



**COLORADO**

**Governor Jared Polis**

February 6, 2023

Patty Salazar  
Executive Director  
Department of Regulatory Agencies

Will Toor  
Executive Director  
Colorado Energy Office

Eric Blank  
Chair  
Colorado Public Utilities Commission

Cindy Schonhaut  
Director  
Office of the Utility Consumer Advocate

Robert Kenney  
President  
Xcel Energy Colorado

Duane Highley  
Chief Executive Officer  
Tri-State Generation and Transmission  
Association

Kellie Ashcraft  
Vice President, Colorado Operations  
Black Hills Energy

Kent Singer  
Executive Director  
Colorado Rural Electric Association

Dan Hodges  
Executive Director  
Colorado Association of Municipal Utilities

Bart Armstrong  
President of Colorado-Kansas  
Atmos Energy

Kurt Adams  
President & CEO  
Colorado Natural Gas

Dear Directors Salazar, Toor, and Schonhaut; Chair Blank, Ms. Ashcraft, and Messrs Highley, Kenney, Singer, Hodges, Adams, and Armstrong,

While Colorado continues to have more affordable household energy costs than most of the country, natural gas prices are imposing terrible burdens on households and businesses and have long-term consequences for Colorado's competitiveness as a great place to live and work.<sup>1</sup> I am calling on state agencies to work collaboratively with the state's utilities and others to develop responses that can help reduce the energy cost burden. As I wrote after

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<sup>1</sup>According to the most recently reported national data (through September 2022) by the U.S. Energy Information Administration (EIA), the average price of natural gas in Colorado is lower than that of 30 states - and while the recent rapid increases in cost in Colorado are alarming, more than one-third of U.S. states saw faster increases in gas prices than Colorado.

Winter Storm Uri, consumers should not be expected to shoulder unexpected exceptional costs without extraordinary efforts to reduce usage and proactive information sharing with customers. And in the time since, we have new tools at the state and recent federal legislation will provide millions in funding to help customers reduce energy costs. My expectation is that state agencies and our utilities will urgently take steps to help customers better afford energy including doing everything in their power to draw on these funds and support customers in the short- and long-term and I appreciate the initial work of the Public Utilities Commission opening a new proceeding to investigate the potential for federal funding opportunities in Colorado, and the PUC's proactive efforts in recent weeks to educate the public and host meetings about recent increases in utility bills.<sup>2 3</sup>

As the recent price spikes unfortunately demonstrate, Colorado remains vulnerable to unpredictable rapid increases in the regional and global costs of natural gas. While of course Colorado utilities do not profit from changes in the price of natural gas, they also don't have any true incentive to protect consumers from these price swings. The wide swings in gas market prices are due to factors beyond Colorado's immediate control, including extreme weather, gas transmission infrastructure constraints across the Western U.S., changes in global demand, and international conflict, but utilities should be rewarded or penalized in part based on their success or failure in keeping prices low.

Recent examples of price swings include large natural gas price spikes resulting from Winter Storm Uri and the war in Ukraine, which has been disrupting markets for nearly a year. I hear from concerned Coloradans and businesses about how these costs directly affect livelihoods and strain household budgets. It does not have to be this way.

Over the course of my first term, we have been able to lock-in more than 80% renewable energy statewide by 2030, and we're on a path to my goal of 100% renewable electricity by 2040. This renewable energy is available at a low, stable price and is not subject to spikes. The market, driven by competition, has demonstrated that the deployment of new renewable energy technologies, including wind, solar, battery storage, and other zero-carbon resources, are simply more affordable than fossil fuels. Because electricity generated from renewable energy has a low- or no fuel cost, it can help create stable and more predictable energy costs for Colorado families and businesses.

While I am directing state agencies and asking utilities to take additional steps to address energy costs, it is important to recognize that these new steps build on actions that are underway already, including:

- Improving building codes to enhance energy efficiency of new homes and businesses, reducing utility costs for their occupants;

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<sup>2</sup> Decision No. C23-0066, Proceeding No. 23M-0053ALL, mailed on January 31, 2023.

<sup>3</sup> More information on utility affordability hearings available at the PUC website [here](#).

