


Colorado Legislative Council Staff
STATE
FINAL FISCAL IMPACT
(replaces fiscal impact dated January 29, 2006)

Drafting Number: LLS 06-0566
Prime Sponsor(s): Rep. Plant
 Sen. Johnson

Date: June 28, 2006
Bill Status: Vetoed by Governor
Fiscal Analyst: David Porter (303-866-4375)

TITLE: CONCERNING MEASURES TO PROMOTE ENERGY EFFICIENCY.

Fiscal Impact Summary	FY 2006/07	FY 2007/08
State Revenues		
General Fund	\$ 2,914	\$ 2,890
Cash Funds - Public Utilities Commission Fixed Utility Fund	97,147	96,337
State Expenditures		
Cash Funds - Public Utilities Commission Fixed Utility Fund	\$84,522	\$83,732
Cash Funds Exempt - Department of Law*	12,890	29,003
FTE Position Change	0.8 FTE	0.8 FTE
Effective Date: The Governor vetoed the bill on June 2, 2006.		
Appropriation Summary for FY 2006/07:		
Department of Regulatory Agencies:	\$84,522 Cash Funds and 0.8 FTE	
Department of Law:	12,890 Cash Funds Exempt	
Local Government Impact: None		

* This amount is included in the cash funds expenditure total from the Public Utilities Commission Fixed Utility Fund

Summary of Legislation

HB06-1147 directs the Public Utilities Commission to develop rules requiring natural gas distributors to adopt conservation and energy efficiency programs. The rule-making proceeding, beginning no later than September 1, 2006, will establish expenditure and natural gas savings targets, funding and cost-recovery mechanisms, and a bonus structure for energy efficiency and conservation program implementations. Specifically, the bill requires the commission to adopt rules establishing the following:

- an expenditure target of at least 0.5% of revenues being spent on energy efficiency programs;
- a savings target that is expressed in the amount of gas saved per expenditure;
- procedures to recover costs of energy efficiency and conservation programs without having to file a rate case;
- a method of tying cost-recovery to the group, residential or non-residential, that is receiving the benefit of the energy efficiency or conservation program; and
- a bonus structure for utilities that achieve the commission's targets.

Within 12 months after completing the rule-making, investor-owned gas distribution utilities are required to develop and begin implementing their own energy efficiency and conservation programs. The utilities must submit an annual report to the Public Utilities Commission that documents expenditures and savings impacts. This report will be reviewed by the commission in order to determine the bonus level, if any, the utility is eligible to collect.

State Revenues

State revenues will increase by \$100,061 in FY 2006-07 and \$99,227 in FY 2007-08. Revenues are generated by fees charged to the public utilities. Fees are calculated to recoup the cost of all of the Public Utilities Commission's programmatic expenditures plus an additional 3 percent for the General Fund. The revenue breakdown by fund is as follows:

<i>Fund</i>	<i>FY 2006-07</i>	<i>FY 2007-08</i>
General Fund	\$ 2,914	\$ 2,890
Public Utilities Commission Fixed Utility Fund	97,147	96,337

After FY 2007-08, reduced legal expenses will result in revenues declining to standard operating levels of \$2,020 General Fund, and \$67,335 Public Utilities Commission Fixed Utility Fund.

State Expenditures

Department of Regulatory Agencies, Public Utilities Commission. The Public Utilities Commission expenditures will be \$84,522 and 0.8 FTE in FY 2006-07 and \$83,732 and 0.8 FTE in FY 2007-08. These expenditures are primarily to provide staff to carry out the bill's implementation and monitoring responsibilities. Table 1 details the cost components of HB06-1147.

Table 1 - Total Costs Under HB06-1147		
Cost Components	FY 2006-07	FY 2007-08
Personal Services	\$68,249	\$54,246
FTE	0.8	0.8
Operating Expenses	3,383	483
Legal Services	12,890	29,003
Cash Funds Total	\$84,522	\$83,732
FTE	0.8	0.8

Staff responsibilities are as follows:

- **FY 2006-07** - developing rules to implement the bill will require staff to investigate engineering, economic, and financial accounting issues; and
- **FY 2007-08** - the commission will use staff to review cost recovery filings, compliance with bonus requirements, net benefit testing, and establishing rate riders for residential and non-residential customers.

Department of Law. The Department of Law will be required to provide legal services to the Public Utilities Commission. The legal services charges of \$12,890 in FY 2006-07 and \$29,003 in FY 2007-08 will be appropriated to the Department of Regulatory Agencies and transferred to the Department of Law. Legal services are expected to provide the following:

- **FY 2006-08** - assistance in developing rules that meet the requirements of the bill without conflicting with other laws; and
- **FY 2007-08** - reviewing the reporting, energy efficiency measures, and bonus programs and handling any litigation that might arise from conflicting opinions.

It is expected that once the program has been fully implemented and the reporting procedures have been proven, legal services will no longer be necessary.

Other Affected Parties. Additionally, the following six natural gas utilities are impacted by this legislation

- Excel Energy
- Atmos Energy
- Aquila Networks
- Kinder Morgan Inc.
- Eastern Colorado Utility Company
- Colorado Natural Gas Company

State Appropriations

This fiscal note indicates an appropriation to the Department of Regulatory Agencies of \$84,522 cash funds from the Public Utilities Commission Fixed Utility Fund and 0.8 FTE for FY 2006-07. The Department of Law will require a \$12,890 cash funds exempt appropriation from the Department of Regulatory Agencies in FY 2006-07.

Departments Contacted

Regulatory Agencies