CHAPTER 234

PUBLIC UTILITIES

SENATE BILL 98-152

BY SENATORS Wattenberg, Arnold, Bishop, Dennis, Hernandez, Johnson, Norton, Rizzuto, Schroeder, Tebedo, and Weddig; also REPRESENTATIVES George, Bacon, G. Berry, Chavez, Mace, Nichol, Reeser, Swenson, Taylor, Udall, S. Williams, Young, and Zimmerman.

AN ACT

CONCERNING AN EVALUATION OF THE REGULATORY STRUCTURE OF THE RETAIL ELECTRIC INDUSTRY IN THE STATE OF COLORADO, AND, IN CONNECTION THEREWITH, ESTABLISHING AN ELECTRICITY ADVISORY PANEL, COMMISSIONING A STUDY OF THE ISSUES INVOLVED, AND MAKING AN APPROPRIATION.

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

SECTION 1. Article 4 of title 40, Colorado Revised Statutes, is amended BY THE ADDITION OF THE FOLLOWING NEW SECTIONS to read:

40-4-113. Evaluation of retail electric industry structure - study - repeal.

(1) Legislative declaration. The general assembly finds, determines, and declares that:

(a) Certain states are implementing electric industry restructuring and retail electric competition. Other states are studying the issue. In addition, the United States Congress is considering the issue. The general assembly needs to be thoroughly prepared to consider the implications of electric industry restructuring proposals on the citizens, businesses, and economy of the state.

(b) Before any changes are made in Colorado’s existing system of retail electric service regulation, an objective analysis of retail electric industry restructuring issues should be undertaken in order to evaluate on an impartial basis the potential risks, benefits, and impacts of restructuring on all Colorado consumers and the state as a whole.

(c) Experience has shown that utilizing the best technical advice

Capital letters indicate new material added to existing statutes; dashes through words indicate deletions from existing statutes and such material not part of act.
CURRENTLY AVAILABLE, DRAWING UPON BOTH PUBLIC AND PRIVATE SOURCES, CAN LEAD TO A MORE INFORMED LEGISLATIVE DECISION AND THEREBY BETTER HELP TO SHAPE PUBLIC POLICY FOR THE FUTURE.

(2) Evaluation study. (a) The electricity advisory panel created in subsection (4) of this section, also referred to in this section as the “panel”, shall conduct a study to assess whether restructuring of the retail electric industry is in the best interests of all classes of Colorado electricity consumers and the state as a whole. The panel shall report its findings to the general assembly and the governor in accordance with section 24-1-136 (9), C.R.S. The report shall be submitted no later than November 1, 1999, and shall contain specific findings on the issues identified in subsection (3) of this section.

(b) The panel shall submit at least one progress report to the general assembly no later than December 1, 1998. Such progress report shall be submitted to the executive committee of the legislative council and shall describe the activities of the panel, including the participation of panel members, the manner in which the panel is encouraging public participation, and the work plan of the panel through the remainder of the study.

(c) (I) A draft of the evaluation study report shall be released to the public no later than July 1, 1999, and such draft shall be the subject of public hearings held at a minimum of five locations throughout the state. In order to provide suitable time and opportunity for changes to the draft report occasioned by public comment, the public hearings shall be concluded on or before September 1, 1999. A minimum of sixteen members of the panel shall be present at each public hearing. The panel shall solicit and receive comments from members of the public. The panel may determine the manner in which such comments are received.

(II) The panel’s final report shall contain the panel’s recommendations on all issues on which two-thirds or more of the members of the panel agree. In addition, a minority report on any of such issues shall be included at the request of one or more of the dissenting members.

(d) (I) The director of the commission shall provide, from existing resources, such services as the panel may request, including, without limitation:

(A) Consulting services to assist the panel in completing the study; and

(B) Expert services to address study issues.

(II) (A) The director of the commission, with the panel’s approval, may contract with private parties for the provision of any of the services listed in subparagraph (I) of this paragraph (d) as well as any other services required by the panel and may take such other actions as the panel may deem necessary to fulfill its responsibilities under this section. In particular, the director is hereby specifically authorized, with the
PANEL’S APPROVAL, TO DRAW UPON THE RETAIL ELECTRICITY POLICY DEVELOPMENT FUND, CREATED IN SECTION 40-4-114, TO PAY PRIVATE PARTIES UNDER CONTRACT WITH THE DIRECTOR TO PROVIDE SUCH SERVICES. NO EXPERT OR CONSULTING SERVICES FROM PRIVATE PARTIES SHALL BE FUNDED FROM THE RETAIL ELECTRICITY POLICY DEVELOPMENT FUND, CREATED IN SECTION 40-4-114, UNLESS THE EXPERT OR CONSULTANT IS APPROVED BY AT LEAST TWO-THIRDS OF THE MEMBERS OF THE PANEL.

