

Amendment 37
Renewable Energy Requirement
Legislative Council Staff Responses to Public Comments

The revisions requested by interested persons are provided below in the following format:

ALL CAPS = Proposed new language
~~Strike Type~~ = Proposed deletions
Standard Type = Current language
All page and line references are to the Final Draft version

1 **BACKGROUND SECTION**

2 **1. Responder:** Manolo Gonzalez-Estay, Renewable Energy Initiative

3 **Suggested change:** Page 1, line 13:

4 Colorado is served by 60 utilities that generate electricity using primarily coal,
5 natural gas, and SMALL AMOUNTS OF hydroelectric power.

6 **Staff comment:** Agree in part. While coal and natural gas are the primary
7 sources of fuel (77 percent and 20 percent respectively), hydroelectric power accounts
8 for 3 percent of energy generated in Colorado.

9 **Revised staff language:**

10 Colorado is served by 60 utilities that generate electricity using primarily coal
11 AND natural gas, and SOME hydroelectric power.

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13 **2. Responder:** Andrew J. Colosimo, Colorado Springs Utilities

14 **Suggested change:** Page 2, lines 6-11:

15 *Financial incentives.* Under the proposal, utility customers may earn a rebate
16 for installing solar electric generation equipment on their property. Any electricity
17 generated from the solar equipment in excess of the customer's annual use may be sold
18 to the utility. In addition, for-profit utilities may earn extra profit and bonuses if their
19 investment in renewable energy technologies reduces the retail cost of electricity to their
20 customers, BUT MUNICIPAL UTILITIES ARE PROHIBITED FROM EARNING EXTRA PROFIT
21 FROM THEIR CUSTOMERS.

1 **Basis for suggested change:** When discussing financial incentives to utilities it
2 needs to be qualified that not all utilities can receive these incentives. Municipal utilities
3 are prohibited from earning extra profit from their customers.

4 **Staff comment:** Disagree. Under the proposal, qualifying utilities that are
5 subject to rate regulation (i.e., investor-owned for-profit utilities) are allowed to earn
6 extra profit and bonuses. Staff believes that by using the term "for-profit utilities," it is
7 understood that municipal and rural electric cooperatives are excluded.

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9 **3. Responder:** Staff

10 **Suggested change:** Page 2, amend lines 16-22 to add more detail about the
11 "self-certification" option:

12 *Procedure for exemption and inclusion.* AFFECTED utilities ~~subject to the~~
13 ~~proposal~~ may hold elections to exempt themselves from the renewable energy
14 requirement. Similarly, utilities not subject to the requirement may hold elections to be
15 included. At least 25 percent of the utility's customers must vote on the issue of
16 exemption or inclusion, with a majority vote required for passage. In addition, a
17 municipal utility or a rural electric cooperative may develop a similar renewable energy
18 requirement and be exempted from this proposal. TO QUALIFY, THE UTILITY MUST:
19 1) USE AT LEAST ONE OF THE ELIGIBLE RENEWABLE ENERGY SOURCES, 2) FOLLOW THE
20 SAME SCHEDULE FOR ELECTRICITY GENERATION FROM RENEWABLE SOURCES, AND
21 3) OFFER AN OPTIONAL PRICING PROGRAM THAT ALLOWS CUSTOMERS TO SUPPORT
22 EMERGING RENEWABLE TECHNOLOGIES. UTILITIES THAT CHOOSE THIS OPTION ARE NOT
23 REQUIRED TO GENERATE ELECTRICITY FROM SOLAR SOURCES.

24 **Basis for suggested change:** Detail about the procedure for municipal and rural
25 electric cooperatives to exempt themselves from the proposal's renewable energy
26 requirement was not provided in the final draft.

27 *****

28 **4. Responder:** David Lock, Colorado Association of Municipal Utilities

29 **Suggested change:** Page 2, lines 23-26:

30 *Role of the Colorado Public Utilities Commission.* For purposes of
31 implementing the new renewable energy requirements, the Public Utilities Commission
32 will regulate some utilities it currently does not. THIS REQUIREMENT IS IN CONFLICT WITH
33 ARTICLE V SECTION 35 AND ARTICLE XXV OF THE COLORADO STATE CONSTITUTION.
34 The Commission must adopt rules to implement this proposal.

