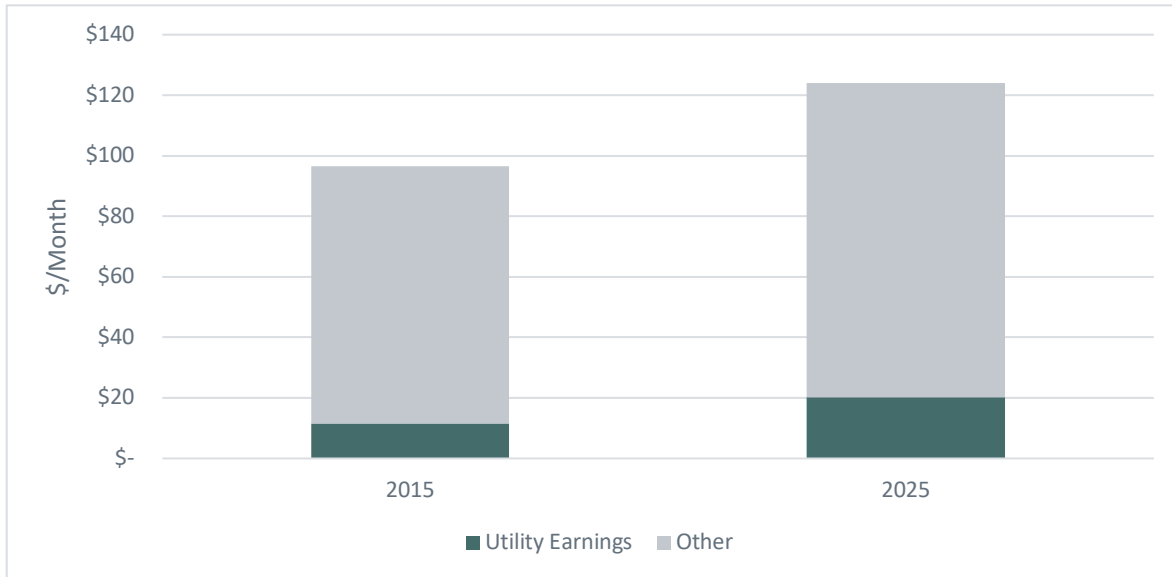
Figure 3: Black Hills Energy Return on Equity by investment category from the last two rate cases, excluding investments allocated to large power customers.



The average residential bill for Black Hills Energy increased by \$28 per month. Almost one-third of this increase is the result of increased utility earnings, which are responsible for \$8.67 of the rate increase in the last decade. Utility earnings now account for 16% of the monthly residential bill.

² Black Hills Energy earnings do not include earnings from large power customers, which are confidential.

Figure 4: Black Hills Energy’s average monthly residential bill broken down into utility earnings and other components.



Over the last decade, utility earnings in Colorado have increased dramatically, even as their approved ROE has remained largely the same or even fallen. This is due to an increase in the value of capital investments made by the utilities. Increased utility earnings are one of the largest drivers of recent bill increases in the state. While approved ROEs have been flat over the last decade in Colorado, they are higher today than they were historically when compared to common benchmarks. In the 1970s and 1980s ROEs were often 2-3% higher than US Treasury yields (a commonly accepted benchmark of “risk-free” returns), while today they’re often 5-6% higher. Inflating ROEs by 2-4% directly translates into higher bills for consumers; researchers at UC Berkeley estimate that these costs are as high as \$7 billion annually across the US.³ This suggests that ROEs are generally elevated today relative to the cost utilities must pay to attract capital and provide fair compensation to shareholders.

³ Karl Dunkle Werner and Stephen Jarvis. “Rate of Return Regulation Revisited.” Energy Institute at Haas, March 2025. Accessed December 2, 2025. <https://haas.berkeley.edu/wp-content/uploads/WP329.pdf>.

Disclaimer

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Acknowledgements

The report was commissioned by the following groups:

- Conservation Colorado
- Environmental Defense Fund
- National Resources Defense Council
- Rewiring America
- Western Resource Advocate

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For press or media inquiries related to this report, please contact media@currentenergy.group.



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