

**FINAL
FISCAL NOTE**

Drafting Number: LLS 11-0394
Prime Sponsor(s): Sen. Renfroe

Date: May 16, 2011
Bill Status: Postponed Indefinitely
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TITLE: CONCERNING A REQUIREMENT THAT ELECTRIC UTILITIES EMPLOY LEAST-COST PLANNING FOR NEW RESOURCE ACQUISITIONS.

Fiscal Impact Summary	FY 2011-2012	FY 2012-2013
State Revenue		
State Expenditures		
FTE Position Change		
Effective Date: The bill was postponed indefinitely by the Senate State, Veterans and Military Affairs Committee on February 9, 2011.		
Appropriation Summary for FY 2011-2012: None required.		
Local Government Impact: None.		

Summary of Legislation

This bill makes several significant modifications to the statute governing electric utilities in Colorado. First, the bill repeals and reenacts Section **40-2-123, C.R.S.**, which contains additional criteria that the Colorado Public Utilities Commission (PUC) is to consider when evaluating utility proposals to acquire energy generation resources. Currently, the PUC is required to consider:

- the likelihood of new environmental regulation and the risk of higher future costs associated with greenhouse gas emissions;
- proposals by Colorado electric utilities to propose, fund, and construct integrated gasification combined cycle (IGCC) generation facilities;
- whether acquisition of utility-scale solar resources would benefit the public;
- implementation of new electricity generation technologies using geothermal energy, and the combustion of material derived from wastewater treatment, municipal solid waste or produced biogenically in geologic strata; and
- projects funded by the federal American Recovery and Reinvestment Act of 2009.

This bill repeals all of the above criteria and requires only that the PUC adopt and use least-cost planning rules when considering utility investments in energy efficiency and in resource acquisitions necessary to meet the renewable energy portfolio standards.

Further, the bill eliminates the Governor's Energy Office's responsibility to provide assistance to public utilities for IGCC projects.

Background

Since the passage of Amendment 37, the renewable energy standard passed by voters in 2004, the General Assembly has passed several pieces of legislation related to clean energy development in Colorado. To provide context for this legislation, the following describes the primary section of statute affected by the provisions of SB 11-058, and discusses six bills that have been enacted to amend this section.

New Energy Technologies (40-2-123, C.R.S.) This section of statute requires the PUC to consider the cost-effective implementation of clean energy and energy-efficiency technologies in its consideration of generation acquisitions for electric utilities, bearing in mind factors such as energy security, economic prosperity, environmental protection and insulation from fuel price increases. ***HB 06-1281*** amended this section to require the PUC to consider the development of IGCC electric generation facilities upon a showing of feasibility, environmental benefits and cost-effectiveness. ***HB 08-1164*** further amended this section to allow the PUC to consider the likelihood of future regulation and the risk of higher future costs associated with greenhouse gas emissions. The bill also allowed the PUC to consider whether acquisition of utility-scale solar resources is in the public interest, given five specific attributes of such generation. ***SB 09-297*** directed the PUC to consider projects eligible for funding through the American Recovery and Reinvestment Act of 2009. ***HB 10-1349*** directed the PUC to consider projects developed under the re-energize Colorado program, focusing on job creation and local economic growth. Other bills authorized the PUC to consider geothermal energy generation technologies (***SB 10-174***) and methane produced biogenically from geologic strata (***SB 10-177***).

State Expenditures

No expenditure increase is expected as a result of this bill.

Department of Regulatory Agencies, PUC. The PUC will conduct rulemaking to develop and promulgate least-cost resource planning rules. 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 in recent years due to the contentious process surrounding the promulgation of rules to implement Amendment 37. While it is often hard to know in advance how contentious the rulemaking process will be, it is anticipated that the required rulemaking will involve primarily cuts to the current rules and may be completed within existing appropriations. If the rulemaking process does require additional resources, this will be addressed during the annual budget process.

State Agency Impact. State agencies are also electric utility customers. To the extent that this bill affects utility rates, the bill will affect state agency expenditures for electric utility service.

Departments Contacted

Regulatory Agencies

Governor's Energy Office