

1 **APRIL 20, 2006 – REVISED DRAFT – NATURAL GAS ENERGY EFFICIENCY**
2 **BALLOT INITIATIVE – Version 2**

3
4 *Be it Enacted by the People of the State of Colorado:*

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6 **SECTION 1. Legislative declaration of intent:**

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8 Natural gas is the primary fuel used to heat homes and workplaces in Colorado and as
9 such is critical to the well-being of the state’s citizens and businesses. Natural gas prices have
10 increased dramatically in the past year and are expected to remain high for years to come.
11 Reducing inefficient use of natural gas will help citizens and businesses lower their heating bills,
12 and will extend the supply of this critical natural resource.

13 Therefore, in order to save citizens and businesses money, it is desirable to have natural
14 gas utilities in the state of Colorado implement energy efficiency and conservation programs to
15 help their customers reduce their consumption of natural gas.

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17 **Section 2. Article 1 of the Colorado Revised Statutes is amended by the Addition of the**
18 **following new sections to read:**

19
20 **ARTICLE 1**

21
22 **Natural Gas Energy Efficiency Programs**

23
24 **40-1-126. Requirement for Natural Gas Energy Efficiency Programs.** (1) In order to reduce
25 the consumption of natural gas by residences and businesses and to lower the total utility bills
26 paid by consumers of natural gas, each investor-owned natural gas distribution utility shall
27 develop and implement energy efficiency and conservation programs for their customers and
28 shall spend at least 0.5% of its total revenues on such programs. In accordance with Article 4 of
29 Title 24, C.R.S., the Public Utilities Commission shall initiate a rulemaking on or before April 1,
30 2007 to establish the following:

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32 **(A) Definitions.** (I) "COST-EFFECTIVE", WITH REFERENCE TO A NATURAL GAS ENERGY
33 EFFICIENCY OR CONSERVATION PROGRAM OR RELATED MEASURE, MEANS HAVING A BENEFIT-COST
34 RATIO GREATER THAN ONE USING THE TOTAL RESOURCE COST TEST.

35 (II) "EDUCATION PROGRAM" MEANS A PROGRAM, INCLUDING BUT NOT LIMITED TO AN
36 ENERGY AUDIT, THAT CONTRIBUTES TO COST-EFFECTIVE CONSERVATION AND ENERGY EFFICIENCY
37 IMPROVEMENTS WITHOUT PROVIDING A FINANCIAL INCENTIVE.

38 (III) "TOTAL RESOURCE COST TEST" MEANS A DETERMINATION OF COST-EFFECTIVENESS
39 INCLUDING COSTS PAID BY BOTH PARTICIPATING CUSTOMERS AND A UTILITY FOR CONSERVATION
40 MEASURES, AS WELL AS THE UTILITY'S AVOIDED ENERGY SUPPLY COSTS.

41 (IV) "NATURAL GAS CUSTOMERS" INCLUDE FULL SERVICE RESIDENTIAL AND COMMERCIAL
42 CUSTOMERS ONLY, NOT CUSTOMERS WHO PURCHASE GAS ON THE WHOLESALE MARKET BUT PAY AN
43 INVESTOR-OWNED UTILITY FOR GAS TRANSPORTATION.

44
45 **(B) Targets, mechanism for recovery of costs, and a financial bonus structure for natural**
46 **gas utility energy efficiency and conservation programs.**

1 (I) ENERGY EFFICIENCY PROGRAM EXPENDITURE TARGETS EQUAL TO AT LEAST 0.5% OF A
2 UTILITY'S REVENUES FROM ITS NATURAL GAS CUSTOMERS IN 2006;

3 (II) ENERGY EFFICIENCY PROGRAM SAVINGS TARGETS, DEFINED AS AN AMOUNT OF GAS
4 SAVED IN THERMS PER UNIT OF PROGRAM EXPENDITURES IN DOLLARS;

5 (III) PROCEDURES FOR ALLOWING GAS UTILITIES TO RECOVER THEIR PRUDENTLY INCURRED
6 COSTS OF ENERGY EFFICIENCY AND CONSERVATION PROGRAMS WITHOUT HAVING TO FILE A RATE
7 CASE. SUCH COSTS SHALL INCLUDE BUT NOT BE LIMITED TO FACILITY INVESTMENTS, REBATES,
8 INTEREST RATE BUYDOWNS, INCREMENTAL LABOR COSTS, EMPLOYEE BENEFITS, CARRYING COSTS,
9 EMPLOYEE-RELATED AND OTHER ADMINISTRATIVE COSTS. ALL SUCH COSTS SHALL BE RECOVERED
10 THROUGH A COST ADJUSTMENT MECHANISM THAT IS SET ON AN ANNUAL BASIS, AND THAT IS
11 SIMILAR TO COST ADJUSTMENT MECHANISMS APPROVED BY THE COMMISSION FOR ELECTRICITY
12 DEMAND-SIDE MANAGEMENT PROGRAMS. SUCH PROCEDURES SHALL PROVIDE THAT COST
13 RECOVERY FOR PROGRAMS DIRECTED AT RESIDENTIAL CUSTOMERS BE COLLECTED FROM
14 RESIDENTIAL CUSTOMERS ONLY, AND THAT COST RECOVERY FOR PROGRAMS DIRECTED AT
15 BUSINESS CUSTOMERS BE COLLECTED FROM BUSINESS CUSTOMERS ONLY.

