HB12-1121

Colorado Legislative Council Staff Fiscal Note

STATE FISCAL IMPACT

Drafting Number:	LLS 12-0577	**Date:**	January 25, 2012
Prime Sponsor(s):	Rep. Scott	**Bill Status:**	House Transportation
		Fiscal Analyst:	Marc Carey (303-866-4102)

TITLE: CONCERNING ENACTMENT OF THE UTILITY RATEPAYERS' BILL OF RIGHTS FOR CUSTOMERS OF INVESTOR-OWNED UTILITIES IN COLORADO.

Fiscal Impact Summary	FY 2012-2013	FY 2013-2014
State Revenue		
State Expenditures Cash Funds Fixed Utility Fund	Increased Expenditures See State Expenditure section	
FTE Position Change		
Effective Date: Upon signature of the Governor, or upon becoming law without his signature.		
Appropriation Summary for FY 2012-2013: None required.		
Local Government Impact: None.		

Summary of Legislation

This bill specifies basic principles for investor-owned utilities (IOUs) to following when seeking approval of rate increases, and for the Colorado Public Utilities Commission (PUC) in assessing those requests. These principles include ensuring that consumer interests are among the IOUs highest priorities, and requiring IOUs to share rate increase information with the public in a transparent and understandable form. In addition the bill prohibits IOUs from charging ratepayers for costs associated with:

- research and development (R&D);
- compliance with proposed environmental regulations that have not yet been enacted by the federal government; and
- legal fees and other costs incurred when seeking rate increases.

Finally, the bill directs the PUC to require the provision of utility service at the least cost consistent with providing reliable service for all customer classes.

Background

In the past few years, the General Assembly has enacted several pieces of legislation related to clean energy development in Colorado. The following summarizes Section 40-2-123, C.R.S. (New Energy Technologies) and describes recent bills that have amended 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-efficient technologies in it's 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. ***House Bill 06-1281*** amended this section to require the PUC to consider the development of integrated gasification combined-cycle electric generation facilities upon a showing of feasibility, environmental benefits and cost-effectiveness. ***House Bill 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.

State Expenditures

Department of Regulatory Agencies, Public Utilities Commission. This bill includes several provisions that appear to conflict with existing statute. Resolving these conflicts will extend the hearing process associated with resource acquisition, thus imposing additional administrative costs on the PUC. These costs have not been estimated.

Costs would be paid from the Fixed Utilities Fund which receives its revenue from an annual fee assessment based on a statutory formula contained in Section 40-2-112, C.R.S. that utilizes each utility's gross operating revenue derived from intrastate utility business.

State Agencies. To the extent that this bill changes the price of retail electricity, state agencies will see changes in their electricity bills.

Departments Contacted

Regulatory Agencies

Technical Issues

Prohibiting the recovery of utility R&D costs appears to conflict with Section 40-2-123, C.R.S., the statute that requires the PUC to give the fullest possible consideration to new energy technologies. The PUC will now have to decide, on a case-by-case basis, which R&D costs are recoverable from ratepayers and which must be borne by utility shareholders. This may introduce new controversy and extend the time required for hearings since the issue of cost recovery for new energy technologies will need to be resolved considering these two conflicting statutes.

Prohibiting the recovery of attorney's fees appears to directly conflict with Section 40-6-101, C.R.S. which specifies that the State Administrative Procedures Act (24-4 C.R.S.) controls PUC proceedings. Section 24-4-105, C.R.S. provides that any party permitted or compelled to testify in these proceedings is entitled to the benefit of legal counsel.

Requiring the provision of least cost, reliable utility service would appear to directly conflict with both Section 40-2-123 and Section 40-2-124, the renewable portfolio standard. Both of these provisions anticipate that the PUC may approve generation resources that are not necessarily least cost, but instead, costs-effective.