


Colorado Legislative Council Staff Fiscal Note
STATE
REVISED FISCAL IMPACT
 (Replaces fiscal note dated February 3, 2007)

Drafting Number: LLS 07-0230

Date: April 2, 2007

Prime Sponsor(s): Rep. Levy
Sen. Fitz-Gerald

Bill Status: Senate SVMA

Fiscal Analyst: David Porter (303-866-4375)

TITLE: CONCERNING MEASURES TO PROMOTE ENERGY EFFICIENCY, AND MAKING AN APPROPRIATION THEREFOR.

Fiscal Impact Summary	FY 2007-2008	FY 2008-2009
State Revenue		
General Fund	\$ 3,229	\$ 3,215
Cash Funds - Public Utilities Commission Fixed Utility Fund	107,638	107,172
State Expenditures		
Cash Funds - Public Utilities Commission Fixed Utility Fund	\$ 98,305	\$ 97,861
FTE Position Change	0.8 FTE	0.8 FTE
Effective Date: Upon signature by the Governor.		
Appropriation Summary for FY 2007-2008: See State Appropriations section.		
Local Government Impact: None.		

Summary of Legislation

By September 1, 2007, **this reengrossed bill** directs the Public Utilities Commission (PUC) to develop rules requiring natural gas distributors to adopt conservation and energy efficiency programs. The rule-making proceeding will establish expenditure and natural gas savings targets, funding and cost-recovery mechanisms, and a bonus structure for energy efficiency and conservation program implementations. Specifically, the bill requires the commission to adopt rules establishing the following:

- an expenditure target of at least 0.5% of revenues being spent on energy efficiency programs;
- a savings target that is expressed in the amount of gas saved per expenditure;
- procedures to recover costs of energy efficiency and conservation programs without having to file a rate case;
- a method of tying cost-recovery to the group, residential or non-residential, that is receiving the benefit of the energy efficiency or conservation program; and
- a bonus structure for utilities that achieve the commission's targets.

Within 12 months of rule promulgation, investor-owned gas distribution utilities are required to develop and begin implementing their own energy efficiency and conservation programs. These programs may target low-income households. The utilities must submit an annual report to the PUC that documents expenditures and savings impacts. This report will be reviewed by the PUC in order to determine the bonus level, if any, the utility is eligible to collect. In turn, the PUC must submit an annual report to the General Assembly describing the effects of energy legislation, including renewable energy, on utility costs.

State Revenue

State revenue will increase by \$110,867 in FY 2007-08 and \$110,387 in FY 2008-09. Revenue is generated by fees charged to the public utilities. The additional administrative costs incurred by the PUC as a result of this bill would be paid for from the Fixed Utility Fund (FUF). The FUF receives its revenues from an annual fee assessment (done on or before June 15 of the preceding year) based on a statutory formula (Sec. 40-2-112, C.R.S.). The formula is based on the utility's "gross operating revenues derived from intrastate utility business."

Whenever additional expenses are incurred against the FUF, this assessment must be raised to increase revenues to recover these costs, plus pay an additional 3 percent to the General Fund. Thus, cash fee revenues would have to be increased sufficiently to cover the direct expenses detailed in Table 2, page 3, plus credit 3 percent to the General Fund. Table 1 displays revenue breakdown by fund.

Table 1 - Revenue Breakdown		
<i>Fund</i>	<i>FY 2007-08</i>	<i>FY 2008-09</i>
General Fund	\$ 3,229	\$ 3,215
Public Utilities Commission Fixed Utility Fund	107,638	107,172

After FY 2008-09, reduced legal expenses will result in revenues declining to standard operating levels of \$2,300 GF and \$76,676 Public Utilities Commission Fixed Utility Fund.

State Expenditures

Department of Regulatory Agencies, Public Utilities Commission. The PUC expenditures will be \$98,305 and 0.8 FTE in FY 2007-08 and \$97,861 and 0.8 FTE in FY 2008-09. These expenditures are primarily to provide staff to carry out the bill's implementation and monitoring responsibilities. Table 2, on the next page, details the cost components of HB07-1037.

Table 2 - Total Costs Under HB07-1037		
Cost Components	FY 2007-08	FY 2008-09
Personal Services (0.8 FTE - Multiple Positions)	\$ 73,368	\$ 58,326
Operating Expenses	3,383	1,038
Contract Services for Report (160 hours at \$50.00 per hour)	8,000	8,000
Legal Services (200/450 hours at \$67.77 per hour)	13,554	30,497
Cash Funds Total	\$98,305	\$97,861
FTE	0.8	0.8

Contract services will be used to create an annual report for the General Assembly that documents the effect of energy efficiency legislation. Staff responsibilities are as follows:

- **FY 2007-08** - developing rules to implement the bill will require staff to investigate engineering, economic, and financial accounting issues; and
- **FY 2008-09** - the commission will use staff to review cost recovery filings, compliance with bonus requirements, net benefit testing, and establishing rate riders for residential and non-residential customers.

Department of Law. The Department of Law will be required to provide legal services to the PUC. The legal services charges of \$13,554 in FY 2007-08 and \$30,497 in FY 2008-09 will be appropriated to the Department of Regulatory Agencies and transferred to the Department of Law. Legal services are expected to provide the following:

- **FY 2007-08** - assistance in developing rules that meet the requirements of the bill without conflicting with other laws; and
- **FY 2008-09** - reviewing the reporting, energy efficiency measures, and bonus programs and handling any litigation that might arise from conflicting opinions.

It is expected that once the program has been fully implemented and the reporting procedures have been proven, legal services will no longer be necessary.

Other Affected Parties. Additionally, the following six natural gas utilities are impacted by this legislation

- | | |
|-------------------|------------------------------------|
| • Excel Energy | • Kinder Morgan Inc. |
| • Atmos Energy | • Eastern Colorado Utility Company |
| • Aquila Networks | • Colorado Natural Gas Company |

Expenditures Not Included

Pursuant to a Joint Budget Committee policy, funding for the items noted below will not be included in fiscal note expenditure estimates.

- group health, life and dental insurance
- inflation indices
- amortization equalization disbursements
- supplemental amortization equalization disbursements
- short-term disability
- leased space
- indirect costs

State Appropriations

This fiscal note indicates an appropriation to the Department of Regulatory Agencies of \$98,305 cash funds from the Public Utilities Commission Fixed Utility Fund and 0.8 FTE for FY 2007-08. The Department of Law will require a \$13,554 cash funds exempt appropriation from the Department of Regulatory Agencies in FY 2007-08.

Departments Contacted

Regulatory Agencies Law