



**Testimony**  
**Tom Easley, Director of Programs**  
**Before the Senate Local Government and Energy Committee**  
**January 29, 2009**  
**Senate Bill 09-039**

**Concerning the Discretionary Authority of Cooperative Electric Associations to Establish Reasonable Graduated Rates for Increased Energy Consumption by Residential Customers**

On behalf of the Rocky Mountain Climate Organization (RMCO), I am testifying in support of Senate Bill 09-039 consistent with the November 2007 recommendations of the blue-ribbon Climate Action Panel (CAP) that RMCO convened to develop ways to reduce our state's contributions and vulnerabilities to climate change. Governor Ritter has adopted as state policy the emission-reduction goals recommended by the Climate Action Panel. RMCO now supports actions to reach those goals, including both the action items in Governor Ritter's Colorado Climate Action Plan and the other actions recommended by the CAP.

First, though, some background on RMCO and our Climate Action Panel. RMCO is a mainstream coalition with 43 partner organizations, including 17 local governments, Colorado's largest water provider, 13 businesses, and 12 nonprofit organizations. We work to keep the West a special place by reducing climate disruption and its effects here.

The CAP was convened by RMCO to recommend actions to reduce Colorado's contribution and vulnerability to climate change. Patterned after projects to develop climate action agendas in other states, including many in the West, the Climate Action Panel was the first in the nation to be convened by a non-profit organization. Appointed by a representative group of ten Project Directors, the 34-member CAP was comprised of leaders from the state's public, private, and non-profit sectors.

The CAP recommended 70 actions to be taken in Colorado, consisting of 55 recommendations to reduce heat-trapping greenhouse gases (GHGs), two of which are relevant to SB 09-039, and 15 recommendations to prepare the state for the changes that may be coming. Counting those who worked on six policy work groups that supported the panel's work, 116 Coloradans participated in the process that culminated in the adoption of the panel's recommendations. The year-long process built a strong consensus, with 61 of the 70 recommendations agreed to unanimously, with seven others agreed to by super-majority votes (with five or fewer dissents).

The centerpieces of the CAP recommendations and Governor Ritter's Colorado Climate Action Plan are identical: As recommended by the our panel, Governor Ritter adopted as state policy goals of reducing Colorado's emissions of greenhouse gases 20% by 2020 and 80% by 2050, compared to 2005 levels. Achieving the 2020 goal will require a 37% reduction in the emissions forecast for that year under laws and practices in effect in September 2007.

To continue the consensus-building success of the CAP, RMCO is now in the second stage of the Colorado Climate Project, in which we are continuing to work with diverse organizations and interests to flesh out details for implementation of the CAP recommendations, to build broad public support for those recommendations and also for the Governor's Climate Action Plan, and to get them adopted.

In order to meet the statewide emission reduction targets, adoption of policies to reduce emissions of heat-trapping gases that result from energy consumption in residential and commercial buildings and industrial processes must play a key role. An inventory and forecast of greenhouse gas emissions that was performed for the state government, and that informed the CAP proceedings, showed that in 2005 about 55% of total emissions came from the residential, commercial, and industrial sector. By 2020, this sector's emissions are projected to rise 35% under business as usual practices.

Recognizing the importance of improving energy efficiency in residential and commercial buildings and industrial processes as a way to reduce emissions, the CAP adopted eleven recommendations that together would reduce the state's greenhouse gas emissions by about 15 million metric tons in carbon dioxide equivalent by 2020, which is about 28% of the reductions needed to meet the overall 2020 goal of a 20% reduction compared to 2005 levels. Most of those measures focus on programs to reduce energy demand, such as customer incentives, building codes and beyond code building design, low interest loans, and "smart meters" that enable customers to monitor their real-time energy consumption and to make choices about the most cost-effective ways to reduce their energy demand. Other measures include renewable energy systems installed at the point of use, combined heat and power systems, and technical assistance for businesses to voluntarily institute a range of energy efficiency and waste management measures.

In addition to calculating the greenhouse gas emissions reductions associated with each of the CAP recommendations, the technical consultants also analyzed their cost-effectiveness. Consistent with findings by other energy efficiency experts, these analyses showed that investments in energy efficiency are among the most cost-efficient efforts consumers can make, often saving them money in energy expenditures over time. Many of these demand side management recommendations also offer a comparatively quick means to achieve emission reductions.

The Governor's Climate Action Plan also includes energy efficiency measures, including lighting performance, expanded utility demand side management programs, industrial efficiency programs, Greening Government measures, and updated building codes. Implementation of these measures is expected to achieve half of the total emission reductions from the utility sector, which the Governor is calling upon to reduce emissions 20% by 2020, including rural electric cooperatives and municipal utilities, as well as investor-owned utilities.

We are testifying in support of SB 09-024 because its clarification of rural electric cooperatives' authority to charge graduated rates for customer energy consumption (often called inverted block rates) is consistent with two of the CAP recommendations.

The CAP adopted two alternative inverted block rate electricity recommendations. The first, numbered RCI-5 in the CAP recommendations, calls for a tiered, increasing surcharge on electricity rates to simultaneously provide a source of funding for utility energy efficiency programs and a financial incentive for consumers to limit power consumption. Below a certain consumption threshold, customers would pay no surcharge. The recommendation applies to residential and commercial customers, and the proceeds above cost-of-service recovery would be used to fund energy efficiency programs. The recommendation also includes the option for rural electric cooperatives and municipal utilities to instead add system benefit charges to utility bills to fund energy efficiency programs. Emissions reductions are calculated at 6.7 million metric tons of carbon dioxide equivalent annually by 2020, and consumer energy cost-savings are estimated at \$1.13 billion from 2010 to 2020.

The CAP, recognizing the potentially controversial nature of an above cost-of-service block rate structure, adopted an alternative recommendation RCI-11, which provides for a graduated block rate structure that would cover only cost-of-service. This approach would mirror the provisions of SB 09-039, and would depend solely on price elasticity to affect consumer choices in energy consumption. Since this recommendation was adopted towards the end of the CAP deliberations, there was not sufficient time to calculate emissions reductions or cost-effectiveness of this approach.

While the SB 09-039 provision that enables rural electric cooperatives to utilize community energy funds for energy efficiency and renewable energy programs was not specifically addressed in the CAP recommendations, it would be consistent with the CAP's demand side management goals.

Thank you for the opportunity to offer our testimony.