

SENATE COMMITTEE OF REFERENCE REPORT

Chairman of Committee

May 4, 2017
Date

Committee on Finance.

After consideration on the merits, the Committee recommends the following:

HB17-1227 be amended as follows, and as so amended, be referred to the Committee of the Whole with favorable recommendation:

1 Amend reengrossed bill, page 2, after line 1 insert:

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)~~
23 ~~and (b) of this subsection (2). The bonus shall not count against a gas~~

1 ~~utility's authorized rate of return or be considered in rate proceedings.~~
2 (5) The commission shall authorize each gas utility to recover
3 ~~moneys~~ MONEY spent for education programs, impact and process
4 evaluations, and program planning related to natural gas DSM programs
5 offered by the gas utility ~~without having~~ AND REQUIRE THE GAS UTILITY
6 to show that such expenditures, on an independent basis, are
7 cost-effective. The commission may limit the amount spent for these
8 activities."

9 Renumber succeeding sections accordingly.

10 Page 2, strike line 3 and substitute "(2), (4), and (5) as follows:".

11 Page 2, line 20, after "(c)" insert "(I)".

12 Page 3, after line 6, insert:

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

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

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

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

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

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

- 1 ~~(d) An incentive to allow the utility to collect the costs of DSM~~
- 2 ~~programs through a cost adjustment clause;~~
- 3 ~~(e) Other incentive mechanisms that the commission deems~~
- 4 ~~appropriate."~~

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