SB13-252

Colorado Legislative Council Staff Fiscal Note

STATE
REVISED FISCAL IMPACT

(replaces fiscal note dated April 9, 2013)

Drafting Number:	LLS 13-0962	**Date:**	April 10, 2013
Prime Sponsor(s):	Sen. Morse; Schwartz Rep. Ferrandino; Duran	**Bill Status:**	Senate Second Reading
		Fiscal Analyst:	Marc Carey (303-866-4102)

TITLE: CONCERNING MEASURES TO INCREASE COLORADO'S RENEWABLE ENERGY STANDARD SO AS TO ENCOURAGE THE DEPLOYMENT OF METHANE CAPTURE TECHNOLOGIES.

Fiscal Impact Summary	FY 2013-2014	FY 2014-2015
State Revenue		
State Expenditures	See State Expenditure Section	
FTE Position Change		
Effective Date: July 1, 2013.		
Appropriation Summary for FY 2013-2014: None required.		
Local Government Impact: None.		

Summary of Legislation

This bill, ***as amended by the Senate State, Veterans, and Military Affairs committee***, makes several changes to Colorado's renewable electricity standard (RES). Specifically, the bill expands the definition of eligible energy resources that may be used to comply with the standard to include coal mine methane and synthetic gas produced by pyrolysis of municipal solid waste. This expansion is subject to a determination by the Colorado Public Utilities Commission (PUC) that the production and use of these gases to generate electricity will not result in a net increase in greenhouse gas emissions.

The bill also increases from 10 to 25 percent the share of retail electricity sales that must be achieved from eligible energy resources by cooperative electric associations (CEAs) serving more than 100,000 meters, beginning in the year 2020. In addition, the allowable retail rate impact for CEAs is raised from 1 percent to a maximum of 2 percent.

Generation and transmission (G&T) CEAs providing wholesale electricity to CEAs in Colorado are also subject to this increased standard and retail rate impact rule, beginning in 2020. G&T CEAs may take credit for energy generated from eligible resources by its Colorado members. The bill specifies that if the purchase of energy generated from eligible resources by a Colorado member CEA would cause an increase in rates exceeding the 2 percent retail rate impact rule, the obligation of the wholesale utility is reduced by the energy necessary to allow compliance by the member with the rule. G&T CEAs must report annually to the PUC on standard compliance.

For CEAs serving fewer than 100,000 meters, the bill adds a distributed generation requirement of 1 percent of total electricity sales. For purposes of complying with the new 25 percent standard, the bill authorizes a 3 kilowatt-hour multiplier for solar generation. The bill eliminates:

- in-state preferences for wholesale distributed generation;
- the in-state requirement for the "community-based project" 1.5 kilowatt-hour multiplier; and
- the 1.25 kilowatt-hour multiplier for eligible energy resources beginning operation on or after January 1, 2015.

State Expenditures

Department of Regulatory Agencies, Public Utilities Commission. The PUC will incur costs associated with rulemaking to conform PUC rules to the new requirements for both CEAs and G&T wholesale CEAs. As the rules generally reflect specific statutory language, little controversy is expected. The bill also requires the PUC to assess whether any coal mine methane or pyrolysis projects are greenhouse gas neutral. These will be handled on a case-by-case basis for projects proposed by utilities. As such, no additional appropriation is required.

State Agency Impact. Current law contains a 1 percent cap on the retail rate impact of the RES for CEAs. This bill increases that cap to 2 percent for both CEAs with over 100,000 customers and for G&T CEAs providing wholesale electricity.

The retail rate impact is a function of the cost differential between renewable resource acquisition and conventional resource acquisition, typically natural gas. The projected future differential will depend on the projected future price of renewable resources and the projected future price of natural gas, as well as anticipated technology changes. Natural gas prices in particular are highly volatile. They have been as high as $11 per thousand cubic feet (Mcf) in July 2008, have fallen as low as $1.80 per Mcf in April 2012, and are now around $4.20 per Mcf.

Because this bill increases the cap for certain CEAs from 1 to 2 percent, the rate impact of the bill on retail customers in affected areas, including state agencies, will be an increase in energy costs of up to 1 percent. Because future rate impacts are difficult to predict and depend on assumptions regarding the factors identified above as well as an unknown resource acquisition schedule, the exact impact to state facilities has not been quantified.

Departments Contacted

Regulatory Agencies