



FACT SHEET: HOUSE BILL 04-1184

INVESTOR-OWNED UTILITY ENERGY CONSERVATION PROGRAMS

Sponsor: Rep. Boyd (D-Lakewood); Co-sponsor: Rep. Larson (R-Cortez)

What is it? This legislation would direct investor-owned electric and gas utilities in Colorado to initiate or expand their energy conservation programs starting in 2005. Utilities would be directed to meet specified energy savings targets, and to offer households some free energy efficiency devices in order to help offset the impact of rising energy prices as soon as possible.

How large are the savings targets? Affected utilities would be directed to save at least 0.5% of their retail electricity or gas sales each year during 2005-2020 (from measures implemented each year, not from measures implemented in previous years).

What types of energy conservation programs would utilities be directed to implement? Utilities would be directed to offer programs involving education, technical assistance, and cash incentives to all customer classes; i.e., every customer would be given the opportunity to participate and lower their energy bills. In addition, utilities would be required to offer some free energy conservation measures such as a few compact fluorescent lamps, low-flow showerheads, and faucet aerators—an energy conservation “action kit”—to every residence so that households would be able to easily cut their energy bills at least a modest amount.

What would be the cumulative impact on electricity use? Meeting the savings targets would lower electricity use in the service area of qualifying utilities by at least 2.5% in 2010 and 7.5% in 2020.

What would be the impact on power plant construction? Assuming the targets are met, one smaller (150 MW) baseload power plant would be avoided by 2010, and one or more power plants totaling 450 MW in capacity would be avoided by 2020. There would still be a need for some new power plants in Colorado in the next 10-20 years, but not as many.

What would be the economic impact on consumers and businesses? Consumers and businesses in Colorado would save over \$1 billion net during 2005-2020. This is their electricity and natural gas bill savings minus the cost of the energy conservation measures and programs.

What would be the impact on water use in Colorado? Conventional power plants consume a large amount of water. By reducing the amount of electricity produced in the state, the bill would reduce water consumption about 450 million gallons per year by 2010 and 1.3 billion gallons per year by 2020.

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Which utilities would be affected? The policy would apply to investor-owned gas and electric utilities in the state, the main one being Xcel Energy. The legislation would urge municipal utilities and rural electric coops to expand their energy conservation programs, but it would not place any requirements on these utilities.

What would utilities need to do? Affected utilities would need to expand their energy conservation programs in order to meet the energy savings goals, increasing their budget to around \$30 million per year in aggregate. For comparison, investor-owned utilities in the state now spend about \$12 million per year on energy conservation programs.

What impact would the bill have on electricity and natural gas rates and bills? After the programs phase in and utilities demonstrate they are operating cost-effective programs, all consumers of applicable utilities would pay for the energy conservation programs, resulting in about a 1% increase in electricity and gas rates in the future. But the reduction in energy use resulting from the programs would more than offset this small rate increase, and the energy bills paid by consumers as a whole would go down. Individual consumers that used the free conservation measures or took advantage of the rebates for would see their energy bills go down.

Who would provide monitoring and oversight? The Colorado Public Utility Commission would review and if necessary audit the energy conservation programs of affected investor-owned utilities annually. Once the PUC determines that the savings targets were met and the programs provided net economic benefits for consumers and businesses, a utility would be allowed to recover program costs and earn a reasonable profit on the programs as well. But cost recovery would not occur until after the programs are evaluated and reviewed by the PUC.

Do utilities in Colorado have experience with this type of policy? Yes, Xcel Energy operates comprehensive energy conservation programs and meets even higher energy savings targets in Minnesota. Xcel Energy is based in Minnesota and it is the largest utility in that state.

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