

# Colorado

Public Utilities Commission



*For Your Information*

*EG-6*

## **UNDERSTANDING DEMAND-SIDE MANAGEMENT**

There is an energy term that Coloradans are hearing more about. Some are even seeing it appear on their utility bills. It's called Demand-Side Management (DSM) and, while it has been around for nearly 20 years, it has only been since the 2007 Colorado legislative session that consumers are hearing more about it in Colorado, with both added attention and emphasis.

### **WHAT IS DSM?**

DSM helps gas and electricity companies assist their customers to become better users of energy. DSM is designed to provide financial incentives to utilities and their customers, allowing them to increase energy efficiency and conservation efforts. With a strong DSM program in place, there is the potential to defer the development of future electric power plants, thereby benefiting all utility customers while saving energy. This is an important component of Gov. Bill Ritter's New Energy Economy.

Consumers may have noticed a fee, called "*Demand Side Mgmt Cost*," which appears on some Xcel Energy monthly utility bills. This is a cost adjustment or surcharge that consumers pay for the system benefits that all customers receive through DSM. Some benefits filter down to the individual, such as rebates when consumers receive financial incentives to use less energy by purchasing more efficient appliances, and adding more efficient equipment or insulation to their homes. While DSM may save consumers money, DSM may not reduce individual consumer bills, but rather help consumers minimize future cost increases.

### **WHAT IS THE PUC'S ROLE IN DSM?**

In 2007, the Colorado General Assembly passed House Bill 1037, which is designed to advance cost-effective DSM programs. The law identifies DSM benefits, including a utility's avoided generation, transmission, distribution, capacity, and energy costs; and avoided emissions. Utility costs will also include identified costs such as customer education, incentives and discounts. The law encourages utilities to reduce emissions or air pollutants and increase energy efficiency. It also mandates that all regulated utilities offer DSM programs and set minimum expenditure levels. With this legislation, the Public Utilities Commission (PUC) became responsible for establishing the rules for electric and natural gas DSM programs, including setting expenditure and savings targets; as well as adopting procedures for allowing utilities to recover their DSM program costs.

To reach PUC Consumer Affairs:

1560 Broadway, Suite 250, Denver, CO 80202  
303-894-2070 (local); 1-800-456-0858 (toll-free)  
PUCConsumer.Complaints@dora.state.co.us

Beginning in 2009, gas and electric utilities will be required to submit an annual report to the PUC that describes the company's DSM programs, including documentation of program expenditures, energy savings impacts, techniques used to estimate these impacts, and the estimated cost-effectiveness of program expenditures for their DSM programs. The PUC is also mandated to submit reports to both houses of the Colorado General Assembly that highlight the progress made by investor-owned utilities in meeting their DSM goals. These reports will also include recommended statutory changes that the PUC deems necessary

### **HOW WILL CONSUMERS BENEFIT?**

Utilities will offer DSM education programs. Consumers will see programs initiated by their gas and electric utilities that may offer rebates for the purchase of more energy-efficient appliances and home improvements, such as insulation that will keep their homes cooler in the summer and warmer in the winter. There may also be rebates for other items, such as Compact Fluorescent Light Bulbs. Consumers may save money while also saving energy.

Of the regulated utilities, Xcel Energy has the only active DSM program in Colorado. Aquila is developing a new DSM program and expects to seek Commission approval later this year. Some rural electric cooperatives and municipal utilities also participate in limited DSM efforts.

DSM programs are designed to save money for consumers and utilities, while protecting Colorado's environment.

(2/08)

To reach PUC Consumer Affairs:

1560 Broadway, Suite 250, Denver, CO 80202  
303-894-2070 (local); 1-800-456-0858 (toll-free)  
PUCConsumer.Complaints@dora.state.co.us