SB13-272

Colorado Legislative Council Staff Fiscal Note

STATE FISCAL IMPACT

Note: This fiscal note is provided pursuant to Joint Rule 22 (b) (2) and reflects strike-below Amendment L.001.

Drafting Number:	LLS 13-0310	**Date:**	April 18, 2013
Prime Sponsor(s):	Sen. Schwartz Rep. Fischer	**Bill Status:**	Senate Agriculture
		Fiscal Analyst:	Marc Carey (303-866-4102)

TITLE: CONCERNING MODIFICATIONS TO ENERGY DEMAND-SIDE MANAGEMENT PROGRAMS, AND, IN CONNECTION THEREWITH, CREATING A PATHWAY FOR INCLUSION OF INNOVATIVE AND EMERGING TECHNOLOGIES TO OFFSET THE CONSUMPTION OF NATURAL GAS.

Fiscal Impact Summary	FY 2013-2014	FY 2014-2015
State Revenue		
General Fund	$1,739	
Cash Funds - Fixed Utility Fund	57,974	
State Expenditures		
Cash Funds - Fixed Utility Fund	$53,257	
FTE Position Change	0.6 FTE	
Effective Date: Upon signature of the Governor, or upon becoming law without his signature.		
Appropriation Summary for FY 2013-2014: See State Appropriations section.		
Local Government Impact: None.		

Summary of Legislation

With amendment L.001, this bill broadens the types of measures that may be deployed as part of a gas utility's demand-side management (DSM) program. Specifically, the bill adds to the statutory definition of a DSM program:

- programs that improve energy productivity;
- consumer-sited renewable energy technologies; and
- other programs that reduce fossil fuel consumption

In addition, the bill changes the criteria used to measure the cost effectiveness of a DSM program to a utility cost test (UCT) that does not include participant expenditures.

Beginning July 1, 2013, the bill requires the Colorado Public Utilities Commission (PUC) to give fullest consideration to DSM plans that incorporate a diversity of DSM measures, including energy efficiency, conservation, and qualified renewable DSM technologies.

By September 30, 2013, the PUC must begin a rulemaking proceeding to adopt rules that identify and define qualified renewable DSM technologies that are effective in reducing fossil fuel consumption. As part of the rulemaking, the bill requires the PUC to consider and adopt, as appropriate, rules to enable the most cost-effective means of administering DSM programs on behalf of investor-owned utilities serving less than 200,000 customers. The PUC must also consider measures to encourage the deployment of emerging renewable thermal energy technologies.

Background

The PUC currently regulates 1 combined electric and natural gas utility (Public Service Company of Colorado), 1 electric-only utility (Black Hills/Colorado Electric Company), and 5 natural gas-only utilities (Atmos Energy, Black Hills/Colorado Gas, Colorado Natural Gas, Eastern Colorado Utility Company, and SourceGas Distribution. Each of these regulated utilities are currently implementing electric or natural gas DSM programs that were filed, litigated, and approved by the PUC.

State Revenue

To cover the PUC's expenditures described below, state cash fund revenue to the Fixed Utility Fund (FUF) will increase by $57,974 and General Fund revenue will increase by $1,739 in FY 2013-14.

Staffing and other costs incurred by the PUC are paid from the FUF from an annual fee assessed on regulated utilities. The fee is based on a statutory formula (Section 40-2-112, C.R.S.) that depends on 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 revenue to cover these costs, plus pay an additional 3 percent to the General Fund. Thus, fees will have to be increased sufficiently to cover the direct and indirect expenses detailed in Tables 1 and 2, plus credit 3 percent to the General Fund.

State Expenditures

Department of Regulatory Agencies, Public Utilities Commission. The PUC will incur additional costs of $53,257 and 0.6 FTE in FY 2013-14 associated with the rulemaking requirements of the bill.

The amended bill requires that by September 30, 2013, the PUC begin a rulemaking proceeding. This proceeding will affect 7 utilities and is likely to be very contentious. The bill redefines the criteria used to measure the cost-effectiveness of DSM programs. Specifically, the amended bill requires the PUC to measure the cost-effectiveness of DSM programs and technologies using a UCT that does not include participant expenditures. Under current law and rules, pursuant to Section 40-1-102 (5) C.R.S., the PUC uses a modified total resource criteria to measure cost effectiveness.

Because all existing electric and natural gas DSM measure offset gas consumption, all programs will now be measured using the UCT criteria. Currently, the PUC rules award bonuses to utilities on the basis of net economic benefit to the customer, which is not considered under the UCT. A new procedure for bonus determinations will need to be established, which will likely be a contentious process, requiring over 1,200 hours of staff time. Table 1 summarizes these expenditures.

Table 1. PUC Expenses Under Senate Bill 13-272	
Cost Components	**FY 2013-14**
Personal Services	$49,941
FTE	0.6
Operating Expenses	$1,279
Capital Outlay (one-time cost)	$2,037
TOTAL	**$53,257**

Expenditures Not Included

Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. The centrally appropriated costs subject to this policy are summarized in Table 1.

Table 2. Expenditures Not Included Under SB 13-272*		
Cost Components	**FY 2013-14**	**FY 2014-15**
Employee Insurance (Health, Life, Dental, and Short-term Disability)	$236	$0
Supplemental Employee Retirement Payments	2,742	0
TOTAL	**$2,978**	**$0**

**More information is available at: http://colorado.gov/fiscalnotes*

State Appropriations

In FY 2013-14, the Public Utilities Commission in the Department of Regulatory Agencies will require a cash funds appropriation of $53,257 from the Fixed Utility Fund.

Departments Contacted

Regulatory Agencies