

**First Regular Session
Seventy-first General Assembly
STATE OF COLORADO**

PREAMENDED

*This Unofficial Version Includes Committee
Amendments Not Yet Adopted on Second Reading*

LLS NO. 17-0035.01 Jennifer Berman x3286

HOUSE BILL 17-1227

HOUSE SPONSORSHIP

Winter and Lawrence, Covarrubias, McKean, McLachlan

SENATE SPONSORSHIP

Priola and Fenberg,

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Transportation & Energy

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A BILL FOR AN ACT

101 **CONCERNING AN EXTENSION OF DEMAND-SIDE MANAGEMENT GOALS**
102 **FOR INVESTOR-OWNED UTILITIES AS SET BY THE PUBLIC**
103 **UTILITIES COMMISSION.**

Bill Summary

(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at <http://leg.colorado.gov/>.)

To promote demand-side management programs for electricity, the public utilities commission (commission) was authorized in 2007 to establish the following electricity goals for investor-owned electric utilities to achieve by 2018:

! A demonstrated reduction of peak demand by at least 5%

Shading denotes HOUSE amendment. Double underlining denotes SENATE amendment.
Capital letters indicate new material to be added to existing statute.
Dashes through the words indicate deletions from existing statute.

HOUSE
3rd Reading Unamended
April 4, 2017

HOUSE
2nd Reading Unamended
April 3, 2017

- of the retail peak demand level in 2006; and
- ! Demonstrated energy savings of at least 5% compared to the energy sales in 2006.

The bill extends the programs to 2028 and requires the commission to set goals of at least 5% peak demand reduction and 5% energy savings by 2028 for demand-side management programs implemented during 2019 through 2028 when compared to 2018 numbers.

1 *Be it enacted by the General Assembly of the State of Colorado:*

2 **SECTION 1. In Colorado Revised Statutes, 40-3.2-103, amend**
3 **(2)(c)(I) and (5); and repeal (2)(d) as follows:**

4 **40-3.2-103. Gas distribution utility demand-side management**
5 **programs - rules - recovery of costs. (2) As part of the rule-making**
6 **proceeding required by subsection (1) of this section, the commission**
7 **shall:**

8 **(c) (I) Adopt procedures for allowing gas utilities to recover their**
9 **prudently incurred costs of DSM programs without having to file a rate**
10 **case. ~~Such~~ THE costs shall MAY include but are not limited to, facility**
11 **investments; rebates; interest rate buy-downs; incremental labor costs,**
12 **employee benefits, carrying costs, and employee-related administrative**
13 **costs; and other administrative costs. All such costs shall be recovered**
14 **through a cost adjustment mechanism that is set on an annual basis, or**
15 **more frequently if deemed appropriate.**

16 **(d) Adopt a bonus structure to reward gas utilities for investments**
17 **in cost-effective DSM programs. For each year of operation, the bonus**
18 **shall be capped at twenty-five percent of the expenditures or twenty**
19 **percent of the net economic benefits of the DSM programs, whichever**
20 **amount is lower. The amount of the bonus awarded each year shall be**
21 **determined based on the extent to which the gas utility has achieved the**
22 **targets established by the commission in accordance with paragraphs (a)**

1 and (b) of this subsection (2). The bonus shall not count against a gas
2 utility's authorized rate of return or be considered in rate proceedings.

3 (5) The commission shall authorize each gas utility to recover
4 moneys MONEY spent for education programs, impact and process
5 evaluations, and program planning related to natural gas DSM programs
6 offered by the gas utility without having AND REQUIRE THE GAS UTILITY
7 to show that such expenditures, on an independent basis, are
8 cost-effective. The commission may limit the amount spent for these
9 activities.

10 **SECTION 2.** In Colorado Revised Statutes, 40-3.2-104, **amend**
11 (2), (4), and (5) as follows:

12 **40-3.2-104. Electricity utility demand-side management**
13 **programs - rules - annual report - definition.** (2) (a) The commission
14 shall establish energy savings and peak demand reduction goals to be
15 achieved by an investor-owned electric utility, taking into account the
16 utility's cost-effective ~~DSM~~ DEMAND-SIDE MANAGEMENT potential, the
17 need for electricity resources, the benefits of ~~DSM~~ DEMAND-SIDE
18 MANAGEMENT investments, and other factors as determined by the
19 commission.