1 the price of renewable energy will decrease as technologies improve. Generating a
2 percentage of electricity from renewable resources contributes to energy diversity and
3 reduces Colorado's vulnerability to fluctuations in the price or supply of fuel.

4 **Basis for suggested change:** This is a misleading statement. The startup costs
5 of renewable energy are higher than conventional fuels. Also, since renewable energy
6 is intermittent in nature, investing in something that is not constant and, in most cases,
7 dispatchable, it is arguable that it does not make economic sense.

8 **Staff comment:** Disagree. Immediate or long-term economic benefits may arise
9 from the use of renewable resources. According to the U.S. Department of Energy:
10 "Diversifying energy portfolios with wind energy also makes good economic sense. In
11 1979, wind energy cost 40 cents per kilowatt-hour. In 2004, the cost per kilowatt-hour
12 dropped to between 3 and 4.5 cents per kilowatt-hour, making wind energy a
13 competitive contender for electricity generation." For modern natural gas plants, natural
14 gas prices are averaging 4.6 cents per kilowatt-hour, but have been as high as 7.8 cents
15 per kilowatt-hour as recently as 2003.

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17 7. **Responder:** David Lock, Colorado Association of Municipal Utilities and
18 Andrew J. Colosimo, Colorado Springs Utilities

19 **Suggested change:** Page 2, lines 28-33:

20 1) Using renewable energy makes economic sense. Conventional fuels are finite,
21 while renewable energy sources are unlimited. ~~As time passes, supplies of coal and~~
22 ~~natural gas will diminish and these resources will become more expensive. In contrast,~~
23 ~~the price of renewable energy will decrease as technologies improve.~~ Generating a
24 percentage of electricity from renewable resources contributes to energy diversity and
25 reduces Colorado's vulnerability to fluctuations in the price or supply of fuel.

26 **Basis for suggested change:** There is no basis for either of these statements.
27 This is an assumption that has not been proven. At the very least, it needs to be qualified
28 as such.

29 **Staff comment:** Agree in part. This argument intends to make the point that
30 supplies of conventional fuels are finite and will likely become increasingly expensive as
31 remaining reserves are consumed. Commodity prices increase as supplies diminish, and
32 decrease as production technologies become more efficient. Historically, prices of
33 conventional fuels have only risen in the long run. In contrast, because there is no fuel
34 cost, the price of renewable energy can only decrease due to technological innovation.

1 **Revised staff language:** 1) Using renewable energy makes economic sense.
2 Conventional fuels are finite, while renewable energy sources are unlimited. As time
3 passes, supplies of coal and natural gas will diminish and these resources will LIKELY
4 become more expensive. In contrast, the price of renewable energy will decrease as
5 technologies improve. Generating a percentage of electricity from renewable resources
6 contributes to energy diversity and reduces Colorado's vulnerability to fluctuations in the
7 price or supply of fuel.

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9 **8. Responder:** Manolo Gonzalez-Estay, Renewable Energy Initiative

10 **Suggested change:** Page 2, lines 28-33:

11 1) Using renewable energy makes economic sense. Conventional fuels are finite,
12 while renewable energy sources are unlimited. As time passes, supplies of coal and
13 ESPECIALLY natural gas will diminish, and these resources will become more expensive.
14 THIS IS DEMONSTRATED BY THE FACT THAT XCEL HAS RAISED NATURAL GAS RATES IN
15 COLORADO AN AVERAGE OF 72 PERCENT LAST WINTER AND PLANS ANOTHER 15 PERCENT
16 TO 20 PERCENT INCREASE THIS FALL. In contrast, the price of renewable energy will
17 CONTINUE TO decrease as technologies improve. Generating a percentage of electricity
18 from renewable resources contributes to energy diversity and reduces Colorado's
19 vulnerability to fluctuations in the price or supply of fuel. ACCORDING TO XCEL
20 TESTIMONY IN FRONT OF THE FEDERAL ENERGY REGULATORY COMMISSION, THE WIND
21 FARM IN LAMAR, COLORADO SAVED COLORADANS \$4.6 MILLION IN ITS FIRST YEAR.

