



FACT SHEET

SB03-129: PUC Electric Utility Efficiency Standards

Sponsor: Senator Peggy Reeves (D-Fort Collins)

What is it? Energy efficiency performance standards (EEPS) are electricity savings targets that would apply to larger utilities in Colorado. The utilities would be directed to save a specified number of kilowatt-hours each year through their energy efficiency programs and purchase of energy savings credits.

How large are the savings targets? After a phase-in period, qualifying utilities would be directed to save the equivalent of about 1% of their retail electricity sales each year during 2006-2020 (from measures implemented that year, not from measures implemented in previous years).

How would current energy efficiency programs be treated? Energy efficiency programs already underway could provide savings that would count towards the targets, as could low-income home weatherization programs that utilities are funding.

What would be the cumulative impact on electricity use? The EEPS targets, if met, would lower electricity use in the service area of qualifying utilities by about 6% in 2010 and 16% in 2020.

What would be the impact on power plant construction? Assuming the targets are met, one 300 MW baseload power plant could be avoided by 2010 and nearly three 300 MW baseload power plants could be avoided by 2020. There would still be a need for some new power plants 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 2003-2020, according to estimates by SWEEP. This is their electricity bill savings minus the cost of the energy efficiency 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 EEPS would reduce water consumption about 850 million gallons per year by 2010 and 2.3 billion gallons per year by 2020.

What would be the impact on pollutant emissions? The EEPS would reduce electricity generation by coal-fired and natural gas-fired power plants and thereby reduce emissions of sulfur dioxide, nitrogen oxides, mercury, and carbon dioxide. The carbon dioxide emissions reductions would be the largest in percentage terms since they are not affected by scrubbers or other emissions control technologies.



What would Xcel Energy need to do? Xcel would need to expand its energy efficiency programs, increasing their budget to around \$35 million per year compared to about \$10 million per year at the present time. These programs include education, technical assistance, rebates and other financial incentives for consumers and businesses that purchase energy-efficient devices.

What impact would the EEPS have on electricity rates and bills? All of Xcel's consumers would pay for the energy efficiency programs, resulting in a very small increase in electricity rates. But the reduction in electricity use resulting from these programs would more than offset this small rate increase, and the electricity bills paid by all consumers would go down.

Who would ensure that the savings targets are met? The state Public Utility Commission would review Xcel's programs and savings estimates, and determine if the savings targets are met each year.

Which electric utilities would be affected? The policy would apply to utilities selling more than 5 million MWh of electricity per year at the retail level. This means it would only apply to Xcel Energy, a large investor-owned utility that provides about 60% of the electricity consumed in Colorado. Municipal utilities and rural electric coops would be encouraged (but not required) to adopt similar targets and energy efficiency programs.

How would the energy savings credits work? Qualifying utilities would be allowed to achieve up to 20% of its savings target each year through the purchase of savings credits from energy efficiency projects implemented by businesses or energy service companies. This would help utilities to meet their targets at least cost while supporting energy efficiency projects that are implemented outside of the utility's programs. The Public Utility Commission would ensure that these credits are legitimate.

Do utilities in Colorado have experience with this type of policy? Yes, Xcel Energy meets energy savings goals that are set in Minnesota (Xcel Energy is based in Minnesota and it is the largest utility in that state).

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