20 (b) The energy savings and peak demand reduction goals ~~shall~~
21 ~~MUST~~ be at least five percent of the utility's retail system peak demand,
22 measured in megawatts, in the base year and at least five percent of the
23 utility's retail energy sales, measured in megawatt-hours, in the base year.
24 The base year ~~shall be~~ IS 2006. The goals shall be met in 2018, counting
25 savings in 2018 from ~~DSM~~ DEMAND-SIDE MANAGEMENT measures
26 installed starting in 2006. The commission may establish interim goals
27 and may revise the goals as it deems appropriate.

1 (c) (I) COMMENCING JANUARY 1, 2019, THE ENERGY SAVINGS AND
2 PEAK DEMAND REDUCTION GOALS MUST BE AT LEAST FIVE PERCENT OF THE
3 UTILITY'S RETAIL SYSTEM PEAK DEMAND, MEASURED IN MEGAWATTS, IN
4 THE BASE YEAR AND AT LEAST FIVE PERCENT OF THE UTILITY'S RETAIL
5 ENERGY SALES, MEASURED IN MEGAWATT-HOURS, IN THE BASE YEAR. THE
6 BASE YEAR IS 2018. THE GOALS SHALL BE MET IN 2028, COUNTING
7 SAVINGS IN 2028 FROM DEMAND-SIDE MANAGEMENT MEASURES
8 INSTALLED STARTING IN 2019. THE COMMISSION MAY ESTABLISH INTERIM
9 GOALS AND MAY REVISE THE GOALS AS IT DEEMS APPROPRIATE.

10 (II) IN IMPLEMENTING THE ENERGY SAVINGS AND PEAK DEMAND
11 GOALS SET FORTH IN SUBSECTION (2)(c)(I) OF THIS SECTION, A UTILITY
12 SHALL NOT RECOVER COSTS FOR ITS IMPLEMENTATION OF DEMAND-SIDE
13 MANAGEMENT PROGRAMS FROM RESIDENTIAL RATEPAYERS.

14 (4) The commission shall ensure that utilities develop and
15 implement DSM programs that give all classes of customers an
16 opportunity to participate and shall give due consideration to the impact
17 of BUT DO NOT INCLUDE A RECOVERY OF DSM programs on PROGRAM
18 COSTS FROM nonparticipants and on low-income customers.

19 (5) The commission shall allow an opportunity for a utility's
20 investments in cost-effective DSM programs to be more profitable to the
21 utility than any other utility investment that is not already subject to
22 special incentives. In complying with this subsection (5), the commission
23 shall MAY consider without limitation, the following incentive
24 mechanisms AN INCENTIVE TO ALLOW THE UTILITY TO COLLECT THE COSTS
25 OF DSM PROGRAMS THROUGH A COST ADJUSTMENT CLAUSE, which shall
26 INCENTIVE MUST take into consideration the performance AND RATEPAYER
27 COST of the DSM program.

1 ~~(a) An incentive to allow a rate of return on DSM investments that~~
2 ~~is higher than the utility's rate of return on other investments;~~

3 ~~(b) An incentive to allow the utility to accelerate the depreciation~~
4 ~~or amortization period for DSM investments;~~

5 ~~(c) An incentive to allow the utility to retain a portion of the net~~
6 ~~economic benefits associated with a DSM program for its shareholders;~~

7 ~~(d) An incentive to allow the utility to collect the costs of DSM~~
8 ~~programs through a cost adjustment clause;~~

9 ~~(e) Other incentive mechanisms that the commission deems~~
10 ~~appropriate.~~

11 **SECTION 3. Act subject to petition - effective date.** This act
12 takes effect at 12:01 a.m. on the day following the expiration of the
13 ninety-day period after final adjournment of the general assembly (August
14 9, 2017, if adjournment sine die is on May 10, 2017); except that, if a
15 referendum petition is filed pursuant to section 1 (3) of article V of the
16 state constitution against this act or an item, section, or part of this act
17 within such period, then the act, item, section, or part will not take effect
18 unless approved by the people at the general election to be held in
19 November 2018 and, in such case, will take effect on the date of the
20 official declaration of the vote thereon by the governor.