

SENATE COMMITTEE OF REFERENCE REPORT

Chairman of Committee

Date

Committee on State, Veterans & Military Affairs.

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

HB07-1037 be amended as follows:

1 Amend reengrossed bill, page 2, line 2, strike "40-1-102," and substitute
2 "40-1-102 (5) and (6)," and strike "is amended" and substitute "are
3 amended, and the said 40-1-102 is further amended";

4 line 3, strike "SUBSECTIONS" and substitute "SUBSECTIONS,";

5 strike lines 7 through 10 and substitute the following:

6 "(5) (a) ~~"Person" means any individual, firm, partnership,~~
7 ~~corporation, company, association, joint stock association, and other legal~~
8 ~~entity.~~ "COST-EFFECTIVE", WITH REFERENCE TO A NATURAL GAS OR
9 ELECTRIC DEMAND SIDE MANAGEMENT PROGRAM OR RELATED MEASURE,
10 MEANS HAVING A BENEFIT-COST RATIO GREATER THAN ONE.

11 (b) IN CALCULATING THE BENEFIT-COST RATIO, THE BENEFITS
12 SHALL INCLUDE, BUT ARE NOT LIMITED TO, THE FOLLOWING, AS
13 APPLICABLE:

14 (I) THE UTILITY'S AVOIDED GENERATION, TRANSMISSION,
15 DISTRIBUTION, CAPACITY, AND ENERGY COSTS;

16 (II) THE VALUATION OF AVOIDED EMISSIONS; AND

17 (III) NONENERGY BENEFITS AS DETERMINED BY THE COMMISSION.

18 (c) IN CALCULATING THE BENEFIT-COST RATIO, THE COSTS SHALL

1 INCLUDE, BUT ARE NOT LIMITED TO, UTILITY AND PARTICIPANT
2 EXPENDITURES FOR THE FOLLOWING, AS APPLICABLE:

3 (I) PROGRAM DESIGN, ADMINISTRATION, EVALUATION,
4 ADVERTISING, AND PROMOTION;

5 (II) CUSTOMER EDUCATION;

6 (III) INCENTIVES AND DISCOUNTS;

7 (IV) CAPITAL COSTS; AND

8 (V) OPERATION AND MAINTENANCE EXPENSES.

9 (6) ~~"Renewable energy" means useful electrical, thermal, or~~
10 ~~mechanical energy converted directly or indirectly from resources of~~
11 ~~continuous energy flow or that are perpetually replenished and whose~~
12 ~~utilization is sustainable indefinitely. The term includes, without~~
13 ~~limitation, sunlight, the wind, geothermal energy, hydrodynamic forces,~~
14 ~~and organic matter available on a renewable basis such as forest residues,~~
15 ~~agricultural crops and wastes, wood and wood wastes, animal wastes,~~
16 ~~livestock operation residue, aquatic plants, and municipal wastes.~~
17 "DEMAND-SIDE MANAGEMENT PROGRAMS" OR "DSM PROGRAMS" MEANS
18 ENERGY EFFICIENCY, CONSERVATION, LOAD MANAGEMENT, AND DEMAND
19 RESPONSE PROGRAMS OR ANY COMBINATION OF THESE PROGRAMS.";

20 line 11, strike "(4.6)" and substitute "(7)";

21 line 12, after "CONTRIBUTES", insert "INDIRECTLY";

22 strike line 13 and substitute the following:

23 "A COST-EFFECTIVE DEMAND-SIDE MANAGEMENT PROGRAM.";

24 line 14, strike "IMPROVEMENTS.";

25 line 15, before "COST-EFFECTIVENESS", insert "INDEPENDENT";

26 line 16, strike "(4.8)" and substitute "(8)";

27 line 17, after "GAS", insert "OR ELECTRIC";



1 line 18, strike "GAS DISTRIBUTION";

2 strike lines 19 through 24 and substitute the following:

3 "(9) "NET PRESENT VALUE OF REVENUE REQUIREMENTS" MEANS
4 THE CURRENT WORTH OF THE EXPECTED STREAM OF FUTURE REVENUE
5 REQUIREMENTS ASSOCIATED WITH A PARTICULAR RESOURCE PORTFOLIO,
6 EXPRESSED IN DOLLARS IN THE YEAR THE PLAN IS FILED. TO DETERMINE
7 THE CURRENT WORTH OF THE EXPECTED STREAM OF FUTURE REVENUE
8 REQUIREMENTS, A DISCOUNT RATE AT THE UTILITY'S WEIGHTED AVERAGE
9 COST OF CAPITAL SHALL BE APPLIED TO THE EXPECTED STREAM OF FUTURE
10 REVENUE REQUIREMENTS.

11 (10) "PERSON" MEANS ANY INDIVIDUAL, FIRM, PARTNERSHIP,
12 CORPORATION, COMPANY, ASSOCIATION, JOINT STOCK ASSOCIATION, AND
13 OTHER LEGAL ENTITY.

