

Initiative 93: Percentage of Utility Rates Paid by Investor-Owned Utilities

Placed on the ballot by citizen initiative • Passes with a majority vote

1 **Proposition ? proposes amending the Colorado statutes to:**

- 2 • require that investor-owned utility companies use their profits to pay at least
3 5 percent of total electric and gas rates charged to customers; and
4 • require that the Colorado Public Utilities Commission adopt implementing
5 rules within 12 months of the measure’s passage.

6 **What Your Vote Means**

YES

7 A “yes” vote on
8 Proposition ? will require

9 Colorado investor-owned utilities to pay at
10 least 5 percent of utility rates from their
11 profits.

NO

A “no” vote on Proposition ?
means that utility rates will
continue to be paid solely by customers.

Summary and Analysis for Proposition ?

1 What does the measure do?

2 Utility companies charge customers for energy use based on set prices and cost
 3 adjustments called rates. The measure would require investor-owned utility
 4 companies providing electric or gas service, or both, to residential, commercial,
 5 or industrial customers in Colorado to pay a percentage of all rates from their
 6 profits. The percentage paid from profits will be at least 5 percent of the total
 7 rates. Following the passage of the measure, the Colorado Public Utilities
 8 Commission (PUC) would adopt rules to implement the measure’s requirements.

9 What is an investor-owned utility?

10 Investor-owned utilities are private, for-profit corporations that provide public
 11 utility service to local areas in Colorado. In Colorado, the PUC regulates the
 12 rates and services of the state's four investor-owned utilities, including Public
 13 Service Company of Colorado, otherwise known as Xcel Energy, Black Hills
 14 Energy, Atmos Energy, and Colorado Natural Gas. Colorado’s two
 15 investor-owned electric utilities, Xcel and Black Hills, serve approximately
 16 1.6 million customers across the state. Colorado’s investor owned gas utilities
 17 provide service to 1.8 million customers across Colorado. Table 1 provides the
 18 number of customer meters in the state by utility provider.

19 **Table 1**
 20 **Colorado Investor-Owned Utilities and 2021 Meter Counts**

Utility	2021 Meter Count
Electric Utilities	
Black Hills Colorado Electric	99,535
Public Service Company of Colorado (Xcel)	1,535,755
Total Electric	1,635,290
Gas Distribution Utilities	
Atmos Energy	124,386
Black Hills Colorado Gas	198,419
Colorado Natural Gas	23,684
Public Service Company of Colorado (Xcel)	1,445,801
Total Gas	1,792,290

Source: Colorado Public Utilities Commission

21 What is the role of the Colorado Public Utilities Commission?

22 The PUC regulates the state’s public utilities, including natural gas, electric,
 23 water, and steam utilities. The PUC consists of three Governor-appointed
 24 commissioners who are confirmed by the Senate and serve four-year terms. The
 25 commissioners are responsible for creating rules, setting utility rates for
 26 investor-owned utility customers, conducting investigations, and overseeing
 27 formal hearings.

1 **How does the Colorado Public Utilities Commission set utility rates?**

2 Investor-owned utilities must seek PUC approval to change rates for services
3 provided to customers. These requests, called rate cases, are typically similar to
4 formal court hearings. Following these hearings, the PUC issues a formal
5 decision approving, modifying, or denying the requested rate change.

6 Colorado law requires the PUC to ensure that rates charged by investor-owned
7 utilities are fair and reasonable. These utilities are entitled to the right to earn a
8 reasonable return on investment and recover incurred costs as approved by the
9 PUC. The PUC determines what constitutes a fair price for a utility service that
10 will allow the utility to recover costs and earn a fair rate of return. The PUC
11 compares similar utilities to set a rate of return that allows the utility to attract
12 investment without driving up customer prices. Over the past ten years, electric
13 utility companies' rate of return approved by the PUC has decreased. Currently,
14 the approved rate of return is approximately 9.3 percent.

For information on those issue committees that support or oppose the measures on the ballot at the November 8, 2022, election, go to the Colorado Secretary of State's elections center web site hyperlink for ballot and initiative information:

<http://www.sos.state.co.us/pubs/elections/Initiatives/InitiativesHome.html>

15 **Argument For Proposition ?**

16 1) Proposition ? is intended to save customers money and promote
17 transparency. For years, electricity and gas rates have been rising. Many
18 households and businesses are struggling to make ends meet, and lower
19 utility bills will allow customers to spend their money on other necessary
20 goods and services. Under the measure, investor-owned utility companies
21 share the burden of these rising energy costs.

22 **Argument Against Proposition ?**

23 1) Proposition ? does not guarantee that customers will save money. The
24 measure seeks to provide relief to customers, but some electric and gas rates
25 may in fact rise if investor-owned utilities seek higher rates to maintain profits
26 and continue investing in the state. If profits are reduced, utilities may reduce
27 investment in clean energy infrastructure or move their investments to other
28 states.

29 **Fiscal Impact for Proposition ?**

30 **State government spending.** The measure will increase state spending in the
31 Department of Regulatory Agencies by approximately \$300,000 annually from
32 the Fixed Utility Fund starting in budget year 2022-23. These costs are
33 associated with legal services that will be provided by the Department of Law to
34 support anticipated litigation and lengthier rate cases resulting from the measure.

1 **State government revenue.** By increasing the administrative costs incurred by
2 the PUC, Proposition ? will increase fee revenue to the Department of Regulatory
3 Agencies by approximately \$300,000 annually. Administrative costs are paid
4 from the Fixed Utility Fund, which receives an annual assessment on the state's
5 regulated utilities, which must be raised to cover additional administrative
6 expenses.

7 **State and local government savings.** State and local governments that
8 purchase gas or electric service from investor-owned utilities may have
9 decreased utility costs if all other rate-setting factors are held constant.