

**STATE and LOCAL  
FISCAL IMPACT**

**Drafting Number:** LLS 11-0436  
**Prime Sponsor(s):** Sen. Johnston

**Date:** February 2, 2011  
**Bill Status:** Senate Agriculture  
**Fiscal Analyst:** Bill Zepernick (303-866-4777)

**TITLE:** CONCERNING A REQUIREMENT THAT THE PUBLIC UTILITIES COMMISSION PROMULGATE RULES TO ESTABLISH AN ON-BILL FINANCING PROGRAM FOR CLEAN ENERGY IMPROVEMENTS TO REAL PROPERTY.

<b>Fiscal Impact Summary</b>	<b>FY 2011-2012</b>	<b>FY 2012-2013</b>
<b>State Revenue*</b>		
<u>Total</u>	<u>\$111,620</u>	<u>\$169,446</u>
General Fund	3,349	5,083
Cash Funds		
PUC Fixed Utility Fund	108,271	164,363
<b>State Expenditures*</b>		
Cash Funds		
PUC Fixed Utility Fund	\$99,137	\$144,629
<b>FTE Position Change</b>	0.8 FTE	1.7 FTE
<b>Effective Date:</b> August 10, 2011, if the General Assembly adjourns on May 11, 2011, as scheduled, and no referendum petition is filed.		
<b>Appropriation Summary for FY 2011-2012:</b> See State Appropriations section.		
<b>Local Government Impact:</b> See Local Government Impact section.		

*\*Revenue is higher than expenditures to account for Expenditures Not Included in the fiscal note.*

**Summary of Legislation**

The bill requires the Public Utilities Commission (PUC) to promulgate rules establishing an on-bill financing program for residential clean energy improvements that applies to all regulated utilities that sell electricity or natural gas. Under the program, retail customers of regulated electric and natural gas utilities can obtain a loan from their utility to make clean energy improvements to their homes. Borrowers pay an increased rate or surcharge on their utility bill every month until the loan is paid off. The rules must be completed by January 1, 2012.

Loans made under the program are attached to the property, so payments toward the clean energy improvement loan continue even if there is a change in ownership or occupancy of the residence. Any energy savings generated by clean energy improvement under the financing program may count towards the utility's energy savings targets and peak demand reduction goals established in current law.

**State Revenue**

This bill is expected to increase state revenue by \$111,620 in FY 2011-12, of which \$108,271 will be credited to the Fixed Utility Fund (FUF) and \$3,349 to the General Fund. State revenue will increase by a total of \$169,449 in FY 2012-13, also split 97 percent / 3 percent between the FUF and the General Fund.

*Fixed utilities such as intrastate telecommunications, electric, water, and gas, pay a fee based on a percentage to their gross annual operating revenues. The Department of Revenue calculates the financial obligation of each utility annually to be paid in equal quarterly installments. The General Fund receives 3 percent of these fees.*

**State Expenditures**

The bill increases costs in the PUC in the Department of Regulatory Agencies by \$99,137 and 0.5 FTE in FY 2011-12 and by \$144,629 and 1.4 FTE in FY 2012-13. All costs are paid from the FUF. These costs are outlined in Table 1 and discussed below.

<b>Table 1. Expenditures Under SB11-032</b>		
<b>Cost Components</b>	<b>FY 2011-12</b>	<b>FY 2012-13</b>
Personal Services	\$30,584	\$104,924
FTE	0.8	1.7
Operating Expenses and Capital Outlay	5,333	1,485
Legal Services	38,220	38,220
Lending Consultant	25,000	0
<b>TOTAL</b>	<b>\$99,137</b>	<b>\$144,629</b>

*Personal Services.* The PUC requires 0.5 FTE in FY 2011-12 for a rate analyst to accomplish the initial rulemaking for the program. A total of 1.4 FTE is required in FY 2012-13, including additional staff to review applications from regulated utilities to participate in the program. Also, because the number of hearings regarding the rulemaking and utility application process are expected to increase, additional hearing and administrative law judge staff is required.

The bill could result in an increase in consumer complaints about financing terms, utility disconnections for failure to make payment, and other issues. However, it is assumed that these complaints can be handled by existing staff and that a significant number of administrative hearings will not result from these complaints. Therefore, no ongoing staff is required after FY 2012-13. If additional staff is required for this purpose in future years, the fiscal note assumes it will be addressed through the annual budget process.

**Operating Expenses and Capital Outlay.** As shown in Table 1, the PUC will have costs for standard operating and capital outlay expenses, including telephone, computer, software, and office furniture based on the number of new staff.

**Legal Services.** The PUC requires legal services from the Department of Law during the rulemaking process and any appeals that result. The number of legal service hours is estimated at 520 hours in both FY 2011-12 and FY 2012-13. At the standard rate of \$73.50 per hour, legal service costs will be \$38,220 and 0.3 FTE in both of these years.

**Lending consultant.** The PUC requires \$25,000 in FY 2011-12 for a lending consultant to assist in the rulemaking process. Fair lending, capital requirements, and other issues associated with consumer financing programs are outside the typical scope of the PUC and result in the need for outside lending expertise.

**Utility Rates.** To the extent that units of state government participate in the financing program to make clean energy improvement on state buildings, higher utility rates could result. As potential participation is unknown, no costs are estimated at this time.

### **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.

<b>Table 2. Expenditures Not Included Under SB11-032*</b>		
<b>Cost Components</b>	<b>FY 2011-12</b>	<b>FY 2012-13</b>
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$3,550	\$9,940
Supplemental Employee Retirement Payments	1,384	5,594
Leased Space	4,200	4,200
<b>TOTAL</b>	<b>\$9,134</b>	<b>\$19,734</b>

\*More information is available at: <http://colorado.gov/fiscalnotes>

### **Local Government Impact**

To the extent that local government participate in the financing program to make clean energy improvement on government buildings, higher utility rates could result. As potential participation is unknown, no costs are estimated at this time.

**State Appropriations**

The bill requires an appropriation for FY 2011-12 of \$99,137 from the Fixed Utility Fund and 0.5 FTE to the Public Utilities Commission in the Department of Regulatory Agencies. Of this amount, the Department of Law requires \$38,220 in reappropriated funds and 0.3 FTE

**Departments Contacted**

Governor's Energy Office  
Regulatory Agencies

Law

Natural Resources