

Written testimony of Dan Greenberg
HB19-1313: Reasons to Oppose

(bill title: "*Electric Utility Plans To Further Reduce Carbon Dioxide Emissions*")
House Health & Insurance Committee hearing, 4/17/2019

Madam Chair Lontine and committee members, my name is Dan Greenberg. I'm a resident of Boulder, and I am representing myself today. Thank you for this opportunity to express my reasons for opposing HB19-1313.

Like others you have or will hear from today, I believe that the bill as currently written would be a great deal for Xcel Energy, but a very bad one for the environment, and bad for ratepayers. I'll focus on the four biggest problems I see with the bill:

1. It perpetuates an archaic, outdated form of utility regulation
2. It impedes the growth of renewable energy
3. It requires almost nothing from Xcel Energy beyond what it is already required to do under the Colorado Energy Plan.
4. It eviscerates the PUC's ability to require a more responsive Clean Energy Plan

HB19-1313 perpetuates outdated utility regulation.

As currently written, HB19-1313 would grant Xcel (and any other utility that opts in) the right to own and rate base as much as 50% of the capacity built to comply with an approved Clean Energy Plan. This will unnecessarily increase consumer costs by the utility's allowed rate of return.

The regulated utility monopoly on generation is a holdover from the earliest years of the last century, when economies of scale meant that the larger a power plant was, the cheaper the cost per kWh generated. The economies of scale that once justified granting utilities a monopoly over generation have been supplanted in recent years by economies of mass production that have driven the costs of renewable electricity inexorably downward, to the point where utilities can now purchase wind and solar power at all-in prices lower than just the operating costs of coal-fired generators (i.e. excluding capital costs), and those costs continue to decline. It has been decades since one could legitimately claim that electricity generation was a natural monopoly, and that designation has never been less true than it is today. Yet our state government persists in propping up this myth. There is absolutely no justification for allowing Xcel or any other CO utility to maintain a monopoly over electricity generation. But that is precisely what HB19-1313 would do. Instead, the state should be enacting policies that shift Xcel's incentives away from generation and onto the portions of its business where monopoly power still makes sense: preparing its distribution system to maintain reliability and resiliency for the coming era of massive deployments of distributed energy resources and bi-directional power flow.

HB19-1313 impedes growth of renewable electricity.

The perpetuation of Xcel's monopoly would simultaneously increase consumer costs, impede the creativity of the market, and most importantly, slow the rate of penetration of renewable resources that could reduce carbon emissions dramatically faster than this bill envisions. To illustrate this point, consider the RFP results that Xcel published at the end of 2017.ⁱ Although only aggregate data were published, it's clear that the free market is ready, willing and able to provide ample, clean power at very competitive prices. In aggregate, Xcel received renewable power bids with cumulative capacity amounting to about 9 times the capacity of Xcel's existing generating fleet. Median prices for these renewable bids ranged from a low of 1.8 cents/kWh for wind to a high of 3.6 cents/kWh for solar combined with energy storage. Compare this with Xcel's current energy costs of over 5.4 cents/kWh. These results were emphatically reinforced by the results of the City of Boulder's Request for Indicative Pricing,ⁱⁱ released last December. Those results demonstrated that if Boulder were to municipalize, it could begin serving load in 2024 with a resource mix providing 89% renewable energy at a price 33% below what it would cost if Boulder continued to purchase all of its electricity from Xcel. Careful introduction of policies promoting competition and customer choice rather than monopoly would reduce consumer costs and speed grid decarbonization.

HB19-1313 is only an incremental improvement over the status quo.

As currently written, HB19-1313 focuses exclusively on Xcel's retail sales, doing nothing about sales to the wholesale market, which amounted to 20% of Xcel's total generation in 2018.ⁱⁱⁱ This means that the bill would cement into state law a required reduction in emissions of 80% from 80% of sales, or an overall emissions reduction of 64% by 2030. While that might sound great, I'd like to point out that the PUC-approved Colorado Energy Plan already requires Xcel to reduce its total carbon dioxide emissions by 60% by 2026^{iv}. In that context, all this bill would require of Xcel is to reduce its emissions by an incremental 4 percentage points over the course of 4 years. This is not nothing, but it's hardly commensurate with the magnitude of the emergency that climate change poses.

HB19-1313 severely limits the PUC's authority

In exchange for this small, incremental reduction in Xcel's carbon emissions, the state is asked to reward the utility with carte blanche as to whether or how it will implement its Clean Energy Plan. The language in the bill explicitly weakens the PUC's regulatory authority. Subsection (4)(e) states that

"If the commission finds that approval of the clean energy plan is not in the public interest, or if the commission modifies the plan, the utility may choose to submit an amended plan to the commission for approval in lieu of having no plan or implementing the modified plan. No clean energy plan is effective without commission approval, and a qualifying retail utility shall not be required to submit more than one plan for commission approval."

This is a classic example of industry regulating government when the reverse is urgently needed.

For all of the foregoing reasons, I urge you to vote NO on HB19-1313.

Respectfully,

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ⁱ *Xcel solicitation returns 'incredible' renewable energy, storage bids*, Utility Dive (January 8, 2018), <https://www.utilitydive.com/news/xcel-solicitation-returns-incredible-renewable-energy-storage-bids/514287/>

ⁱⁱ *Local Power Explained: Power Supply, Costs and Climate Goals*, City of Boulder, (February 2019), https://www-static.bouldercolorado.gov/docs/RFP_One-pager-1-201902061233.pdf

ⁱⁱⁱ Xcel Energy. (2019). 2018 Form 10-K, <http://investors.xcelenergy.com/Cache/1001248959.PDF?O=PDF&T=&Y=&D=&FID=1001248959&iid=4025308>

^{iv} Colorado Energy Plan, Xcel Energy (accessed April 16, 2019), https://www.xcelenergy.com/company/rates_and_regulations/resource_plans/colorado_energy_plan.