14 (11) "RENEWABLE ENERGY" MEANS USEFUL ELECTRICAL,
15 THERMAL, OR MECHANICAL ENERGY CONVERTED DIRECTLY OR INDIRECTLY
16 FROM RESOURCES OF CONTINUOUS ENERGY FLOW OR THAT ARE
17 PERPETUALLY REPLENISHED AND WHOSE UTILIZATION IS SUSTAINABLE
18 INDEFINITELY. THE TERM INCLUDES, WITHOUT LIMITATION, SUNLIGHT,
19 THE WIND, GEOTHERMAL ENERGY, HYDRODYNAMIC FORCES, AND ORGANIC
20 MATTER AVAILABLE ON A RENEWABLE BASIS SUCH AS FOREST RESIDUES,
21 AGRICULTURAL CROPS AND WASTES, WOOD AND WOOD WASTES, ANIMAL
22 WASTES, LIVESTOCK OPERATION RESIDUE, AQUATIC PLANTS, AND
23 MUNICIPAL WASTES."

24 Page 3, line 4, strike "ENERGY EFFICIENCY" and substitute "AND
25 ELECTRICITY DEMAND-SIDE MANAGEMENT";

26 line 16, strike "A NEW SECTION" and substitute "THE FOLLOWING
27 NEW SECTIONS";

28 line 17, strike "**energy efficiency**" and substitute "**demand-side
29 management**";

30 line 22, strike "ENERGY";

31 line 23, strike "EFFICIENCY AND CONSERVATION" and substitute
32 "DEMAND-SIDE MANAGEMENT".



1 Page 4, line 1, strike "ENERGY EFFICIENCY" and substitute "DSM";
2 line 5, strike "ENERGY EFFICIENCY" and substitute "DSM";
3 line 10, strike "ENERGY EFFICIENCY AND" and substitute "DSM";
4 line 11, strike "CONSERVATION";
5 strike lines 18 through 20 and substitute the following:
6 "APPROPRIATE.";
7 line 23, strike "ENERGY EFFICIENCY AND CONSERVATION" and substitute
8 "DSM".
9 Page 5, line 5, strike "ENERGY EFFICIENCY AND" and substitute "DSM";
10 line 6, strike "CONSERVATION PROGRAMS AND MEASURES." and substitute
11 "PROGRAMS.";
12 line 9, strike "CONSERVATION AND ENERGY EFFICIENCY" and substitute
13 "DSM";
14 line 16, strike "EFFICIENCY";
15 line 17, strike "AND CONSERVATION" and substitute "DSM";
16 line 20, strike "EFFICIENCY AND CONSERVATION" and substitute "DSM".
17 Page 6, line 4, strike "ENERGY EFFICIENCY AND CONSERVATION" and
18 substitute "DSM";
19 line 12, strike "ENERGY EFFICIENCY AND CONSERVATION" and substitute
20 "DSM";
21 line 15, strike "ENERGY EFFICIENCY AND CONSERVATION" and substitute
22 "DSM";
23 line 21, strike "ENERGY EFFICIENCY AND CONSERVATION" and substitute
24 "DSM";



1 line 22, strike "EXPENDITURES" and substitute "EXPENDITURES, ON AN
2 INDEPENDENT BASIS,";

3 line 27, strike "ENERGY EFFICIENCY AND".

4 Page 7, line 1, strike "CONSERVATION" and substitute "DSM";

5 line 16, strike "ENERGY EFFICIENCY AND" and substitute "DSM";

6 line 17, strike "CONSERVATION";

7 strike lines 23 through 27 and substitute the following:

8 **"40-3.2-104. Electricity utility demand-side management**
9 **programs - rules - annual report.** (1) IT IS THE POLICY OF THE STATE
10 OF COLORADO THAT A PRIMARY GOAL OF ELECTRIC UTILITY LEASE-COST
11 RESOURCE PLANNING IS TO MINIMIZE THE NET PRESENT VALUE OF
12 REVENUE REQUIREMENTS. THE COMMISSION MAY ADOPT RULES AS
13 NECESSARY TO IMPLEMENT THIS POLICY.

14 (2) THE COMMISSION SHALL ESTABLISH ENERGY SAVINGS AND
15 PEAK DEMAND REDUCTION GOALS TO BE ACHIEVED BY AN
16 INVESTOR-OWNED ELECTRIC UTILITY, TAKING INTO ACCOUNT THE
17 UTILITY'S COST-EFFECTIVE DSM POTENTIAL, THE NEED FOR ELECTRICITY
18 RESOURCES, THE BENEFITS OF DSM INVESTMENTS, AND OTHER FACTORS
19 AS DETERMINED BY THE COMMISSION. THE ENERGY SAVINGS AND PEAK
20 DEMAND REDUCTION GOALS SHALL BE AT LEAST FIVE PERCENT OF THE
21 UTILITY'S RETAIL SYSTEM PEAK DEMAND MEASURED IN MEGAWATTS IN
22 THE BASE YEAR AND AT LEAST FIVE PERCENT OF THE UTILITY'S RETAIL
23 ENERGY SALES MEASURED IN MEGAWATT-HOURS IN THE BASE YEAR. THE
24 BASE YEAR SHALL BE 2006. THE GOALS SHALL BE MET BY 2018, COUNTING
25 SAVINGS FROM DSM PROGRAMS STARTING IN 2006. THE COMMISSION
26 MAY ESTABLISH INTERIM GOALS AND MAY REVISE THE GOALS AS IT DEEMS
27 APPROPRIATE.

