

STATE

CONDITIONAL FISCAL IMPACT

Drafting Number: LLS 09-0945
Prime Sponsor(s): Rep. Levy
 Sen. Veiga

Date: March 25, 2009
Bill Status: House Transportation & Energy
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TITLE: CONCERNING ENERGY EFFICIENCY PROGRAMS IMPLEMENTED BY COOPERATIVE ELECTRIC ASSOCIATIONS.

Fiscal Impact Summary	FY 2009-2010	FY 2010-2011	FY 2010-2011
State Revenue			
Cash Funds			
Clean Energy Fund*	\$0	\$1.2 million	\$1.2 million
State Expenditures			
Cash Funds			
Clean Energy Fund**	\$0	\$0	\$1.2 million
FTE Position Change	0.0 FTE	0.0 FTE	1.0 FTE
Effective Date: 90 days after adjournment (August 4, 2009 if adjournment is May 6, 2009) unless a referendum petition is filed.			
Appropriation Summary for FY 2009-2010: None required.			
Local Government Impact: None.			

* This fiscal note assumes that revenue from the qualifying utilities that contract with the Governor's Energy Office to manage demand side management programs will be deposited in the Clean Energy Fund.

** This fiscal note assumes that revenue collected for demand side management program management will be spent the following fiscal year. Of this amount, \$118,340 will be used by the Governor's Energy Office to compensate and manage the contractor implementing the demand-side management programs.

Summary of Legislation

This bill requires rural electric associations (REAs) that are serving at least 100,000 customers on August 4, 2009, or any year thereafter, to implement demand-side management (DSM) programs. Specifically, the bill requires each qualifying utility to save an amount of electricity through such programs equal to:

- 2% of its retail sales in 2008 during the years 2012 through 2014;
- 5% of its retail sales in 2008 during the years 2015 through 2019; and
- 10% of its retail sales in 2008 in 2020 and thereafter.

The bill specifies that it does not expand the regulatory authority of the Colorado Public Utilities Commission with respect to REAs.

The bill specifies that qualifying utilities may determine which programs to implement, and implemented programs, collectively, should be cost-effective. However, at least 10% of program expenditures must target programs serving low-income customers. At least 80% of energy savings must be from efficiencies that occur on the customer's premises while up to 20% may result from efficiency gains in the distribution system or through fuel switching. Qualifying utilities may implement the programs on their own, or provide funding to the Governor's Energy Office (GEO), which in turn will contract with private companies to administer DSMs on the utility's behalf. The GEO may charge the utility an administrative fee of up to 10% of the funds it receives.

Finally, the bill requires each qualifying utility to track program expenditures and energy savings on an annual basis. On or before April 30 of each year, qualifying utilities must submit a report to the GEO containing the following information on the implemented DSMs:

- programs implemented;
- program expenditures;
- program expenditures as a share of retail sales revenue; and
- energy savings impacts.

The GEO is required to compile information on energy efficiency programs implemented by qualifying utilities and report to the General Assembly on these programs by the end of calendar years 2013, 2016, and 2021. Each report is required to include a list of which utilities are in compliance and which, if any, are not. The energy efficiency program and reporting requirements are repealed on January 1, 2022.

Background

Based on 2007 statistics published by the Colorado Rural Electric Cooperative Association, the only REA that would be affected by the provisions of this bill is Intermountain Rural Electric Association (IREA), with just over 136,000 meters served. The next closest REA is United Power with nearly 64,000 meters served. According to the federal Energy Information Administration, IREA's 2006 retail sales totaled 1,993,685 megawatt hours. Assuming similar sales levels for 2008, this implies IREA DSM program requirements of 39,874 megawatt hours in 2012, 99,684 megawatt hours in 2015, and 199,369 megawatt hours in 2020.

State Revenue

Clean Energy Fund. The bill requires qualifying REAs (at this point only IREA qualifies) to implement DSM programs in order to save a specified amount of energy. The IREA may manage its own programs, or remit funds to the GEO to manage the programs for them. This fiscal note assumes an average program cost of \$30 per megawatt hour for DSM programs. Such programs may include rebates to residential, commercial and industrial customers for the purchase of energy efficient lighting and appliances and energy efficiency education programs. Accordingly, should the IREA choose to use the GEO for program management, IREA will remit \$1.2 million annually

beginning in FY 2010-11, \$3.0 million beginning in FY 2013-14, and \$6.0 million beginning in 2018-19 to the GEO for program implementation. These moneys will be deposited in the Clean Energy Fund and used to pay private contractors to implement and manage the DSMs. This impact is conditional on the IREA choosing to utilize the GEO for program management. Should the IREA choose to implement and manage its own DSM programs, the state will receive no revenue.

State Expenditures

Governor's Energy Office. The GEO will incur expenses in the amount of \$118,340 and 1.0 FTE in FY 2011-12 and thereafter to implement this bill. These costs are associated with hiring 1.0 FTE General Professional III to oversee DSM programs administered through the office, and paying private contractors to design and implement the programs. Table 1 details these expenditures assuming that staff, beginning in FY 2011-12, will:

- work with both the IREA and contractors to oversee implementation of DSM programs;
- manage contractors and track accounts receivable and accounts payable;
- collect, compile, and analyze reported information from the IREA; and
- prepare and submit the required report to the General Assembly.

Cost Components	FY 2011-12	FY 2012-13
Personal Services	\$52,162	\$52,162
<i>FTE</i>	<i>1.0</i>	<i>1.0</i>
Operating Expenses	\$950	\$950
Capital Outlay (one-time cost)	\$5,228	\$0
Contract Expenses	\$60,000	\$60,000
TOTAL	\$118,340	\$113,112

Demand Side Management Programs. Assuming these revenue and expenditure projections are accurate, there will be \$1.1 million available for the GEO to implement the required DSM programs for IREA beginning in FY 2010-11. This fiscal note assumes that moneys collected in one year will be spent the following year for program implementation.

The above expenditure impacts are conditional upon the IREA choosing to provide money to the GEO to implement and manage the required DSM programs. Should the IREA choose to manage its own programs, the GEO would still have reporting requirements but these could be accomplished within existing appropriations.

Departments Contacted

Regulatory Agencies

Governor's Office