

HOUSE COMMITTEE OF REFERENCE REPORT

Chairman of Committee

February 9, 2005

Date

Committee on Transportation & Energy.

After consideration on the merits, the Committee recommends the following:

HB05-1133 be amended as follows, and as so amended, be referred to the Committee on Appropriations with favorable recommendation:

1 Amend printed bill, strike everything below the enacting clause and
2 substitute the following:

3 **"SECTION 1.** 40-1-102, Colorado Revised Statutes, is amended
4 **BY THE ADDITION OF THE FOLLOWING NEW SUBSECTIONS** to
5 read:

6 **40-1-102. Definitions.** As used in articles 1 to 7 of this title,
7 unless the context otherwise requires:

8 (4.4) "COST-EFFECTIVE", WITH REFERENCE TO A NATURAL GAS
9 ENERGY EFFICIENCY OR CONSERVATION PROGRAM OR RELATED MEASURE,
10 MEANS HAVING A BENEFIT-COST RATIO GREATER THAN ONE USING THE
11 TOTAL RESOURCE COST TEST.

12 (4.6) "EDUCATION PROGRAM" MEANS A PROGRAM, INCLUDING BUT
13 NOT LIMITED TO AN ENERGY AUDIT, THAT INDIRECTLY CONTRIBUTES TO
14 COST-EFFECTIVE CONSERVATION AND ENERGY EFFICIENCY
15 IMPROVEMENTS. EDUCATION PROGRAMS SHALL NOT BE SUBJECT TO
16 COST-EFFECTIVENESS REQUIREMENTS.

17 (7) "TOTAL RESOURCE COST TEST" MEANS A DETERMINATION OF
18 COST-EFFECTIVENESS THAT INCLUDES, AT A MINIMUM, COSTS PAID BY
19 BOTH PARTICIPATING CUSTOMERS AND A UTILITY, AS WELL AS THE
20 UTILITY'S NET AVOIDED ENERGY SUPPLY COSTS.

1 **SECTION 2.** 40-3.2-101, Colorado Revised Statutes, is amended
2 to read:

3 **40-3.2-101. Legislative declaration.** The general assembly
4 hereby finds, determines, and declares that providing a funding
5 ~~mechanism~~ MECHANISMS to encourage Colorado's public utilities to
6 reduce emissions or air pollutants ~~is a matter~~ AND TO INCREASE ENERGY
7 EFFICIENCY ARE MATTERS of statewide concern. The general assembly
8 further finds that the public interest is served by providing such funding
9 ~~mechanism~~ MECHANISMS. Such ~~reduction~~ EFFORTS will result in an
10 improvement in the quality of life and health of Colorado citizens and an
11 increase in the attractiveness of Colorado as a place to live and conduct
12 business. THE GENERAL ASSEMBLY FURTHER FINDS THAT COST-EFFECTIVE
13 NATURAL GAS ENERGY EFFICIENCY PROGRAMS WILL BOTH SAVE MONEY
14 FOR CONSUMERS AND PROTECT COLORADO'S ENVIRONMENT.

15 **SECTION 3.** Article 3.2 of title 40, Colorado Revised Statutes,
16 is amended BY THE ADDITION OF A NEW SECTION to read:

17 **40-3.2-103. Gas distribution utility energy efficiency programs**
18 **- recovery of costs.** (1) ON OR BEFORE SEPTEMBER 30, 2005, THE
19 COMMISSION SHALL COMMENCE A RULE-MAKING PROCEEDING TO DEVELOP
20 FUNDING AND COST RECOVERY MECHANISMS FOR RESIDENTIAL ENERGY
21 EFFICIENCY AND CONSERVATION PROGRAMS IMPLEMENTED BY
22 INVESTOR-OWNED GAS DISTRIBUTION UTILITIES. THE RULE-MAKING SHALL
23 ALSO IDENTIFY DISINCENTIVES AS WELL AS IDENTIFY AND ESTABLISH A
24 POSITIVE FINANCIAL INCENTIVE FOR INVESTMENTS IN COST-EFFECTIVE
25 ENERGY EFFICIENCY AND CONSERVATION PROGRAMS TO INDUCE GAS
26 DISTRIBUTION UTILITIES TO UNDERTAKE SUCH EFFORTS. THE POSITIVE
27 FINANCIAL INCENTIVE SHALL BE IN THE FORM OF A HIGHER ALLOWED
28 RETURN ON ENERGY EFFICIENCY PROGRAM INVESTMENTS, WHICH RETURN
29 SHALL BE AT LEAST TWO PERCENT HIGHER THAN THAT ALLOWED FOR
30 OTHER UTILITY INVESTMENTS. IF THE COMMISSION ALLOWS ANY
31 ADDITIONAL INCENTIVE BEYOND SUCH TWO-PERCENT DIFFERENTIAL, THE
32 ADDITIONAL INCENTIVE MAY BE COUPLED WITH, OR EXPRESSED AS A
33 FRACTION OF, THE NET ECONOMIC BENEFITS RESULTING FROM THE ENERGY
34 EFFICIENCY AND CONSERVATION PROGRAMS.

