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**SB 20-150**

**REVISED  
FISCAL NOTE**

(replaces fiscal note dated February 7, 2020)

**Drafting Number:** LLS 20-0999  
**Prime Sponsors:** Sen. Hansen; Coram  
Rep. Arndt; Catlin

**Date:** March 10, 2020  
**Bill Status:** House Energy & Environment  
**Fiscal Analyst:** Erin Reynolds | 303-866-4146  
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**Bill Topic:** **ADOPT RENEWABLE NATURAL GAS STANDARD**

**Summary of Fiscal Impact:**

|   |  |
|---|--|
| <input checked="" type="checkbox"/> State Revenue     | <input type="checkbox"/> TABOR Refund            |
| <input checked="" type="checkbox"/> State Expenditure | <input type="checkbox"/> Local Government        |
| <input type="checkbox"/> State Transfer               | <input type="checkbox"/> Statutory Public Entity |

This bill requires the Public Utilities Commission to promulgate rules addressing renewable natural gas programs for large and small natural gas utility providers. It will increase state expenditures and potentially state revenue in FY 2020-21 and FY 2021-22.

**Appropriation Summary:** In FY 2020-21, the bill requires an appropriation of \$83,555 to the Department of Regulatory Agencies.

**Fiscal Note Status:** The revised fiscal note reflects the reengrossed bill.

**Table 1  
State Fiscal Impacts Under SB 20-150**

|                     |                        | FY 2020-21       | FY 2021-22       | FY 2022-23 |
|---------------------|------------------------|------------------|------------------|------------|
| <b>Revenue</b>      |                        | -                | -                | -          |
| <b>Expenditures</b> | Cash Funds             | \$83,555         | \$92,879         | -          |
|                     | Centrally Appropriated | \$22,802         | \$27,058         | -          |
|                     | <b>Total</b>           | <b>\$106,357</b> | <b>\$119,937</b> | -          |
|                     | <b>Total FTE</b>       | <b>0.8 FTE</b>   | <b>1.0 FTE</b>   | -          |
| <b>Transfers</b>    |                        | -                | -                | -          |
| <b>TABOR Refund</b> |                        | -                | -                | -          |

## **Summary of Legislation**

This bill requires the Public Utilities Commission (PUC) in the Department of Regulatory Agencies to adopt by rule, by July 31, 2021, renewable natural gas programs for large and small natural gas utilities. Renewable natural gas is defined as biogas, hydrogen gas, or methane gas processed to meet pipeline quality standards, meet transportation fuel-grade requirements, or be delivered by an alternative energy carrier. The bill delineates large and small natural gas utilities by whether they have over or under 250,000 in-state customers. Large utilities are required to participate in the renewable natural gas program, while small utilities may opt-in to participation. Municipally owned gas utilities may also implement a renewable natural gas program similar to the one outlined in the bill; however, the utility must only notify the PUC of the implementation of a program, and the program is not subject to PUC approval.

The bill establishes the following portfolio targets for the percentage of renewable natural gas purchased by large natural gas utilities:

- at least 5 percent renewable natural gas by January 1, 2025;
- at least 10 percent renewable natural gas by January 1, 2030; and
- at least 15 percent renewable natural gas on and after January 1, 2035.

If a large natural gas utility's total incremental annual cost to meet the targets of the large renewable natural gas program exceeds 2 percent of the large natural gas utility's total revenue requirement for a particular year, it is prohibited from making additional qualified investments under the large renewable natural gas program for that year without approval from the PUC. Small natural gas utilities may recover costs through the utility's rate base or by means of an automatic adjustment clause.

In addition to adopting a natural gas program for large and small natural gas utilities, rules adopted by the PUC must:

- adopt rate-making mechanisms;
- establish reporting requirements;
- allow renewable natural gas purchases to be included in a gas cost adjustment;
- create a prudence review standard for renewable natural gas purchases;
- reflect renewable natural gas credits received by a natural gas utility as a credit against costs included in that utility's gas cost adjustment;
- create a process for natural gas utilities to fully recover prudently incurred costs associated with the large renewable natural gas program and the small renewable natural gas program;
- establish a renewable natural gas tracking and verification process to provide local distribution company end users with compliance data;
- establish a program, in consultation with the Department of Public Health and Environment, of tradeable renewable natural gas environmental attribute credits that may be used by utilities for the purpose of meeting portfolio targets for renewable natural gas.

Finally, PUC rules must not prohibit a large natural gas utility, a small natural gas utility, or an affiliated interest of either, including through partnerships with other entities, from making a capital investment in a renewable natural gas production project if the affiliated interest is not a public utility.

