


Colorado Legislative Council Staff
STATE and LOCAL
REVISED FISCAL IMPACT
(replaces fiscal impact dated January 28, 2005)

Drafting Number: LLS 05-0469
Prime Sponsor(s): Rep. Plant

Date: February 24, 2005
Bill Status: House Appropriations
Fiscal Analyst: Marc Carey (303 866-4102)

TITLE: CONCERNING MEASURES TO PROMOTE ENERGY EFFICIENCY.

Fiscal Impact Summary	FY 2005/2006	FY 2006/2007
State Revenues		
General Fund		\$2,339
Cash Fund - Fixed Utility Fund		77,959
State Expenditures		
General Fund		
Cash Fund - Fixed Utility Fund		\$73,169
FTE Position Change	0.0 FTE	0.6 FTE
Other State Impact: TABOR Revenue Impact		
Effective Date: Upon signature of the Governor.		
Appropriation Summary for FY 2005/2006: None		
Local Government Impact: None		

Summary of Legislation

This bill, as amended by the House Transportation and Energy Committee, requires the Public Utilities Commission (PUC), on or before September 30, 2005, 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;
- exempt commercial and industrial customers from the cost recovery mechanism;
- identify barriers that financially penalize gas distribution utilities if they implement cost-effective energy efficiency programs for their customers; 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, anticipated to be approximately 75 percent of the bill as introduced because of the exemption for commercial and industrial customers, 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.

Table 1: Additional Expenses for the PUC of HB-1133		
	FY 2005/06	FY 2006/07
<u>Personal Services</u>		
Engineer II		0.4 FTE- \$24,440
Rate/Financial Analyst IV		0.2 FTE - 14,442
PERA/Medicare		4,607
Subtotal		43,489
Operating Expenses		\$0
Legal Expenses (450 hrs. @ \$61.57/hr.)		\$27,707
Non-Recurring Expenses		\$1,973
Total Expenses		0.6 FTE - \$73,169

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 \$2,185;
- short-term disability costs of \$62;
- worker's compensation of \$94;
- risk management of \$110.

State Appropriations

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

Departments Contacted

Local Affairs Regulatory Agencies