(B) DURING THE PERIOD OF THE STUDY, THE DIRECTOR OF THE COMMISSION MAY REQUEST, ON A CASE-BY-CASE BASIS, AND THE COMMISSION MAY GRANT, EXTENSIONS TO THE STATUTORILY DIRECTED TIMES FOR COMPLETION OF PROCEEDINGS BEFORE THE COMMISSION; EXCEPT THAT NO SUCH EXTENSIONS SHALL BE REQUESTED FOR PROCEEDINGS UNDER THIS SECTION.

(III) THE DIRECTOR OF THE COMMISSION SHALL PROVIDE SUCH ADMINISTRATIVE ASSISTANCE, MEETING SPACE, AND OTHER NECESSARY FACILITIES AND SUPPORT SERVICES AS THE PANEL MAY REQUEST. IN PARTICULAR, THE DIRECTOR IS HEREBY SPECIFICALLY AUTHORIZED, WITH THE PANEL’S APPROVAL, TO DRAW UPON THE RETAIL ELECTRICITY POLICY DEVELOPMENT FUND, CREATED IN SECTION 40-4-114, TO AUGMENT THE COMMISSION’S ANNUAL BUDGET APPROPRIATION, AS REQUIRED, TO PAY FOR SERVICES REQUESTED BY THE PANEL, WHICH MAY INCLUDE, WITHOUT LIMITATION:

(A) POSTAGE AND PRINTING;

(B) ARRANGING FOR, COORDINATING, AND KEEPING RECORDS OF MEETINGS; AND

(C) PREPARATION AND DISTRIBUTION OF STUDIES OR REPORTS.

(e) ALL MEETINGS OF THE PANEL, INCLUDING MEETINGS OF ANY SUBCOMMITTEES CREATED BY THE PANEL, SHALL BE OPEN TO THE PUBLIC. THE PANEL AND ALL SUBCOMMITTEES SHALL PROVIDE AN OPPORTUNITY FOR PUBLIC COMMENT AT EACH MEETING. IF WRITTEN COMMENTS ARE SUBMITTED BY THE PUBLIC TO THE PANEL OR A SUBCOMMITTEE, THE WRITTEN COMMENTS SHALL BE MADE AVAILABLE TO ALL PANEL MEMBERS. THE PANEL SHALL INCLUDE A SUMMARY OF ALL TESTIMONY AND WRITTEN COMMENTS SUBMITTED TO THE PANEL IN THE REPORTS MADE BY THE PANEL PURSUANT TO THIS SECTION.

(f) THE PANEL SHALL BE RESPONSIBLE FOR MEETING THE DEADLINES ESTABLISHED IN THIS SECTION AND FOR ISSUING A FINAL REPORT, WHICH SHALL ADDRESS EACH OF THE STUDY ISSUES DESCRIBED IN SUBSECTION (3) OF THIS SECTION. THE REPORT SHALL PRESENT THE ALTERNATIVE PERSPECTIVES OF THE PANEL MEMBERS AS TO WHETHER RESTRUCTURING OF THE RETAIL ELECTRIC INDUSTRY IS IN THE BEST INTERESTS OF ALL COLORADO ELECTRICITY CONSUMERS AND THE STATE AS A WHOLE. THE REPORT SHALL ADDRESS THE MANNER IN WHICH RESTRUCTURING SHOULD BE IMPLEMENTED, INCLUDING THE TIMING OF IMPLEMENTATION, IF THE GENERAL ASSEMBLY DECIDES TO GO FORWARD WITH IMPLEMENTATION OF ELECTRIC INDUSTRY RESTRUCTURING.

(3) Issues to be evaluated. AT A MINIMUM, THE EVALUATION ISSUES SHALL INCLUDE:
(a) A comparison of Colorado’s electric rates and costs of generation, transmission, and distribution with the equivalent rates and costs in other states;

(b) An assessment of whether retail competition in electric power supply can be expected to reduce or increase rates for each category of electricity consumers in Colorado, including low-income consumers of electricity, both in the short term and in the long term;

(c) An identification and assessment of the types of safeguards deemed necessary to protect consumers in the event retail competition is introduced, including assessment of impacts on low-income consumers of electricity and low-income energy assistance programs;

(d) An assessment of the potential impacts of market-based retail competition on the development of renewable sources of electric supply, energy efficiency programs, and environmental issues and programs, together with any recommendations to address such potential impacts;

(e) An analysis of the effects retail competition may have on the amount and collection of taxes, fees, payments in lieu of taxes and fees, and other revenues by Colorado’s taxing authorities, including local governments;

(f) An assessment of whether Colorado’s existing electric utilities will incur stranded costs and investments if retail competition is introduced, the estimated amounts of any such stranded costs and investments, and the recommended methods for timely recovery of such stranded costs and investments that is just and reasonable to both consumers and existing utilities, including whether or not regulatory expectations should translate into recoverable expenses as a result of the incurrence of stranded costs;

