

Colorado Legislative Council Staff Fiscal Note

**STATE
FISCAL IMPACT**

Drafting Number: LLS 15-0479	Date: February 10, 2015
Prime Sponsor(s): Sen. Jones Rep. Winter	Bill Status: Senate Agriculture Fiscal Analyst: Marc Carey (303-866-4102)

BILL TOPIC: ELECTRIC GRID MODERNIZATION PLANS

Fiscal Impact Summary*	FY 2015-2016	FY 2016-2017
State Revenue	\$296,907	
General Fund	8,907	
Cash Funds	288,000	
State Expenditures	\$288,000	
Cash Funds	288,000	
TABOR Set-Aside	\$296,907	
FTE Position Change		
Appropriation Required: \$288,000 - Department of Regulatory Agencies		

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

Summary of Legislation

This bill requires that, within nine months of its enactment, the two investor-owned electric utilities (IOUs) in Colorado submit a draft grid modernization plan with the Colorado Public Utilities Commission (PUC). The plan must describe how the utility, over a 10-year period, proposes to make measurable progress toward the following grid modernization objectives at the distribution level:

- optimizing demand-side management;
- optimizing supply-side management;
- increasing electric grid reliability by improving integration capabilities for distributed resources; and
- achieving advanced metering infrastructure functionality within 5 years.

Once the draft plans are submitted, the PUC must evaluate the plans and approve the plans within 3 months. All cooperative electric associations (CEAs) and municipally-owned utilities (MOUs) are required to submit similar draft, grid modernization plans to their board of directors and relevant governing body, respectively for review and approval.

All approved plans must then be submitted to the Colorado Energy Office. The office is required to post approved plans on its web site. By February 1, 2016, and annually for 10 years thereafter, the office is required to submit progress reports on plan implementation to the energy committees of the General Assembly.

State Revenue

Fixed Utility Fund. This bill is expected to create an increase in state revenue by \$296,907 in FY 2015-16, of which \$288,000 will be credited to the Fixed Utility Fund (FUF) and \$8,907 to the General Fund. The administrative costs incurred by the PUC as a result of this bill and discussed in the State Expenditures section will be paid from the FUF.

The FUF receives its revenues from an annual fee assessment based on a statutory formula that utilizes the utility's gross operating revenue derived from intrastate utility business. Whenever additional expenses are incurred against the FUF, this assessment must be raised to increase revenues to recover direct and indirect costs, plus pay an additional three percent to the General Fund. Thus, cash fund revenues will have to be increased sufficiently to cover the DORA's direct expenses discussed in the State Expenditures section and detailed in Table 1, plus credit 3 percent to the General Fund.

FUF Balance. It is uncertain that fee revenue for any additional PUC spending from the Fixed Utilities Fund will be available under the existing statutory cap. If this cash fund is unable to support the expenditures in this bill, the use of General Fund may be required.

TABOR Impact

This bill increases state revenue by \$296,907 in FY 2015-16 which will increase the amount required to be refunded under TABOR by an equivalent amount.

State Expenditures

The DORA will incur a one-time cost of \$288,000 in FY 2015-16 from the Fixed Utility Fund.

Public Utilities Commission — DORA. The PUC will incur a one-time contractor services expense to comply with this bill. This expense is based on the assumption that in order to evaluate the two draft grid modernization plans within the prescribed three-month period, the PUC will have to contract for additional expertise. Several consulting firms, including one with offices in Colorado, have been identified that have expertise related to grid modernization. Table 1 details these expenditures based on the assumptions below.

- Analysis of the two IOU grid modernization plans will require the services of two contractors, working full time for three months, and charging \$300 per hour for their services (2*12 weeks*40hours/week*\$300/hour = \$288,000)

Table 1. PUC Expenditures Under SB 15-120		
Cost Components	FY 2015-16	FY 2016-17
Contract Engineer Services	\$288,000	\$0
TOTAL	\$288,000	\$0

* Centrally appropriated costs are not included in the bill's appropriation.

It should be noted that the PUC incurred similar expenses to acquire the expertise necessary to evaluate the two IOU compliance plans required under the Clean Air - Clean Jobs bill, House Bill 10-1365. In that case, they contracted for nearly \$465,000 in engineering and economic analysis services.

Effective Date

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

State Appropriations

In FY 2015-16, the Public Utilities Commission in the Department of Regulatory Agencies will require a cash funds appropriation of \$288,000 from the Fixed Utility Fund.

State and Local Government Contacts

Colorado Energy Office

Regulatory Agencies