22 **Basis for suggested change:** A source addressing the proposed electricity rate
23 increases by Xcel was provided. (Source: Denver Post 8-6-04, "Heat bill hike is chilling
24 news.")

25 **Staff comment:** Disagree. Adding the word "ESPECIALLY" is an unnecessary
26 qualifier. The argument intends to point out that fixed supplies of conventional fuels
27 generally will diminish over time as they are consumed and will become increasingly
28 expensive. Detail about the proposed natural gas hikes is not necessary. The existing
29 language in Argument #1 is concise and sufficient.

30 *****

31 **9. Responder:** Manolo Gonzalez-Estay, Renewable Energy Initiative

32 **Suggested change:** Page 3, lines 1-7:

33 2) Electricity generated from renewable sources has ~~lesser~~ LESS harmful
34 environmental impacts than electricity generated from conventional fuels. The
35 environmental benefits of using renewable energy include cleaner air and water, more

1 efficient use of water, and less damage to the landscape. Both coal and natural gas-fired
2 power plants emit significant amounts of air pollutants. According to the BUSH
3 ADMINISTRATION'S Environmental Protection Agency calculations, generating 10 percent
4 of electricity from renewable sources is roughly equal to eliminating the air emissions
5 from 600,000 cars annually.

6 **Staff comment:** Agree in part. Staff agrees with the suggestion to substitute
7 "LESS" for "LESSER." Staff also agrees that the EPA should be identified as a federal
8 agency.

9 **Revised staff language:** 2) Electricity generated from renewable sources has
10 ~~lesser~~ LESS harmful environmental impacts than electricity generated from conventional
11 fuels. The environmental benefits of using renewable energy include cleaner air and
12 water, more efficient use of water, and less damage to the landscape. Both coal and
13 natural gas-fired power plants emit significant amounts of air pollutants. According to
14 THE FEDERAL Environmental Protection Agency ~~calculations~~, generating 10 percent of
15 electricity from renewable sources is roughly equal to eliminating the air emissions from
16 600,000 cars annually.

17 *****

18 **10. Responder:** Andrew J. Colosimo, Colorado Springs Utilities

19 **Suggested change:** Page 3, lines 1-7:

20 2) Electricity generated from renewable sources has lesser harmful environmental
21 impacts than electricity generated from conventional fuels. The environmental benefits
22 of using renewable energy include cleaner air and water, more efficient use of water, and
23 less damage to the landscape. Both coal and natural gas-fired power plants emit
24 significant amounts of air ~~pollutants~~ EMISSIONS. ~~According to Environmental Protection~~
25 ~~Agency calculations, generating 10 percent of electricity from renewable sources is~~
26 ~~roughly equal to eliminating the air emissions from 600,000 cars annually.~~

27 **Basis for suggested change:** When suggesting that conventional power plants
28 emit significant amounts of "air pollutants," voters need to be educated that not all
29 emissions from power plants are pollutants. It should be noted that the EPA has
30 established National Ambient Air Quality Standards (NAAQS) that are health-based
31 standards. The statement "both coal and natural-gas fired power plants emit significant
32 amounts of air pollutants" unfairly implies that significant amounts of air pollution equate
33 to poor air quality, which is not necessarily true. The comparison in the argument to
34 vehicles has no relationship to power plants. The primary pollutant affecting metro areas
35 is carbon monoxide from vehicles, not power plants. A more balanced comparison
36 would be to demonstrate the amount of pollution reduced from fossil fuel generation as
37 a result of adding additional renewable resources.

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12. Responder: Andrew J. Colosimo, Colorado Springs Utilities

Suggested change: Page 3, lines 8-12:

3) Using a variety of resources to meet Colorado's increasing electricity needs will improve the stability and security of Colorado's electricity supply. ~~Increasing Colorado's use of renewable energy will reduce its dependence on conventional fuels.~~ The state must prepare for the future by requiring a percentage of its electricity to be generated from renewable resources.