16 (IV) A BONUS STRUCTURE FOR REWARDING GAS DISTRIBUTION UTILITIES FOR INVESTMENTS
17 IN COST-EFFECTIVE ENERGY EFFICIENCY AND CONSERVATION PROGRAMS AND MEASURES. THE
18 BONUS SHALL BE STRUCTURED ON A SLIDING SCALE, AND, FOR EACH YEAR OF OPERATION, AND
19 SHALL BE CAPPED AT 30% OF THE EXPENDITURES AND 15% OF THE NET ECONOMIC BENEFITS OF
20 THE CONSERVATION AND ENERGY EFFICIENCY PROGRAMS, WHICHEVER AMOUNT IS LOWER. THE
21 BONUS SHALL BE RELATED TO ACHIEVING THE TARGETS ESTABLISHED BY THE COMMISSION
22 PURSUANT TO SECTION 1(B)(II), ABOVE, AND SHALL REFLECT THE RAMP-UP PERIOD THAT MAY BE
23 NECESSARY BEFORE A UTILITY IS ABLE TO ACHIEVE THE TARGETS. THE BONUS SHALL NOT COUNT
24 AGAINST A UTILITY'S AUTHORIZED RATE OF RETURN OR BE CONSIDERED IN RATE PROCEEDINGS.
25 THE COMMISSION MAY SET THE BONUS AT AN AMOUNT LESS THAN THE CAP, AND THE BONUS SHALL
26 BE ADDED TO THE RECOVERY OF PROGRAM EXPENDITURES.

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28 **(2) Energy efficiency program implementation, cost recovery, and reporting.**
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30 (A) WITHIN NINE MONTHS AFTER THE COMPLETION OF THE RULEMAKING REQUIRED BY
31 SECTION (1), EACH INVESTOR-OWNED GAS DISTRIBUTION UTILITY SHALL DEVELOP AND IMPLEMENT
32 A SET OF COST-EFFECTIVE ENERGY EFFICIENCY AND CONSERVATION PROGRAMS FOR ITS NATURAL
33 GAS CUSTOMERS. EACH UTILITY MAY DEVELOP PROGRAMS TAKING INTO ACCOUNT THE
34 CHARACTERISTICS OF THE UTILITY AND ITS CUSTOMERS. IN IMPLEMENTING ENERGY EFFICIENCY
35 AND CONSERVATION PROGRAMS, EACH UTILITY SHALL USE REASONABLE EFFORTS TO MAXIMIZE
36 ENERGY SAVINGS CONSISTENT WITH THE ANNUAL ENERGY EFFICIENCY BUDGET.

37 (B) THE COMMISSION SHALL AUTHORIZE GAS DISTRIBUTION UTILITIES TO RECOVER THROUGH
38 THE COST RECOVERY MECHANISM REFERRED TO SECTION 1(B)(III), ABOVE, MONEYS SPENT FOR
39 EDUCATION PROGRAMS, IMPACT AND PROCESS EVALUATIONS, MARKET RESEARCH, AND PROGRAM
40 PLANNING RELATED TO NATURAL GAS ENERGY EFFICIENCY AND CONSERVATION PROGRAMS
41 OFFERED BY THE UTILITY. THESE ACTIVITIES SHALL NOT BE SUBJECT TO COST EFFECTIVENESS
42 REQUIREMENTS.

43 (C) GAS DISTRIBUTION UTILITIES SHALL SUBMIT TO THE COMMISSION REPORTS ON THEIR
44 ENERGY EFFICIENCY AND CONSERVATION PROGRAMS ANNUALLY. THE REPORTS SHALL DOCUMENT
45 PROGRAM EXPENDITURES, ENERGY SAVINGS IMPACTS AND THE TECHNIQUES USED TO ESTIMATE
46 THESE IMPACTS, THE ESTIMATED COST-EFFECTIVENESS OF PROGRAM EXPENDITURES, AND ANY
47 OTHER INFORMATION THE COMMISSION MAY REQUIRE.

1 (D) THE COMMISSION SHALL REVIEW SUCH REPORTS AND DETERMINE THE LEVEL OF BONUS, IF
2 ANY, THAT A UTILITY IS ELIGIBLE TO COLLECT, WITHIN THREE MONTHS AFTER RECEIVING THE
3 ANNUAL REPORT.

4 (E) THE UTILITY IS AUTHORIZED TO COLLECT THE BONUS AS A SUPPLEMENT TO THE GAS DSM
5 ADJUSTMENT MECHANISM OVER A TWELVE-MONTH PERIOD AFTER ANY BONUS IS APPROVED.

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7 **Section 3. This article shall be effective on December 1, 2006.**
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