- Implementing new rules at the PUC that will require gas utilities to submit plans for their gas systems that provide more PUC oversight of costs, ensure that ratepayers do not subsidize the costs of new development, and ensure that the plans aligns with the state's greenhouse gas pollution reduction targets;
- Partnering of the Office of Utility Consumer Advocates, CEO, utilities, and conservation groups to petition the PUC for a new, recently opened proceeding, to investigate opportunities to secure federal funding in Colorado
- Holding public comments hearing on energy affordability at the PUC
- Conducting a state-led study that in partnership with utilities, conservation advocates, labor unions, home builders, and others will evaluate pathways to reducing pollution from buildings, including looking at the effect of the transition on customer bills and on workforce;

I recognize that the complex challenge of managing energy affordability while ensuring a safe and reliable energy system resides in multiple parts of government, civil society, energy companies, and utilities. No single entity is responsible for addressing these challenges. Therefore, this letter directs Colorado state government entities to actively pursue all opportunities to reduce the energy cost burden on utility customers in Colorado. In particular, this includes the unexpected burden of natural gas spot market prices. This effort will require unprecedented coordination and collaboration between the individuals and organizations named in this letter, and many others across our state. I believe that together we can further these collective efforts in service of the public good.

The following letter directs the CEO and the PUC to evaluate how existing structures, systems, processes, and procedures affect what Coloradans pay for energy. Agencies and other stakeholders involved in alleviating Coloradans' energy cost burden are expected to coordinate and collaborate with each other to seek short and long-term reductions in energy cost burdens so that energy costs are lower for all Coloradans. I am also confident these efforts will bolster the critical work of the Office of the Utility Consumer Advocate (UCA) in advocating for consumer protections and fair prices in utility decision-making.

This letter further requests that our utility sector partners - both those regulated by the PUC and those that are not - continue to work with my administration to reduce exposure to swings in gas prices, including ambitious efforts to pursue federal funding that supports customers in adopting more energy efficient appliances as well as helping some customers shift to electrified heating and water heating technologies that can provide more stable bills, optimize utility operations, increase proactive use-reduction messaging, expand energy efficiency programs, and explore new and innovative opportunities that can help customers reduce energy use and lower their bills.

Colorado's heating season typically begins in mid-fall as temperatures begin to drop and homes and businesses turn on their winter heating. **Therefore, I am requesting the Public Utilities Commission and PUC Director, before the next heating season begins, take action to relieve Coloradans' energy cost burden with a particular emphasis on heating costs:**

- State and non-profit systems are overwhelmed with the volume of energy emergency assistance requests coming in CY2023. Responding to increased energy assistance needs requires collaboration among the PUC, CEO, Colorado Department of Human Services (CDHS), and Energy Outreach Colorado to investigate the capacity and accessibility of frontline resources such as the Low-income Energy Assistance Program (LEAP), utility Percentage of Income Payment Plans (PIPP), and other forms of state or local assistance. This effort should also include partnerships with community-based organizations for bill assistance education, as required by HB 21-1105.
- Work with utilities to investigate and produce a public report about the need for additional support for residential customers including moderate income customers, customers who rely on medical devices, and other customers the PUC identifies as at risk of not being able to afford energy, and how such a strategy could also reduce rates for all customers.

I am also directing the Public Utilities Commission, PUC Director to take additional steps that can improve bill stability and help customers better manage energy uses and costs:

- **Over the coming 12 months**, develop comprehensive strategies to reduce energy cost burdens for our most vulnerable Coloradans. This could include, but is not limited to, partnering with other energy-related offices to ensure alignment with my clean energy initiatives and helping utilities secure federal dollars for investments and programs targeting Colorado homes and businesses. This effort should require utilities to report the impacts of existing programs on customers during these natural gas cost crises, identify action utilities can take to help customers manage costs, and changes that can maximize enrollment in utility programs.