35 (2) AS PART OF THE RULE-MAKING PROCEEDING REQUIRED BY
36 SUBSECTION (1) OF THIS SECTION, THE COMMISSION SHALL:

1 (a) ADOPT A PROCEDURE FOR ALLOWING GAS UTILITIES TO
2 RECOVER THEIR PRUDENTLY INCURRED COSTS OF ENERGY EFFICIENCY AND
3 CONSERVATION PROGRAMS THROUGH AN ANNUAL COST ADJUSTMENT
4 MECHANISM SIMILAR TO THAT USED BY PUBLIC SERVICE COMPANY OF
5 COLORADO, OR ITS SUCCESSORS AND AFFILIATES, FOR ITS ELECTRICITY
6 DEMAND-SIDE MANAGEMENT PROGRAMS AS OF JANUARY 1, 2005; EXCEPT
7 THAT COMMERCIAL AND INDUSTRIAL CUSTOMERS SHALL BE EXEMPT FROM
8 ANY SUCH COST ADJUSTMENT MECHANISM;

9 (b) IDENTIFY BARRIERS THAT FINANCIALLY PENALIZE GAS
10 DISTRIBUTION UTILITIES IF THEY IMPLEMENT COST-EFFECTIVE ENERGY
11 EFFICIENCY PROGRAMS FOR THEIR CUSTOMERS; AND

12 (c) ADOPT MECHANISMS FOR REWARDING GAS DISTRIBUTION
13 UTILITIES FOR INVESTMENTS IN COST-EFFECTIVE ENERGY EFFICIENCY AND
14 CONSERVATION PROGRAMS AND MEASURES.

15 (3) WITHIN SIX MONTHS AFTER THE COMPLETION OF THE
16 RULE-MAKING REQUIRED BY SUBSECTION (1) OF THIS SECTION,
17 INVESTOR-OWNED GAS DISTRIBUTION UTILITIES SHALL:

18 (a) DEVELOP AND PROPOSE A SET OF ENERGY EFFICIENCY AND
19 CONSERVATION PROGRAMS FOR THEIR RESIDENTIAL CUSTOMERS, SUBJECT
20 TO APPROVAL BY THE COMMISSION PURSUANT TO SUBSECTION (4) OF THIS
21 SECTION; AND

22 (b) IN IMPLEMENTING ENERGY EFFICIENCY AND CONSERVATION
23 PROGRAMS, USE THEIR BEST EFFORTS TO OFFER ENERGY EFFICIENCY AND
24 CONSERVATION PROGRAMS TO RESIDENTIAL CUSTOMERS AND MAXIMIZE
25 CUSTOMER PARTICIPATION.

26 (4) THE COMMISSION SHALL EXPEDITIOUSLY REVIEW THE ENERGY
27 EFFICIENCY AND CONSERVATION PROGRAMS PROPOSED PURSUANT TO
28 SUBSECTION (3) OF THIS SECTION, AND SHALL APPROVE SUCH PROGRAMS
29 IF THEY APPEAR TO BE COST-EFFECTIVE.

30 (5) THE COMMISSION SHALL AUTHORIZE GAS DISTRIBUTION
31 UTILITIES TO SPEND AND RECOVER MONEYS FOR EDUCATION PROGRAMS,
32 IMPACT AND PROCESS EVALUATIONS, AND GAS EFFICIENCY PROGRAM
33 PLANNING.

34 (6) GAS DISTRIBUTION UTILITIES SHALL SUBMIT TO THE
35 COMMISSION REPORTS ON THEIR ENERGY EFFICIENCY AND CONSERVATION

1 PROGRAMS ANNUALLY. THE REPORTS SHALL DOCUMENT PROGRAM
2 EXPENDITURES, ENERGY SAVINGS IMPACTS AND THE TECHNIQUES USED TO
3 ESTIMATE THESE IMPACTS, THE ESTIMATED COST-EFFECTIVENESS OF
4 PROGRAM EXPENDITURES, AND ANY OTHER INFORMATION THE COMMISSION
5 MAY REQUIRE.

6 **SECTION 4. Safety clause.** The general assembly hereby finds,
7 determines, and declares that this act is necessary for the immediate
8 preservation of the public peace, health, and safety."

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