Basis for suggested change: It is not accurate to suggest that increasing use of renewable energy will reduce dependence on conventional fuels. The initiative may force utilities to install new conventional supply-side technologies to meet electric supply needs that cannot be satisfied by renewable energy, therefore increasing the costs of future supplies. Fossil fuels will still be required to back up the intermittent nature of most renewable sources. Mandated reserve margins require utilities to back up renewable energy with conventional fuels. In most cases renewable energy will not offset conventional sources of energy just duplicate it.

Staff comment: Disagree. The proponents are arguing that, to the extent electricity is generated from renewable resources, it will offset the need to produce electricity from conventional fuels. Also, staff is not aware of any renewable energy facility in the United States that has required the construction of back up generation capacity.

13. Responder: Manolo Gonzalez-Estay, Renewable Energy Initiative

Suggested change: Page 3, lines 8-12:

3) Using a variety of resources to meet Colorado's increasing electricity needs will improve the stability and security of Colorado's electricity supply. Increasing Colorado's use of renewable energy will reduce its dependence on conventional FOSSIL fuels. SIXTY PERCENT OF THE WORLD'S NATURAL GAS COMES FROM RUSSIA, IRAN, QATAR, AND SAUDI ARABIA. THE U.S. CURRENTLY IMPORTS 50 PERCENT OF ITS NATURAL GAS, BUT ACCORDING TO THE DOE NET IMPORTS WILL RISE 100 PERCENT BETWEEN 2000 AND 2020. The state must prepare for the future by requiring a percentage of its electricity to be generated from renewable resources.

Basis for suggested change: A source documenting one of the suggested changes was provided. (Source: The James A. Baker III Public Policy Institute, Rice University; Fortune Magazine 8-23-04)

1 **Staff comment:** Disagree. In order to simplify the language of the ballot
2 analysis, and for consistency, staff decided to refer to fossil fuels as "conventional fuels."
3 Staff also disagrees with the suggestion to insert an explanation of sources and
4 projections of U.S. import levels of natural gas. The article referenced addresses
5 potential future importation of liquified natural gas from various regions of the world and
6 does not appear to apply to this measure. In addition, according to the Energy
7 Information Administration in the U.S. Department of Energy, the U.S. currently imports
8 15 percent of its natural gas.

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10 **14. Responder:** Andrew J. Colosimo, Colorado Springs Utilities

11 **Suggested change:** Page 3, lines 13-18:

12 4) Renewable energy facilities, typically located in rural areas, boost rural
13 economies. The construction and maintenance of renewable energy facilities will create
14 jobs in rural Colorado. SOME farmers and ranchers will be able to tap into a new source
15 of income by using agricultural waste to generate electricity, and by leasing their land for
16 wind facilities.

17 **Basis for suggested change:** The language makes it seem like all farmers and
18 ranchers in rural Colorado will be able to lease their land for wind farms when in fact
19 only a small fraction will be able to participate.

20 **Staff comment:** Agree.

21 *****

22 **15. Responder:** Manolo Gonzalez-Estay, Renewable Energy Initiative

23 **Suggested change:** Page 3, lines 13-18:

24 4) Renewable energy facilities, typically located in rural areas, boost rural
25 economies. The construction and maintenance of renewable energy facilities will create
26 jobs in rural Colorado. Farmers and ranchers will be able to tap into a new source of
27 income by using agricultural waste to generate electricity, and by leasing their land for
28 wind facilities. In addition, renewable energy facilities provide tax revenues that can be
29 used by ~~counties~~ LOCAL GOVERNMENTS to pay for ~~local~~ services SUCH AS SCHOOLS AND
30 HOSPITALS.

31 **Basis for suggested change:** A source documenting the suggested change was
32 provided. [Source: Lamar Daily News 10-29-03; \$764,000/yr in new county revenue,
33 \$917,000/yr for RE-2 schools, \$189,000 to the Prowers Medical Center.]

