

*Colorado Legislative Council Staff*

**STATE and LOCAL  
FISCAL IMPACT**

**Drafting Number:** LLS 05-0469

**Date:** January 28, 2005

**Prime Sponsor(s):** Rep. Plant

**Bill Status:** House Transportation & Energy

**Fiscal Analyst:** Marc Carey (303 866-4102)

**TITLE:** CONCERNING MEASURES TO PROMOTE ENERGY EFFICIENCY.

<b>Fiscal Impact Summary</b>	<b>FY 2005/2006</b>	<b>FY 2006/2007</b>
<b>State Revenues</b>		
General Fund		\$2,840
Cash Fund - Fixed Utility Fund		94,682
<b>State Expenditures</b>		
General Fund		
Cash Fund - Fixed Utility Fund		\$88,573
<b>FTE Position Change</b>	0.0 FTE	0.8 FTE
<b>Other State Impact:</b> TABOR Revenue Impact		
<b>Effective Date:</b> Upon signature of the Governor.		
<b>Appropriation Summary for FY 2005/2006:</b> None		
<b>Local Government Impact:</b> Potential revenue reallocation to cover administrative costs above 20 percent of surcharge revenues.		

**Summary of Legislation**

This bill authorizes local governments to require investor-owned electric and gas utilities (IOUs) to collect an energy efficiency surcharge from customers within the local government's jurisdiction. The surcharge is required to be less than 0.2 cents per kilowatt-hour of electricity or 20 cents per thousand cubic feet of natural gas. The bill requires the utility to direct the surcharge revenue, less the utility's costs up to five percent of the total, to the local government's treasurer or designee.

The bill requires the local government to establish a program to distribute the surcharge revenue in the form of grants, rebates or other incentives to subsidize the installation of utility cost-savings or energy savings measures in residences and/or businesses within the local government's jurisdiction. The bill requires that cost of administering these programs not exceed 20 percent of the net surcharge revenue.

If the county or municipality is subject to the provision of TABOR, the bill authorizes the local government to establish an enterprise or designate a non-profit entity to receive and expend surcharge revenues on its behalf. The bill requires the local government to monitor the reductions in energy consumption and cost savings achieved, and prepare a public report documenting these savings.

The bill, on or before September 30, 2005, requires the Public Utilities Commission (PUC) to commence a rulemaking proceeding establishing funding and cost-recovery mechanisms for investor-owned natural gas distributors to identify and remove barriers inhibiting these utilities from investing in conservation and energy efficiency programs. Specifically the bill requires the commission to adopt procedures to:

- allow gas utilities to recover the cost of energy efficiency and conservation programs through an annual cost adjustment mechanism;
- decouple a gas distribution utility's sales and revenues; and,
- reward gas distribution utilities for investments in cost-effective energy efficiency and conservation programs.

Within six months of completion of this rulemaking, the bill requires IOUs to:

- develop and propose a set of energy efficiency and conservation programs for their customers subject to the commission's approval;
- use their best efforts to offer these programs to all customer classes and maximize participation; and
- report to the commission on their programs at least once every two years.

## **State Revenues**

**Cash Funds.** The additional administrative costs incurred by the commission and the Office of Consumer Council as a result of this bill would be paid 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.) that 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 three percent to the General Fund. Thus, cash fee revenues would have to be increased sufficiently to cover the direct expenses detailed in Table 1, plus the indirect costs described below, plus credit three percent to the General Fund.

**State Expenditures**

This bill would directly impact the following six natural gas utilities:

- Excel Energy (a.k.a. Public Service company of Colorado)
- Atmos Energy (formerly Greeley Gas Company)
- Aquila Networks - PNG (formerly known as Peoples Natural Gas Company)
- Kinder Morgan Inc. (formerly known as KN Energy Inc.)
- Eastern Colorado Utility Company
- Colorado Natural Gas Company

*Department of Regulatory Agencies, Public Utilities Commission.* The PUC will incur no additional costs in FY 2005-06. However, the PUC will incur a one-time increase in personal services costs, as well as operating, computer, legal and capital outlay in FY 2006-07 to implement this bill. Table 1 summarizes these additional expenses, based on the following assumptions:

- of the six utilities required to develop gas conservation programs, five have no existing program currently in place;
- all plans submitted on October 1, 2006 will need to be reviewed for completeness, physicality, and for the use of rate payer dollars; and
- 450 hours of legal services will be required related to the review and approval of filings.

<b>Table 1: Additional Expenses for the PUC of HB-1133</b>		
	<b>FY 2005/06</b>	<b>FY 2006/07</b>
<u>Personal Services</u>		
Engineer II		0.5 FTE- \$32,586
Rate/Financial Analyst IV		0.3 FTE - 19,256
PERA/Medicare		<u>6,143</u>
Subtotal		57,986
Operating Expenses		\$250
Legal Expenses (450 hrs. @ \$61.57/hr.)		\$27,707
Non-Recurring Expenses		\$2,630
<b>Total Expenses</b>		<b>0.8 FTE - \$88,573</b>

It should also be noted that in all future years beginning in FY 2007-08, the PUC will require additional resources to review the cost recovery plans.

**Expenditures Not Included**

Pursuant to the Joint Budget Committee’s budget policies, the following expenditures have not been included in this fiscal note:

- health and life insurance costs of \$2,914;
- short-term disability costs of \$83;
- worker's compensation of \$125;
- risk management of \$147.

### **Local Government Impact**

The bill permits local governments to adopt a utility surcharge on electricity, natural gas, or both. Surcharge revenues will be distributed in the form of grants, rebates or other incentives to subsidize the installation of utility cost-saving or energy saving measures. Surcharge revenues may cover administrative costs, as long as such costs are less than 20 percent of net surcharge revenues. Administrative costs over this amount must be covered by revenues reallocated from other sources, reducing the availability of funds for other uses.

### **State Appropriations**

No new state appropriations will be required in FY 2005-06.

### **Departments Contacted**

Local Affairs

Regulatory Agencies