

Second Regular Session  
Sixty-seventh General Assembly  
STATE OF COLORADO

INTRODUCED

LLS NO. 10-0297.01 Duane Gall

SENATE BILL 10-074

---

SENATE SPONSORSHIP

Penry,

HOUSE SPONSORSHIP

(None),

---

Senate Committees  
Agriculture and Natural Resources

House Committees

---

A BILL FOR AN ACT

101 CONCERNING INCENTIVES FOR THE GENERATION OF ELECTRICITY  
102 FROM CLEANER-BURNING FUELS.

---

Bill Summary

*(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at <http://www.leg.state.co.us/billssummaries>.)*

The bill declares that there exists a perverse disincentive against investor-owned electric utilities' use of natural gas for fuel, as opposed to coal, and that this disincentive should be corrected by allowing all or part of a utility's long-term supply contract for Colorado natural gas to be accounted for as a capital cost, on which the utility is permitted to make

Shading denotes HOUSE amendment. Double underlining denotes SENATE amendment.  
*Capital letters indicate new material to be added to existing statute.*  
*Dashes through the words indicate deletions from existing statute.*

a prescribed rate of return through customer charges.

The bill directs the public utilities commission (PUC) to convene a rule-making proceeding to determine how much of the cost of these long-term natural gas supply contracts may be capitalized. It limits the amount capitalized to the equivalent of the supply contract costs approved for the Comanche III coal-fired plant, and requires the PUC to begin its rule-making by July 1, 2010.

---

1 *Be it enacted by the General Assembly of the State of Colorado:*

2 **SECTION 1.** Article 2 of title 40, Colorado Revised Statutes, is  
3 amended BY THE ADDITION OF A NEW SECTION to read:

4 **40-2-122.5. Natural gas - capitalization of supply contracts -**  
5 **parity with coal - rules - legislative declaration.** (1) THE GENERAL  
6 ASSEMBLY FINDS, DETERMINES, AND DECLARES THAT THERE EXISTS A  
7 PERVERSE DISINCENTIVE AGAINST THE DEVELOPMENT BY  
8 INVESTOR-OWNED UTILITIES OF ELECTRIC GENERATING CAPACITY USING  
9 CLEAN-BURNING NATURAL GAS RATHER THAN COAL. THEREFORE, IT IS IN  
10 THE PUBLIC INTEREST TO CORRECT THIS DISINCENTIVE BY ALLOWING  
11 CAPITALIZATION OF ALL OR A PORTION OF A UTILITY'S LONG-TERM SUPPLY  
12 CONTRACT FOR NATURAL GAS.

13 (2) ON OR BEFORE JULY 1, 2010, THE COMMISSION SHALL  
14 COMMENCE A RULE-MAKING PROCEEDING TO ALLOW INVESTOR-OWNED  
15 ELECTRIC UTILITIES TO CAPITALIZE ALL OR A PORTION OF THE COST OF  
16 THEIR LONG-TERM, FIXED-PRICE NATURAL GAS SUPPLY CONTRACTS FOR  
17 COLORADO-BASED NATURAL GAS PRODUCTION. CAPITAL COST RECOVERY  
18 FOR THESE UTILITIES SHALL INCLUDE A RATE OF RETURN ON THE FIXED  
19 AND VARIABLE COSTS ASSOCIATED WITH NATURAL GAS GENERATION  
20 INCLUDING THEIR CAPITALIZED NATURAL GAS SUPPLY COSTS; EXCEPT  
21 THAT THE AMOUNT OF SUCH CAPITAL COSTS SHALL NOT EXCEED THE  
22 AMOUNT THE COMMISSION APPROVES FOR THE PUBLIC SERVICE COMPANY

1 OF COLORADO'S COMANCHE III COAL-FIRED POWER PLANT.

2           **SECTION 2. Safety clause.** The general assembly hereby finds,  
3 determines, and declares that this act is necessary for the immediate  
4 preservation of the public peace, health, and safety.