


Colorado Legislative Council Staff Fiscal Note
STATE
FISCAL IMPACT

Drafting Number: LLS 10-0297

Date: February 15, 2010

Prime Sponsor(s): Sen. Penry

Bill Status: Senate Agriculture

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

TITLE: CONCERNING INCENTIVES FOR THE GENERATION OF ELECTRICITY FROM CLEANER-BURNING FUELS.

Fiscal Impact Summary	FY 2010-2011	FY 2011-2012
State Revenue		
General Fund	\$2,263	\$0
Cash Funds		
Fixed Utility Fund	\$73,157	\$0
State Expenditures		
Cash Funds		
Fixed Utility Fund	\$55,317	\$0
FTE Position Change	0.6 FTE	0.0 FTE
Effective Date: Upon signature of the Governor, or upon becoming law without his signature.		
Appropriation Summary for FY 2010-2011: See State Appropriations section.		
Local Government Impact: None.		

Summary of Legislation

This bill allows all or part of a utility's long-term, natural gas supply contract to be counted as a capital cost on which the utility may make a prescribed rate of return through customer charges. The bill directs the Colorado Public Utilities Commission (PUC), on or before July 1, 2010, to convene a rulemaking proceeding allowing investor-owned electric utilities (IOUs) to capitalize such costs, but specifies that the amount of such capital costs may not exceed the amount approved for the Comanche III coal-fired plant.

State Revenue

In FY 2010-11, this bill is expected to increase state revenue by \$75,420, of which \$73,157 will be credited to the Fixed Utility Fund (FUF) and \$2,263 to the General Fund. The administrative costs incurred by the PUC as a result of this bill will be paid from the 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 revenue 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 fund revenues would have to be increased sufficiently to cover the direct expenses detailed in Table 1, plus the indirect costs described below, plus credit 3 percent to the General Fund.

State Expenditures

Department of Regulatory Agencies, Public Utilities Commission (PUC). The rulemaking required by the bill would require revision of existing electric resource planning (ERP) rules and energy cost adjustment (ECA) rules, and require new rules that address rate-base recovery of capitalized natural gas supply costs. Currently, the PUC's rules do not address the specifics of rate-base treatment as the issues are addressed on a case-by-case basis in rate case proceedings. The bill therefore creates the need for 2 separate proceedings: one to deal with ERP and ECA rules and one to develop a new rule governing the treatment of rate-base recover in rate cases. Table 1 summarizes the associated costs of these proceedings.

Cost Components	FY 2010-11	FY 2011-12
Personal Services	\$52,075	\$0
FTE	0.6	0.0
Operating Expenses and Capital Outlay	\$3,242	\$0
TOTAL	\$55,317	\$0

Rule promulgation is one of the primary responsibilities of PUC staff, and historically the PUC has maintained that rules can be promulgated within existing budgetary resources. This has changed to some extent in recent years due to the contentious process surrounding the promulgation of rules to implement Amendment 37. It is hard to know in advance how contentious and complex the rulemaking process will be.

Expenditures Not Included

Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. The centrally appropriated costs subject to this policy are summarized in Table 2.

Table 2. Expenditures Not Included Under SB 10-74*		
Cost Components	FY 2010-11	FY 2011-12
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$4,168	\$0
Supplemental Employee Retirement Payments	\$1,936	\$0
Indirect Costs	\$7,375	\$0
Leased Space	\$4,200	\$0
Worker's Comp/Risk Management	\$161	\$0
TOTAL	\$17,840	\$0

**More information is available at: <http://www.colorado.gov/cs/Satellite/CGA-LegislativeCouncil/CLC/1200536133924>*

State Appropriations

For FY 2010-11, the Department of Regulatory Agencies, Public Utilities Commission will require a cash funds appropriation of \$55,317 and 0.6 FTE from the Fixed Utility Fund.

Departments Contacted

Regulatory Agencies Law