

Notes on discussion with ESCOs concerning potential energy legislation in Colorado
Howard Geller
Aug. 8, 2002

The following individuals met on Aug. 7 at the office of FEM: Howard Geller, SWEEP; Jim Crossman, FEM, Inc.; Jim Knutson, CMS/Viron; and Gary Bergard and James Jacobson, Johnson Controls. The attendees were expressing their personal views, not necessarily the views of their organizations.

Howard started by introducing SWEEP and presenting his background. He then reviewed the Systems Benefit Charge proposal introduced in the CO legislature last session and the responses to it, and he presented his initial thoughts concerning an Energy Efficiency Performance Standard proposal for the next session of the CO legislature. [Note: the concept in short is to impose an energy savings requirement on Xcel (or Xcel and other utilities in the state) rather than a DSM spending requirement, along with related provisions on issues such as DSM program design, monitoring and evaluation, cost recovery, and possibly financial incentives for the utility(s).] He said he was interested in getting feedback from ESCOs concerning the proposal as well as political support if/when such a proposal gets introduced before the legislature.

Individuals present made the following suggestions for modifying/improving the proposal:

- 1) Include a standard offer approach as one of the main types of DSM programs that the utility(s) would be required to offer;
- 2) Provide incentives to consumers that are large enough to make a difference—that get the attention and meet the payback criteria of decision makers in the commercial, industrial, and institutional sectors.
- 3) Provide support for distributed generation including use of back-up generators as way to meet any savings requirements, including giving control of these generators to utilities and making sure they have reasonable pollution controls.
- 4) Promote both peak load reduction and energy savings in any type of public policy, perhaps giving more weight to peak reduction in order to improve the overall system load factor.
- 5) Give the utility(s) a “carrot” as well as “stick”—reward them through their rate of return (or some other way) if they do a good job with DSM and meet/surpass the savings requirements.
- 6) Do not be technology specific—allow all technologies to compete in the marketplace for any incentive dollars.
- 7) Some monitoring and verification requirements are reasonable, but do not get carried away with this and inhibit projects from going forward.
- 8) Consider working on rate reform as well as expanding DSM programs as a way to promote greater energy efficiency in Colorado—rates should give consumers and businesses more incentive to reduce peak demand and shift consumption to off-peak periods.

Based on these comments, Howard suggested an energy efficiency requirement that included both energy and peak load components, possibly with the peak reduction requirement being greater than the energy requirement in percentage terms, and allowing the utility to earn a higher rate of return on their prudent DSM expenditures if they met certain savings targets. This also could be done as a sliding scale or step function. He also suggested that the utility could be directed to meet a portion of their requirements through a standard offer type program. Furthermore, he offered to work on rate reform as part of the rate case for Xcel now being considered by the CO PUC, and he asked for help from ESCOs in identifying the problems with current rates and ways to improve them.

Next Steps

Howard said he would keep the ESC informed concerning development of any legislative proposals including circulating a draft once it is ready. Jim Crossman said he would try to provide some input to Howard on the issue of rate design reform.