SB07-100

Colorado Legislative Council Staff Fiscal Note

STATE FISCAL IMPACT

Drafting Number:	LLS 07-0521	**Date:**	February 2, 2007
Prime Sponsor(s):	Sen. Fitz-Gerald Rep. McFadyen	**Bill Status:**	Senate Agriculture
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TITLE: CONCERNING MEASURES TO ENSURE THE ADEQUACY OF COLORADO'S ELECTRIC TRANSMISSION INFRASTRUCTURE, AND, IN CONNECTION THEREWITH, REQUIRING UTILITIES TO DESIGNATE ENERGY RESOURCE ZONES AND AUTHORIZING EXPEDITED COST RECOVERY FOR THE CONSTRUCTION OF TRANSMISSION FACILITIES.

Fiscal Impact Summary	FY 2007-2008	FY 2008-2009
State Revenue		
General Fund	$2,623	$754
Cash Funds - Fixed Utility Fund	87,417	25,141
State Expenditures		
Cash Funds - Fixed Utility Fund	$84,794	$24,387
FTE Position Change:	1.0 FTE	0.3 FTE
Effective Date: August 8, 2007, unless a referendum petition is filed.		
Appropriation Summary for FY 2007-2008: See State Appropriations Section.		
Local Government Impact: None.		

Summary of Legislation

On or before October 31, 2007, this bill requires all Colorado electric utilities to undertake biennial reviews to designate areas of the state as "Energy Resource Zones" where transmission constraints hinder the delivery of electricity. The bill requires utilities to develop and submit plans for the construction of additional transmission capacity in these zones to the Public Utilities Commission (PUC). The PUC is then required to grant or deny any necessary certificates of public necessity and convenience within 180 days if the PUC finds that:

- the construction or expansion is required to ensure reliable delivery of electricity to consumers or enable the utility to meet the state's renewable energy standards; and
- the present or future public convenience and necessity require such construction or expansion.

Finally, the bill allows utilities to recover costs during construction through a rate adjustment clause on any transmission facilities for which a certificate has been issued or for which it has been determined that no certificate is needed. The PUC is also required to approve cost recovery on the total balance of construction work currently in progress related to such transmission facilities.

State Revenue

Cash Funds. 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 revenue from an annual fee assessment (done on or before June 15 of the preceding year) based on a statutory formula (Section 40-2-112, C.R.S.). The formula is based on the utility's "gross operating revenue derived from intrastate utility business."

Whenever additional expenses are incurred against the FUF, this assessment must be raised to increase revenue 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 1, plus credit 3 percent to the General Fund.

State Expenditures

Department of Regulatory Agencies, Public Utilities Commission. The commission will incur increased administrative costs. These new expenses are based on the following assumptions:

- there are 26 rural electric cooperatives and 29 municipal utilities not currently regulated by the PUC that would be affected by this bill;
- all of these utilities would develop plans for the construction or expansion of transmission facilities in designated energy resource zones;
- in FY 2007-08, 25 percent of the rural electric cooperatives and 5 percent of the municipal utilities would apply for certificates related to construction or expansion of transmission facilities, yielding a total of 8 applications that would need review by the PUC;
- 2 applications would be "complex" requiring 640 hours each by a Professional Engineer II;
- 6 applications would be "less complex" requiring 120 hours each by a Professional Engineer II; and
- in subsequent years, 2 applications would be filed, including 1 "complex" and 1 "less complex" application; and
- "complex" applications will take 450 hours of review in subsequent years.

Table 1 summarizes these additional administrative costs for the PUC.

Table 1. PUC Expenses Under SB07-100		
Cost Components	**FY 2007-08**	**FY 2008-09**
Personal Services	$81,289	$24,387
FTE	1.0	0.3
Operating Expenses	$500	$0
Capital Outlay (one-time cost)	$2,021	$0
IT Expenses	$984	$0
TOTAL	**$84,794**	**$24,387**

State Appropriations

For FY 2007-08, the Department of Regulatory Agencies will require a cash funds appropriation of $84,794 and 1.0 FTE from the Fixed Utility Fund.

Departments Contacted

Regulatory Agencies