(g) An assessment of the estimated impacts of retail competition on the requirement of universal service, including the affordability of distribution service, and on the reliability of generation supply and transmission service, including the continued availability of Colorado’s generation resources for Colorado consumers;

(h) An assessment of the likely effects that the introduction of retail competition may have on the employees of electric utilities;

(i) An assessment of the likely effects of the introduction of retail competition on rural communities, rural areas, and rural consumers of electricity;

(j) An assessment of the impact on competition, including any competitive advantage afforded to any provider of electricity, including investor-owned utilities, cooperatively owned utilities, municipally owned utilities, and independent power producers, provided by any federal, state, or local laws. Issues to be assessed shall include, but not be limited to, differing treatment under tax law, preferential access to
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FEDERAL ELECTRICITY, ACCESS TO LOWER THAN MARKET RATE CAPITAL, AND PREFERENTIAL SALES.

(3.5) THE PANEL REPORT SHALL FAIRLY REPRESENT THE VIEWS OF ALL PANEL MEMBERS. THE PANEL SHALL INCLUDE IN ITS IMPLEMENTATION PLAN RECOMMENDATIONS FOR ADDRESSING THE ISSUES IDENTIFIED IN SUBSECTION (3) OF THIS SECTION AND, IN ADDITION, RECOMMENDATIONS FOR ADDRESSING THE FOLLOWING ISSUES:

(a) LICENSING REQUIREMENTS FOR SUPPLIERS OF ELECTRIC ENERGY;

(b) LOCAL CHOICE PARTICIPATION OPTIONS FOR COOPERATIVELY-OWNED AND MUNICIPALLY-OWNED UTILITIES;

(c) MARKET POWER AND MEASURES TO MITIGATE SUCH MARKET POWER;

(d) EXISTING LEGAL REQUIREMENTS THAT COULD IMPOSE UNFAIR COMPETITIVE ADVANTAGES AND DISADVANTAGES ON EXISTING AND POTENTIAL PROVIDERS OF RETAIL ELECTRIC SERVICE;

(e) TRANSITION ISSUES; AND

(f) ANY OTHER ISSUE DEEMED APPROPRIATE BY THE PANEL.

(4) Electricity advisory panel – composition – appointment. (a) THERE IS HEREBY CREATED WITHIN THE LEGISLATIVE DEPARTMENT AN ELECTRICITY ADVISORY PANEL, WHICH SHALL CONDUCT THE EVALUATION STUDY PROVIDED FOR IN THIS SECTION. THE PANEL SHALL CONSIST OF THIRTY MEMBERS AS FOLLOWS:

(I) THE FOLLOWING TWELVE MEMBERS APPOINTED BY THE GOVERNOR:

(A) ONE MEMBER AT LARGE, NOT AFFILIATED WITH ANY OF THE GROUPS REPRESENTED BY OTHER MEMBERS OF THE PANEL;

(B) ONE REPRESENTATIVE OF A JOINT ACTION AGENCY THAT FURNISHES WHOLESALE ELECTRIC POWER TO ITS MEMBERS;

(C) ONE REPRESENTATIVE OF EMPLOYEES OF A DISTRIBUTION UTILITY;

(D) ONE REPRESENTATIVE OF RESIDENTIAL CONSUMERS OF ELECTRIC ENERGY;

(E) ONE REPRESENTATIVE OF LOW-INCOME RESIDENTIAL CONSUMERS OF ELECTRIC ENERGY;

(F) ONE REPRESENTATIVE OF FIXED-INCOME, SENIOR CONSUMERS OF ELECTRIC ENERGY;

(G) ONE REPRESENTATIVE OF THE OFFICE OF CONSUMER COUNSEL, ESTABLISHED PURSUANT TO ARTICLE 6.5 OF THIS TITLE;

(H) ONE LABOR REPRESENTATIVE OF EMPLOYEES OF AN ELECTRIC UTILITY;
(I) One representative of a municipal government that does not own or operate an electric utility;

(J) One representative of environmental interest organizations that are actively involved in electric utility matters;

(K) One representative of a business concern that generates or proposes to generate electricity from solar, wind, biomass, hydroelectric, or other renewable energy sources; and

(L) One representative of agricultural irrigators.

(II) The following nine members appointed by the Speaker of the House of Representatives:

(A) One member at large, not affiliated with any of the groups represented by other members of the panel;

(B) One representative of a cooperatively-owned distribution electric utility;

(C) One representative of a cooperatively-owned generation and transmission association;

(D) One representative of an investor-owned electric utility that generates electricity;

(E) One representative of an investor-owned electric utility that distributes electricity;

(F) One representative of agricultural consumers of electric energy;

(G) One representative of a marketer or broker of electricity;

(H) One representative of a business concern that produces natural gas in Colorado for sale to Colorado electric utilities for eventual use in the generation of electricity; and

(I) One representative of a county in which there is both an electric generating facility employing at least twenty persons and one or more business concerns that mine or produce coal or natural gas for sale to Colorado electric utilities for eventual use in the generation of electricity.