1 **Revised staff language:**

2 1) ELECTRICITY GENERATED FROM RENEWABLE RESOURCES IS OFTENTIMES MORE
3 EXPENSIVE THAN ELECTRICITY GENERATED FROM CONVENTIONAL FUELS. Colorado
4 utilities with over 40,000 customers will be required to generate electricity from
5 renewable resources, regardless of cost. Currently, utilities generate electricity using the
6 least expensive fuel source. ~~Electricity generated from renewable resources is oftentimes~~
7 ~~more expensive than electricity generated from conventional fuels.~~ For example, The
8 proposal requires at least 4 percent of renewable energy to come from solar sources, the
9 most expensive renewable energy source. The proposal also prohibits utilities from
10 counting electricity generated from large hydroelectric projects that are already in place
11 toward the new requirement.

12 *****

13 **17. Responder:** Manolo Gonzalez-Estay, Renewable Energy Initiative

14 **Suggested change:** Page 3, lines 20-27:

15 1) Colorado utilities with over 40,000 customers will be required to generate
16 electricity from renewable resources, regardless of cost. ~~Currently, utilities generate~~
17 ~~electricity using the least expensive fuel source.~~ Electricity generated from renewable
18 resources is oftentimes more expensive than electricity generated from conventional
19 fuels. For example, the proposal requires at least 4 percent of renewable energy to come
20 from solar sources, ~~the most expensive renewable energy source.~~ The proposal also
21 prohibits utilities from counting electricity generated from large hydroelectric projects
22 that are already in place toward the new requirement.

23 **Basis for suggested change:** The second sentence is inaccurate as wind and
24 solar have zero fuel costs. The fourth sentence is inaccurate because technologies such
25 as hydrogen fuel cells, wave and tidal power, and some hydroelectric are more expensive
26 than solar.

27 **Staff comment:** Agree in part. Wind and solar have zero fuel costs, but other
28 costs include start-up and maintenance costs. Solar energy is the most expensive
29 renewable resource defined in the initiative, but may not be as expensive as other
30 renewable resources such as hydrogen fuel cells, wave and tidal power, and some
31 hydroelectric power.

32 **Revised staff language:**

33 1) Colorado utilities with over 40,000 customers will be required to generate
34 electricity from renewable resources, regardless of cost. Currently, utilities generate
35 electricity using the least expensive fuel source. Electricity generated from renewable
36 resources is oftentimes more expensive than electricity generated from conventional

1 fuels. For example, the proposal requires at least 4 percent of renewable energy to come
2 from solar sources, ONE OF the most expensive renewable energy sources. The proposal
3 also prohibits utilities from counting electricity generated from large hydroelectric
4 projects that are already in place toward the new requirement.

5 *****

6 **18. Responder:** David Lock, Colorado Association of Municipal Utilities; Kent
7 Singer, Colorado Rural Electric Association (CREA) and Tri-State Generation
8 & Transmission Association (Tri-State); Andrew J. Colosimo, Colorado Springs
9 Utilities

10 **Suggested change:** Page 3, lines 28-33:

11 2) Consumers ~~may~~ WILL pay more for electricity under this proposal. Utilities
12 ~~may~~ WILL have to pass additional costs on to consumers, such as those for building or
13 acquiring more transmission lines. While the proposal caps the amount that an average
14 residential electric bill can increase as a result of the renewable energy requirement, it
15 provides no such cap for non-residential customers such as business, industrial,
16 government, or wholesale. THEREFORE, NON-RESIDENTIAL CUSTOMERS WILL SHOULDER
17 A DISPROPORTIONATE BURDEN OF THE INCREASED COSTS TO COMPLY WITH THE
18 INITIATIVE.

19 **Basis for suggested change:**

20 **Mr. Lock:** Additional costs will be passed on to consumers. It should also be pointed
21 out that non-residential customers will shoulder a disproportionate burden of the
22 increased costs to comply with the initiative.

23 **Mr. Singer:** The "Argument For" makes the unconditional statement that using
24 renewable energy "makes economic sense," conversely, the "Argument Against" should
25 use the unconditional word "will" instead of "may."