**Background**

The are currently five natural gas utilities operating in Colorado. The utilities and number of meters (or customers) as of 2018 are listed below:

- Public Service Company of Colorado (Xcel Energy): 1,329,848 meters
- Black Hills Gas Distribution Gas: 99,764 meters
- Black Hills Colorado Gas: 84,586 meters
- Atmos Energy: 114,866 meters
- Colorado Natural Gas: 21,831 meters

The Colorado Energy Office completed a study on renewable natural gas in June 2019, with a focus on its application in the transportation sector.

**State Revenue**

The PUC is currently assessing the statutory maximum 0.25 percent fee on the gross revenues of regulated electric and natural gas utilities and cannot increase the assessment beyond this cap without a change in law. While it is expected that there are sufficient resources in the Fixed Utilities Fund at the present time to support the expenditures identified in the fiscal note, any increased spending from the fund increases the likelihood that the General Assembly will be required to increase or remove the statutory fee cap sooner or appropriate funds from other sources, such as the General Fund, to cover PUC costs in the future.

**State Expenditures**

This bill will increase state cash fund expenditures by \$106,357 and 0.8 FTE in FY 2020-21 and \$119,937 and 1.0 FTE in FY 2021-22, as shown in Table 2 and discussed below.

**Table 2  
 Expenditures Under SB-150**

|  | <b>FY 2020-21</b> | <b>FY 2021-22</b> | <b>FY 2022-23</b> |
|--|-------------------|-------------------|-------------------|
| <b>Department of Regulatory Agencies</b> |                   |                   |                   |
| Personal Services                        | \$76,275          | \$91,529          | -                 |
| Operating Expenses                       | \$1,080           | \$1,350           | -                 |
| Capital Outlay Costs                     | \$6,200           | -                 | -                 |
| Centrally Appropriated Costs*            | \$22,802          | \$27,058          | -                 |
| <b>Total Cost</b>                        | <b>\$106,357</b>  | <b>\$119,937</b>  | <b>-</b>          |
| <b>Total FTE</b>                         | <b>0.8 FTE</b>    | <b>1.0 FTE</b>    | <b>-</b>          |

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

**Public Utilities Commission.** The PUC will conduct rulemaking in FY 2020-21, requiring 0.5 FTE Professional Engineer and 0.5 FTE Rate and Financial Analyst. Beginning in FY 2021-22, the PUC will open a proceeding related to Xcel Energy's renewable natural gas plan, as well as plans for other utilities that may opt-in. Costs beyond FY 2021-22 are not anticipated, but may be incurred if additional natural gas utilities opt-in to a renewable natural gas program; these will be addressed through the annual budget process, as necessary. First-year costs assume a September 1, 2020, hire date. Standard operating and capital outlay costs are included.

The creation of a tradeable renewable natural gas environmental attribute credit program is among the rules the PUC must adopt. Because there are existing registries that allow the trading of credits among entities producing or purchasing renewable natural gas, no additional appropriations are required for this program.

**Department of Public Health and Environment.** The department will consult with the PUC on a tradeable renewable natural gas environmental attribute credit program. It is assumed this workload impact can be accomplished within existing resources.

**Centrally appropriated costs.** 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. These costs, which include employee insurance and supplemental employee retirement payments, are estimated to be \$22,802 in FY 2020-21 and \$27,058 in FY 2021-22.

### **Effective Date**

The bill takes effect August 5, 2020, if the General Assembly adjourns on May 6, 2020, as scheduled, and no referendum petition is filed.

### **State Appropriations**

The bill requires and includes a cash fund appropriation of \$83,555 and 0.8 FTE from the Fixed Utilities Fund to the Department of Regulatory Agencies in FY 2020-21.

### **Departmental Difference**

In addition to the staffing needs identified in this bill, the PUC estimates that it will have additional costs of \$35,271 (not including centrally appropriated costs) beginning in FY 2020-21, paid from the Fixed Utilities Fund, for 0.2 FTE Administrative Law Judge and 0.1 FTE Hearings Reporter to assist with the proceedings created by the bill. The fiscal note does not include these costs in FY 2020-21 or FY 2021-22 because it assumes that rulemaking and the Xcel proceeding can be conducted within the PUC's existing hearings staff, which consists of 5.0 FTE Administrative Law Judge, 2.0 FTE Hearings Reporters, and 1.0 FTE Legal Assistant.

**State and Local Government Contacts**

Colorado Energy Office  
Law

Information Technology  
Regulatory Agencies

**Greenhouse Gas Emissions Report**

Legislative Council Staff is preparing a Greenhouse Gas Emissions Report for this bill. To access the report or check its status, please visit the General Assembly website using the link below.

<https://leg.colorado.gov/agencies/legislative-council-staff/greenhouse-gas-reports>