I also request that the Executive Director of the Colorado Department of Regulatory Agencies oversee the following initiatives carried out by PUC staff and technical advisors, in partnership with other energy-related offices and divisions, and provide recommendations to my office at a mutually agreed upon date:

- To improve long-term price stability and reduce customer exposure to spikes in natural gas prices, evaluate the current status of and identify additional potential utility actions related to gas contracting, financial hedging, and expanded gas storage.
- Continue to ensure that utility companies do not benefit or profit from increased natural gas prices, and are properly incentivized to reduce costs for consumers, while also assuring that utilities continue to maintain the reliability and safety of their systems.
- Ensure Colorado is taking full advantage of federal funding by enabling utilities to pursue and implement projects and programs that leverage competitive federal funding to expand customer facing programs to reduce energy consumption and costs. Support the development of expanded state- and utility-led customer incentive, financing, and other programs to facilitate conservation messaging, demand response, demand-side management, electrification, and energy efficiency measures that reduce customer exposure to high natural gas prices, including, but not limited to the following:

- Assess potential federal funding options to assist with consumer energy needs, and take full advantage of federal funding and tax credits to benefit customers and improve electric and gas utility systems. Inquire into how regulated utilities plan to apply for and use state and federal funding to benefit customers, including through expanded energy efficiency and beneficial electrification programs. This should include an analysis of how utilities spend federal dollars in ways that benefit customers and maximize the near-term opportunity associated with the clean heat planning process to implement these and other measures.
- Examine innovative regulatory and rate design mechanisms such as revenue decoupling, demand side management, demand response, and risk sharing of fuel cost volatility that align utility and customer incentives to reduce costs including through conserving natural gas and other fuels considering metrics such as customer energy burden.
- Analyze the benefits and risks of utility bill flattening such as income-based maximum monthly bills with repayment over multiple months when the maximum is exceeded (e.g., PIPP). The research should also identify immediate recommendations as well, such as a moratorium on gas disconnection notices during winter heating season months, and ensure communication/outreach on arrearage options for customers. Evaluate the status and completeness of disconnection data linked with key demographics, and consider development of a data sharing policy between relevant service providers and utilities.
- Assess the technical needs required to implement the recommendations submitted to the Governor's office. Identify gaps in knowledge to bring technical expertise into the development of the record for PUC adjudications, rulemakings, and recommendations to the commissioners, and create a plan to fill in those knowledge gaps in collaboration with the PUC Director and Executive Director of the Department of Regulatory Agencies.
- Continue to develop novel approaches for additional public input and participation on these and other utility issues at the PUC.
- The ongoing transition to renewable energy, with lower-cost clean electricity resources, will also require additional work by the PUC so I direct them to:
  - Investigate the role of virtual power plants for resilience and cost-effective coordination of demand-side resources that may allow lower dispatch of natural gas power plants.
  - Identify measures to make interconnection procedures for solar and other renewable energy resources more efficient.
  - Support the development of flexible, low carbon generating resources such as long duration storage, geothermal electricity and clean hydrogen to reduce electric customer exposure to volatile natural gas prices.
  - Maximize the use of federal funds to accelerate the transition to wind, solar, storage and other renewable resources that reduce fuel costs and lower exposure to volatile fuel markets.

- Support the rapid expansion of innovative finance mechanisms like on-bill tariff/rebates to drive distributed energy production and storage

**I additionally direct the Colorado Energy Office to:**

- Expedite the creation of the whole home energy retrofit program and other programs through the Inflation Reduction Act (IRA) and Bipartisan Infrastructure Law (BIL) to help Coloradans save money through energy efficiency, demand response, demand-side management, high-efficiency electric appliances, electric vehicles (EV) and EV charging, and other cost-saving measures. These should expand upon, not supplant, utility programs, in order to allow more Coloradans the opportunity to decrease their exposure to gas costs. Work with all utilities in Colorado to identify customers most vulnerable to natural gas prices and prioritize outreach and resources to them.
  - Provide tools and resources for all Coloradans to understand utility, state, and federal incentives, rebates, tax credits, loans, and other available funds.
  - Coordinate with the Colorado Clean Energy Fund, the Neighborhood Energy Improvement District, and utilities to combine rebate/incentive programs with low-cost financing, such as on-bill financing, to minimize up-front costs of these investments for residents and businesses.
- Conduct a study to assess the potential structure for innovative regulatory approaches and rate structures that ensure alignment of customer and utility incentives for conservation, including decoupling, demand response and demand management, behavioral energy efficiency, and risk-sharing of fuel cost volatility.
- Work with the Low Income Rate Assistance Coalition (LIRAC) to develop better data and identify current data gaps to propose changes to programs that can reduce energy burdens for customers.
- Pursue legislation that provides pathways for gas utilities to serve as thermal utilities to make heating-as-a-service, with technology options such as district heating and ground source heat pumps, a viable option in Colorado, helping customers reduce their exposure to fuel price volatility.
- Ensure implementation of the state's building performance standard, for which every \$1 invested provides \$3 in utility bill savings for the 8,000-plus Colorado buildings that are greater than 50,000 square feet. The structures covered by the program include many large multifamily residences.
- Analyze and then report to the Governor's office on the potential utility bill benefits of new housing and land use policies.
- Work with the Department of Local Affairs (DOLA) and other stakeholders on implementing new statewide building energy codes. Provide technical assistance to local governments to adopt these codes to help reduce lifetime utility costs for new buildings and buildings undergoing major remodels. Maximize use of federal funding to assist local governments and building contractors in implementing these codes.
- In coordination with DOLA, implement microgrid programs with state and federal funding and report back on the cost-saving and resilience benefits of these projects to communities across the state.