26 **Mr. Colosimo:** The arguments against the initiative are not as strong as the arguments
27 in support. The use of "may" in these instances is incorrect. Consumers will pay more
28 for energy under this proposal. An increase of 50 cents in the residential bill is an
29 increase. Colorado Springs Utilities will have to pass additional costs on to the non-
30 residential customers – there is no other option than to pass the costs on to the
31 consumers. The 50-cent cap in essence creates a situation where non-residential rate
32 classes help subsidize renewable resources that may not even be built in Colorado. The
33 initiative creates a situation where companies can use a federal tax credit (PTC) to build
34 renewable in other states which we (our ratepayers) may have to purchase in the form
35 of renewable energy credits in order to meet the standard.

1 associated with renewable resources is still being debated on a case-by-case basis. In
2 addition, the final sentence is simply stating that while the language of the measure caps
3 residential electric bills, other customer classes are not addressed in the proposal.

4 *****

5 **20. Responder:** Manolo Gonzalez-Estay, Renewable Energy Initiative

6 **Suggested change:** Page 4, lines 1-5 [the proponents did not specify what their
7 suggested change to this argument is]:

8 3) Colorado requires a continual and reliable means of energy production. A
9 certain amount of electricity must be available at all times, and a certain amount must be
10 maintained in reserve. Renewable energy, especially wind and solar resources, are
11 intermittent and may not be available when needed. This could cause problems during
12 peak energy demand periods or in emergencies.

13 **Basis for suggested change:** To make this claim, the opponents must show that
14 the renewable energy standard is counted towards capacity. The opponents must show
15 an example, somewhere in the country where fossil fuels are used to back up wind.
16 According to the U.S. Department of Energy, when wind is below 20 percent of the grid
17 it does not require back up.

18 **Staff comment:** Disagree. The argument is stating that wind and solar
19 renewable energy are intermittent sources of energy and therefore do not provide a
20 constant source of energy.

21 *****

22 **21. Responder:** Kent Singer, Colorado Rural Electric Association (CREA) and Tri-
23 State Generation & Transmission Association (Tri-State)

24 **Suggested change:** Page 4, lines 6-9:

25 4) The use of renewable resources should be a choice not a mandate. Colorado
26 utilities are already using renewable energy resources when they are cost-effective.
27 Further, ~~several~~ MOST utilities have programs that give customers the option to purchase
28 all or a share of their electricity from renewable sources.

29 **Staff comment:** Agree.

30 *****

1 **22. Responder:** Manolo Gonzalez-Estay, Renewable Energy Initiative

2 **Suggested change:** Page 4, lines 6-9:

3 4) ~~The use of renewable resources should be a choice not a mandate.~~ Colorado
4 utilities are already using renewable energy resources when they are cost-effective.
5 Further, several utilities have programs that give customers the option to purchase all or
6 a share of their electricity from renewable sources.

7 **Basis for suggested change:** The Colorado Public Utility Commission mandated
8 the development of the Lamar wind farm over objections from Xcel.

9 **Staff comment:** Disagree. The opponents are stating that they are opposed to
10 government mandates.

11 *****

12 **ESTIMATE OF FISCAL IMPACT**

13 **23. Responder:** Andrew J. Colosimo, Colorado Springs Utilities

14 **Suggested change:** Page 4, lines 11-16:

15 **State impact.** The renewable energy requirement will be administered by the
16 Colorado Public Utilities Commission. Average annual administrative costs to the
17 Commission are estimated at roughly \$60,000, with the potential for an additional
18 one-time start-up cost of up to \$80,000. These costs will be covered by fees charged to
19 affected utilities. In addition, ~~to the extent that this proposal changes retail electricity~~
20 ~~rates~~ BECAUSE STATE AND LOCAL GOVERNMENTS ARE NOT PROTECTED BY THE 50 CENT
21 CAP ON RESIDENTIAL RATES, ~~state agencies~~ THESE GOVERNMENTS will see ~~changes~~
22 INCREASES to their electric utility bills.

23 **Basis for suggested change:** The language attempts to outline, but does not
24 cover sufficiently the state impact of this initiative. The state is not a residential
25 customer, therefore they will be not be protected by the 50 cent cap on residential rates.
26 The impact to state agencies has not been adequately covered. Voters need to be aware
27 that this proposal will increase the costs to all retail customers, especially the
28 nonresidential customers which include business, industry and state and local
29 governments.

