HB14-1067

Colorado Legislative Council Staff Fiscal Note

STATE and LOCAL FISCAL IMPACT

Drafting Number:	LLS 14-0613	**Date:**	January 15, 2014
Prime Sponsor(s):	Rep. Conti Sen. Crowder	**Bill Status:**	House Transportation and Energy
		Fiscal Analyst:	Marc Carey (303-866-4102)

SHORT TITLE: RENEWABLE ENERGY ELECTRIC STD REAS MOVE TO 2025

Fiscal Impact Summary*	FY 2014-2015	FY 2015-2016
State Revenue		
State Expenditures	Minimal impact. See State Expenditures section.	
FTE Position Change		
Appropriation Required: None		

* *This summary shows changes from current law under the bill for each fiscal year.*

Summary of Legislation

This bill postpones from 2020 to 2025 the year in which retail cooperative electric associations (CEAs) serving 100,000 or more meters and qualifying wholesale utilities must increase from 10 to 20 percent the amount of electricity generated from renewable sources.

Background

Under current law, CEAs that serve over 100,000 customers and qualifying wholesale utilities are required to meet an RES of 3 percent of retail electric sales for years 2011 through 2014, 6 percent in years 2015 through 2019, and 20 percent in years 2020 and thereafter. These standards are currently subject to a 2 percent retail rate impact rule.

According to the U.S. Energy Information Administration, the only Colorado CEA with over 100,000 customers in 2012 was the Intermountain Rural Electric Association (IREA), which served about 142,100 customers. Tri-State Generation and Transmission Association (Tri-State) supplies wholesale electricity to 18 member CEAs and would also be affected by the requirements of this bill.

To comply with the RES, these entities have three options. First, they could build their own eligible generation facilities. Second, they could enter into power purchase agreements with the owner of an eligible energy generation facility. Finally, they could purchase existing renewable energy credits (RECs). Each of these options involves additional costs, the first two of which could be offset partially or wholly by restructuring existing power generation resources.

RECs are tradeable certificates that represent proof that 1 megawatt-hour (MWh) of electricity was generated from an eligible renewable energy resource. These certificates can be bought and sold and the owner of the REC can claim to have purchased renewable energy. RECs represent the environmental attributes of the power produced from renewable energy projects. Currently, RECs are bought and sold through bi-lateral agreements. There is no national market clearinghouse.

The price of RECs varies substantially by geographic region. According to the United States Department of Energy, between January 2012 and May 2013, prices for RECs to comply with state RESs varied widely. For example, in New England in 2013, REC prices ranged from $20 per REC in Maine to $55 per REC in Connecticut and $64 per REC in Massachusetts. In contrast, REC prices in Texas held steady at about $2 per REC. In Colorado, and most other western states, the majority of RECs are registered and tracked by the Western Renewable Energy Generation Information System (WREGIS). RECs are retired once they are counted against RES requirements. According to the Colorado Public Utilities Commission (PUC), after compliance with the 2013 RES requirements, Xcel Energy owns 15.4 million RECs from its own generation and power purchase agreements.

State Expenditures

Department of Regulatory Agencies, Public Utilities Commission (PUC). The bill requires minor conforming changes to the PUC RES rules to move the compliance date from 2020 to 2025. As such, the impact is minimal, and no additional appropriation is required.

State Agency Impact. Current law contains a 2 percent cap on the retail rate impact of the RES for CEAs. This bill leaves the 2 percent retail rate impact rule intact for both CEAs with over 100,000 customers (currently only IREA) and for wholesale CEAs (Tri-State), and instead, moves the compliance date out from 2020 to 2025. If extending the RES compliance date causes one or more CEAs to not fully utilize the 2 percent retail rate cap earlier, state agencies served by CEAs could see a rate change during some years in this time horizon.

Local Government Impact

This bill extends the compliance date for the 20 percent RES from 2020 to 2025. If this extension causes one or more CEAs to not fully utilize the 2 percent retail rate cap earlier, local governments served by CEAs could see a rate change during some years in this time horizon.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State and Local Government Contacts

Regulatory Agencies