- Through the Interagency Outreach and Engagement Group, coordinate the necessary resources for local community connectors consistent with priority actions identified in the [Climate Listening Sessions Priority Actions report](#). The Group should continue to build relationships with community connectors who can facilitate the delivery of culturally and linguistically appropriate educational materials to disproportionately impacted and transition communities.
- Work with relevant state agencies to remove barriers to use of state land for renewable energy production, storage, and transmission.

**I also respectfully urge the leadership of Colorado's investor-owned, municipal, and cooperative energy utilities to:**

- Identify for the Governor's office elements within the current regulatory structure that exacerbate the effect of volatile natural gas costs on customer bills.
- Coordinate with LEAP, CEO, and Energy Outreach Colorado to increase access for the most vulnerable customers to PIPP, weatherization, energy efficiency, demand-side management, demand response, appliance rebate and other current and potential customer programs.
  - To the fullest extent possible, expedite the development of customer incentive and financing programs to facilitate demand response (including load-shifting gas consumption to off peak times), demand-side management, electrification, and energy efficiency measures to dampen customer exposure to swings in natural gas prices, using funds available through state and federal programs. Continue to innovate on conservation messaging and price transparency for consumers.
  - Work with the Colorado Energy Office and Colorado Clean Energy Fund on the development of financial products for Coloradans to reduce the upfront costs of the technologies and solutions identified throughout this letter.
- Maximize the use of federal tax credits to accelerate clean energy deployment and reduce costs to customers.
- Work with the Colorado Energy Office and provide data that is necessary to explore the potential for innovative regulatory approaches and rate structures that ensure alignment of customer and utility incentives for conservation, including decoupling, demand response and demand management, behavioral energy efficiency, and risk-sharing of fuel cost volatility.
- Coordinate with your host communities to implement new energy codes and building performance standards across Colorado.
- Pursue the development of flexible low-carbon electricity generating resources such as long duration storage, geothermal electricity and clean hydrogen to reduce electric customer exposure to volatile natural gas prices. Continue to evaluate the development of low-carbon gas technologies in partnership with NREL and other stakeholders as potential substitutes in the natural gas system.
- Continue to explore financial arrangements and physical infrastructure to increase hedging, contracting, or storage options for natural gas.
- Develop, deploy, and scale innovative finance mechanisms like on-bill tariff or rebates to drive distributed energy production and storage

Lastly, coordination across stakeholders is critical to the success of this effort, and I designate my Special Advisor on Climate and Energy, Mark Silberg, to serve as my office's single point of contact on these urgent efforts to save people money on natural gas and electricity.

I greatly appreciate the partnership and leadership between our state agencies and with Colorado utilities, and look forward to continuing our work to make Colorado an even more affordable and welcoming place for decades to come.

Sincerely,

A handwritten signature in blue ink, appearing to read "Jared Polis".

Jared Polis  
Governor of Colorado

CC:

Jennifer Gremmert  
Executive Director  
Energy Outreach Colorado

Dan Haley  
President and Chief Executive Officer  
Colorado Oil and Gas Association

Lynn Granger  
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