30 **Staff comment:** Agree in part. State agencies should be changed to "state and
31 local governments." However, given existing statutes, staff is unable to say for certain
32 that the PUC will have the latitude to allow utilities to allocate any additional costs in a
33 preferential manner between customer classes. This will be an issue for the PUC to
34 determine in their rulemaking, and one that may ultimately be litigated.

1 **Revised staff language:**

2 **State impact.** The renewable energy requirement will be administered by the
3 Colorado Public Utilities Commission. Average annual administrative costs to the
4 Commission are estimated at roughly \$60,000, with the potential for an additional
5 one-time start-up cost of up to \$80,000. These costs will be covered by fees charged to
6 affected utilities. In addition, to the extent that this proposal changes retail electricity
7 rates, state ~~agencies~~ AND LOCAL GOVERNMENTS will see changes to their electric utility
8 bills.

9 *****

10 **24. Responder:** David Lock, Colorado Association of Municipal Utilities

11 **Suggested change:** Page 4, lines 17-19:

12 **Impact on retail electricity rates.** The impact on retail electricity rates is difficult
13 to predict with certainty, HOWEVER IT IS CERTAIN THAT COSTS AND RATES WILL INCREASE
14 IF THE COST OF PRODUCING ELECTRICITY FROM RENEWABLES IS GREATER THAN FROM
15 CONVENTIONAL SOURCES. Changes in retail electricity rates as a result of this proposal
16 will vary by service provider, and will depend upon several factors, including:

17 **Basis for suggested change:** The language says rate impacts are difficult to
18 predict with certainty. It is certain that costs and rates will increase if the cost of
19 producing electricity from renewables is greater than from conventional fuel sources.
20 The language does not make it clear that customers, especially commercial, industrial and
21 wholesale customers, will experience higher electric rates if voters approve it.

22 **Staff comment:** Agree in part. While changes in costs will result in changes in
23 rates, these changes in costs will vary by utility and will depend on at least the factors
24 identified in the bullets. Staff is not certain that the Commission will have the latitude
25 to allow utilities to allocate any additional costs in a preferential manner between
26 customer classes. Staff suggests striking the first sentence since this issue is addressed
27 in the second bullet that follows.

28 **Revised staff language:**

29 **Impact on retail electricity rates.** ~~The impact on retail electricity rates is difficult~~
30 ~~to predict with certainty.~~ Changes in retail electricity rates as a result of this proposal
31 will vary by service provider, and will depend upon several factors, including:

32 *****

1 **25. Responder:** Manolo Gonzalez-Estay, Renewable Energy Initiative

2 **Suggested change:** Page 4, line 17-28:

3 ***Impact on retail electricity rates.*** The impact on retail electricity rates is difficult
4 to predict with certainty. Changes in retail electricity rates as a result of this proposal
5 will vary by service provider, and will depend upon several factors, including:

- 6 • the amount of renewable generation the provider has installed versus the
7 amount it must acquire from other providers in the form of renewable energy
8 credits;
- 9 • the RELATIVE cost difference of generating electricity from THE AFFORDABLE
10 renewable sources versus THE MORE EXPENSIVE AND UNPREDICTABLE
11 conventional fuel sources;
- 12 • the price of natural gas and coal;
- 13 • whether federal tax credits for renewable energy facilities are ~~extended~~
14 AVAILABLE;
- 15 • the amount of solar generation the provider currently has in place; and
- 16 • the number of customers choosing to install on-site solar facilities.

17 **Staff comment:** Agree in part. The federal production tax credit for renewable
18 energy facilities expired in 2003 and need to be re-enacted before they are available
19 again. The addition of the word "relative" before "cost difference" is unnecessary. The
20 other suggested changes are subjective.

21 **Revised staff language:** amend the bullet on line 26:

- 22 • whether federal tax credits for renewable energy facilities are ~~extended~~
23 AVAILABLE;

24 *****