(III) The following nine members appointed by the President of the Senate:

(A) One member at large, not affiliated with any of the groups represented by other members of the panel;

(B) One representative of a municipally-owned electric utility that
Distributes electricity;

(C) One representative of a municipally-owned utility that generates electric energy or a municipally-owned power authority that provides wholesale electric service to municipal electric distribution systems;

(D) One representative of an independent power generator, producer, or provider;

(E) One representative of a commercial consumer of electric energy;

(F) One representative of small business consumers who employ less than fifty persons;

(G) One representative of an industrial consumer;

(H) One representative of a business concern that mines or produces coal in Colorado for sale to Colorado electric utilities for eventual use in the generation of electricity; and

(I) One representative of residential consumers in a county with a population of less than thirty thousand.

(b) The members of the panel shall elect one member to serve as chairperson.

(c) Members of the panel shall be appointed within thirty days following the effective date of this act.

(d) Members of the panel shall serve without compensation; except that members who represent residential and low-income consumers shall be entitled to reimbursement for their reasonable and actual expenses incurred to attend meetings.

(e) Vacancies shall be filled by appointment by the official who appointed the member whose absence resulted in the vacancy. The composition of the panel as set forth in this subsection (4) shall be maintained.

(5) Funding for evaluation study. Within thirty days after the effective date of this section, the director of the commission shall prepare a budget, for the panel’s approval, estimating the costs and expenses for ministerial services as set forth in subparagraph (III) of paragraph (d) of subsection (2) of this section and for expert services necessary to assist the panel in conducting the evaluation study and preparing its report. The director shall also prepare a work plan for the panel’s approval, which work plan shall include recommendations on the budget amounts to be allocated to the various study issues set forth in subsection (3) of this section and the resources available to the commission to address such issues.

(6) Repeal. This section is repealed, effective December 31, 2000.
40-4-114. Funding and appropriations - retail electricity policy development fund - creation - repeal. (1) There is hereby created in the state treasury the retail electricity policy development fund, referred to in this section as the "fund". The commission is authorized to solicit and accept grants and donations from private sources and to forward all moneys thus received to the state treasurer, who shall credit such moneys to the fund. All interest derived from the deposit and investment of moneys in the fund shall be credited to the fund. Any moneys unappropriated or unexpended at the end of any fiscal year shall remain in the fund and shall not be transferred or revert to the general fund. Expenditures may be made from the fund to augment the commission's annual budget appropriation as required for expert testimony, consulting services, postage and printing costs, costs associated with arranging for and conducting meetings, and other associated support and operating costs incurred in carrying out the commission's duties under section 40-4-113. Expenditures from the fund shall be authorized by the director of the commission and all expenditures shall be accounted for by the staff of the commission. All unexpended and unencumbered moneys remaining in the fund as of December 31, 2000, shall be transferred to the public utilities commission fixed utility fund.

(2) This section is repealed, effective December 31, 2000.

SECTION 2. 24-21-104 (3) (d), Colorado Revised Statutes, is amended by the addition of a new subparagraph to read:

24-21-104. Fees of secretary of state. (3) (d) (V) Notwithstanding any provision of paragraph (b) of this subsection (3) to the contrary, on July 1, 1998, the state treasurer shall deduct two hundred sixty-seven thousand seven hundred fifty-six dollars from the department of state cash fund and transfer such sum to the retail electricity policy development fund created in section 40-4-114, C.R.S.

SECTION 3. Appropriation - adjustments in 1998 long bill. (1) For the implementation of this act, appropriations made in the annual general appropriation act for the fiscal year beginning July 1, 1998, shall be adjusted as follows:

(a) The appropriation made to the department of regulatory agencies, office of consumer counsel, program costs, is increased by fifty thousand dollars ($50,000). Said sum shall be out of reserves in the retail electricity policy development fund not otherwise appropriated and appropriated as cash funds exempt.

(b) The appropriation made to the department of regulatory agencies, public utilities commission, personal services, is increased by one hundred fifty-nine thousand six hundred dollars ($159,600). Said sum shall be out of reserves in the retail electricity policy development fund not otherwise appropriated and appropriated as cash funds exempt.

(c) The appropriation made to the department of regulatory agencies, public utilities commission, operating expenses, is increased by one thousand six hundred twenty dollars ($1,620). Said sum shall be out of reserves in the retail electricity
policy development fund not otherwise appropriated and appropriated as cash funds exempt.

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

Approved: May 26, 1998