28 (3) THE COMMISSION SHALL PERMIT ELECTRIC UTILITIES TO
29 IMPLEMENT COST-EFFECTIVE ELECTRICITY DSM PROGRAMS TO REDUCE
30 THE NEED FOR ADDITIONAL RESOURCES THAT WOULD OTHERWISE BE MET
31 THROUGH A COMPETITIVE ACQUISITION PROCESS.

32 (4) THE COMMISSION SHALL ENSURE THAT UTILITIES DEVELOP AND



1 IMPLEMENT DSM PROGRAMS THAT GIVE ALL CLASSES OF CUSTOMERS AN
2 OPPORTUNITY TO PARTICIPATE AND SHALL GIVE DUE CONSIDERATION TO
3 THE IMPACT OF DSM PROGRAMS ON NONPARTICIPANTS AND ON
4 LOW-INCOME CUSTOMERS.

5 (5) THE COMMISSION SHALL ENSURE THAT A UTILITY'S
6 INVESTMENTS IN DSM PROGRAMS ARE MORE PROFITABLE TO THE UTILITY
7 THAN ANY OTHER UTILITY INVESTMENT THAT IS NOT ALREADY SUBJECT TO
8 SPECIAL INCENTIVES. TO ENSURE SUCH PROFITABILITY, THE COMMISSION
9 SHALL CONSIDER, WITHOUT LIMITATION, THE FOLLOWING INCENTIVE
10 MECHANISMS, WHICH SHALL TAKE INTO CONSIDERATION THE
11 PERFORMANCE OF THE DSM PROGRAM:

12 (a) AN INCENTIVE TO ALLOW A RATE OF RETURN ON DSM
13 INVESTMENTS THAT IS HIGHER THAN THE UTILITY'S RATE OF RETURN ON
14 OTHER INVESTMENTS;

15 (b) AN INCENTIVE TO ALLOW THE UTILITY TO ACCELERATE THE
16 DEPRECIATION OR AMORTIZATION PERIOD FOR DSM INVESTMENTS;

17 (c) AN INCENTIVE TO ALLOW THE UTILITY TO RETAIN A PORTION OF
18 THE NET ECONOMIC BENEFITS ASSOCIATED WITH A DSM PROGRAM FOR ITS
19 SHAREHOLDERS;

20 (d) AN INCENTIVE TO ALLOW THE UTILITY TO COLLECT THE COSTS
21 OF DSM PROGRAMS THROUGH A COST ADJUSTMENT CLAUSE;

22 (e) OTHER INCENTIVE MECHANISMS THAT THE COMMISSION DEEMS
23 APPROPRIATE.

24 (6) EACH INVESTOR-OWNED ELECTRIC UTILITY SHALL SUBMIT AN
25 ANNUAL REPORT TO THE COMMISSION DESCRIBING THE DSM PROGRAMS
26 IMPLEMENTED BY THE ELECTRIC UTILITY IN THE PREVIOUS YEAR. THE
27 REPORT SHALL DOCUMENT THE FOLLOWING:

28 (a) PROGRAM EXPENDITURES, INCLUDING INCENTIVE PAYMENTS;

29 (b) PEAK DEMAND AND ENERGY SAVINGS IMPACTS AND THE
30 TECHNIQUES USED TO ESTIMATE THOSE IMPACTS;

31 (c) AVOIDED COSTS AND THE TECHNIQUES USED TO ESTIMATE



1 THOSE COSTS;

2 (d) THE ESTIMATED COST-EFFECTIVENESS OF THE DSM
3 PROGRAMS;

4 (e) THE NET ECONOMIC BENEFITS OF THE DSM PROGRAMS; AND

5 (f) ANY OTHER INFORMATION REQUIRED BY THE COMMISSION.

6 **40-3.2-105. Reporting requirement.** BY APRIL 30, 2009, AND BY
7 EACH APRIL 30 THEREAFTER, THE COMMISSION SHALL SUBMIT A REPORT
8 TO THE BUSINESS, LABOR, AND TECHNOLOGY COMMITTEE OF THE SENATE,
9 OR ITS SUCCESSOR COMMITTEE, AND THE BUSINESS AFFAIRS AND LABOR OF
10 THE HOUSE OF REPRESENTATIVES, OR ITS SUCCESSOR COMMITTEE, ON THE
11 PROGRESS MADE BY INVESTOR-OWNED UTILITIES IN MEETING THEIR
12 NATURAL GAS AND ELECTRICITY DEMAND-SIDE MANAGEMENT GOALS.
13 THE REPORT SHALL INCLUDE ANY RECOMMENDED STATUTORY CHANGES
14 THE COMMISSION DEEMS NECESSARY TO FURTHER THE INTENT OF
15 SECTIONS 40-3.2-103 AND 40-3.2-104."

16 Page 8, strike lines 1 and 2.

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