HB07-1281

Colorado Legislative Council Staff Fiscal Note

STATE FISCAL IMPACT

Drafting Number:	LLS 07-0367	**Date:**	February 12, 2007
Prime Sponsor(s):	Rep. Pommer; Witwer Sen. Schwartz	**Bill Status:**	House Transportation & Energy
		Fiscal Analyst:	Marc Carey (303-866-4102)

TITLE: CONCERNING INCREASED RENEWABLE ENERGY STANDARDS.

Fiscal Impact Summary	FY 2007-2008	FY 2008-2009
State Revenue		
General Fund	$2,851	$1,686
Cash Funds - Fixed Utility Fund	95,034	56,211
State Expenditures		
Cash Funds - Fixed Utility Fund	$85,887	$50,525
FTE Position Change	1.1 FTE	0.7 FTE
Effective Date: Upon signature of the Governor.		
Appropriation Summary for FY 2007-2008: See State Appropriations Section.		
Local Government Impact: None.		

Summary of Legislation

This bill makes several statutory changes to the renewable energy initiative (Amendment 37) passed by Colorado voters in 2004. Specifically, it expands the definitions of a "qualifying retail utility" to include all utilities, except municipally owned utilities (MOUs) serving less than 40,000 customers, and "eligible energy sources" to include recycled energy. The bill raises the standard for electricity generation from eligible energy sources for investor-owned utilities (IOUs) from:

- 3 to 5 percent for 2008 through 2010;
- 6 to 10 percent for 2011 through 2014;
- 10 to 15 percent for 2015 though 2019; and
- 10 to 20 percent for 2020 and after,

and establishes a new standard for electricity generation from eligible energy sources for rural electric cooperatives (RECs), and (MOUs) serving over 40,000 customers at:

- 1 percent for 2008 through 2010;
- 3 percent for 2011 through 2014;
- 6 percent for 2015 through 2019;
- 10 percent for 2020 and after.

For purposes of REC compliance, each kilowatt-hour of eligible electricity generated is counted from:

- a community-based project as 1.5 kilowatt-hours; and
- solar generation technologies that produce electricity before FY 2015-16.

For IOUs and MOUs, the maximum allowable retail rate impact from meeting the standard is raised from 1 to 2 percent of the total electric bill annually for each customer. Finally, the current opt-out provision for RECs is eliminated, and RECs are required to submit an annual report to the PUC on or before June 1 of each year.

State Revenue

Cash Funds. Administrative costs incurred by the PUC would be paid 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 cover these costs, plus pay an additional 3 percent to the General Fund. Thus, fees 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. Administrative costs will increase by $85,887 in FY 2007-08 and $50,525 in FY 2008-09. Table 1 details these expenses based on the following assumptions:

- 2 IOUs, 1 REC and 2 MOUs currently comply with the existing renewable energy standard;
- 25 RECs would be brought under the new standard;
- annual administrative costs for PUC rulemaking will increase in FY 2007-08 and by a lesser amount in FY 2008-09 and beyond;
- the PUC would review new filings for the 25 RECs;
- 2 IOUs would seek additional credit for recycled energy and the PUC would review these filings and track impacts; and
- 2 IOUs would seek credit for incentives under the provisions of this bill, and the PUC would review these filings and track impacts.

Table 1. PUC Expenses Under HB07-1281		
Cost Components	**FY 2007-08**	**FY 2008-09**
Personal Services	$81,235	$47,565
FTE	1.1	0.7
Operating Expenses	$550	$350
Capital Outlay (one-time cost)	$4,102	$2,610
TOTAL	**$85,887**	**$50,525**

State Agencies. To the extent that revising the Amendment 37 renewable energy standard changes the price of retail electricity, state agencies will see changes in their electricity bills. Amendment 37 capped at 1 percent the amount that an annual bill, net of nonrenewable alternative energy sources, could increase as a result of compliance with the standard. This bill increases the allowable retail rate cap from 1 to 2 percent. To date, the 1 percent cap has not been reached.

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. However, indirect costs are calculated for the purpose of identifying the "per applicant" cost of a new or revised fee to reflect the total direct and indirect costs required to support a particular program.

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

State Appropriations

For FY 2007-08, the Department of Regulatory Agencies, Public Utilities Commission will require a cash funds appropriation of $85,887 and 1.1 FTE from the Fixed Utility Fund.

Departments Contacted

Regulatory Agencies