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Final Fiscal Note

Drafting Number: LLS 21-0250 Date: August 30, 2021
Prime Sponsors: Sen. Fenberg; Priola Bill Status: Signed into Law
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Bill Topic: PUC ENCOURAGE RENEWABLE ENERGY GENERATION

- Summary of Fiscal Impact:
[X] State Revenue [] TABOR Refund
[X] State Expenditure [X] Local Government
[] State Transfer [] Statutory Public Entity

The bill makes various changes to the renewable energy standards and the regulation of distributed generation. It increases state expenditures, and may increase local expenditures and state and local revenue, on an ongoing basis.

Appropriation Summary: For FY 2021-22, the bill requires and includes an appropriation of \$91,488 to the Department of Regulatory Agencies.

Fiscal Note Status: The fiscal note reflects the enacted bill.

Table 1
State Fiscal Impacts Under SB 21-261

Table with 4 columns: Category, Budget Year FY 2021-22, Out Year FY 2022-23, and values for Revenue, Expenditures (Cash Fund, Centrally Appropriated, Total Expenditures, Total FTE), Transfers, and TABOR Refund.

Summary of Legislation

The bill makes various changes to the renewable energy standard (RES) and the regulation of distributed generation. The bill increases an existing limitation on the size of retail distributed generation facilities from 120 percent to 200 percent of a customer's reasonably expected average annual total consumption to qualify for renewable energy credits. It also expands an existing exemption from regulation as a public utility to include persons who sell excess power from distributed generation located on property owned or leased by a customer or a master meter operator or customer served by a master meter operator (e.g. an apartment complex or mobile home park).

Master meter operators. Master meter operators are granted a limited exemption from the general requirements not to charge end users any amount above what they are billed for electricity supplied by the serving electric utility. Master meter operators are authorized to retain any rebates, refunds, rate reductions, net metering credits, or similar reductions offered by the serving utility in its net metering program, but may not charge end users more than they would have otherwise been billed by the serving utility under the applicable rate schedule.

Renewable energy standard. The bill makes various changes the RES. Specifically, the bill:

- adds and defines renewable energy storage as an eligible energy resource to meet the RES;
- narrows the requirements for biomass and small hydroelectric facilities that qualify as renewable energy resources;
- prohibits qualifying retail utilities from limiting the size of on-site retail distributed generation capacity based on past consumption, with the exception of cooperative electric associations;
- requires qualifying retail utilities to allow, and to adopt standards for the approval of, customer-owned meter collar adapters, defined in the bill, in residential installations;
- requires qualifying retail utilities to purchase energy produced from any renewable energy resource rather than exclusively solar energy resources, under the standard offer to purchase renewable energy credits;
- doubles the allowable size of on-site renewable energy installations under the standard offer, from 500 kilowatts to one megawatt;
- allows customers to carry forward monthly bill credits from distributed generation indefinitely;
- requires the PUC to determine a reasonable fixed charge for utilities to recover costs of delivering retail distributed generation to noncontiguous property; and
- defines greenhouse gas neutral with respect to electricity generated using biomass, coal mine methane, or synthetic gas.

The bill directs the Public Utilities Commission (PUC) in the Department of Regulatory Agencies (DORA) to adopt rules to accommodate the aggregation and interconnection of retail distributed generation, including the pooling of renewable generation resources under a master meter or similar arrangement, and the allocation of credits among customers on different rate schedules. The bill also directs the PUC to adopt new or amend current rules that would enable landlords and tenants of multi-unit buildings to share in the production from a net metered retail distributed generation installation, taking into account Colorado's greenhouse gas emission reduction goals.

State Revenue

This bill may increase revenue to the Division of Professions and Occupations Cash Fund in DORA from fees for permit applications to install renewable energy facilities. The amount of revenue will depend on the extent to which bill drives an increase in applications and has not been estimated. This fee revenue is subject to TABOR.

State Expenditures

This bill increases expenditures in the Department of Regulatory Agencies by \$117,774 and 1.0 FTE in FY 2021-22, and \$120,031 and 1.0 FTE in FY 2022-23 and future years. These expenditures are shown in Table 2 and discussed below.

Table 2
State Expenditures Under SB 21-261

Cost Components	FY 2021-22	FY 2022-23
Department of Regulatory Agencies		
Personal Services	\$83,938	\$91,569
Operating Expenses	\$1,350	\$1,350
Capital Outlay Costs	\$6,200	-
Centrally Appropriated Costs ¹	\$26,286	\$27,112
FTE – Personal Services	1.0 FTE	1.0 FTE
Total	\$117,774	\$120,031
Total FTE	1.0 FTE	1.0 FTE

¹ Centrally appropriated costs are not included in the bill's appropriation.

Public Utilities Commission. Beginning in FY 2021-22, the PUC requires 1.0 FTE to support litigated proceedings for each of the two investor-owned utilities to determine a reasonable charge to cover the utility's costs of delivering electricity generated by the retail distributed generation to noncontiguous properties. Staff resources are needed in the first few years following implementation, but may not be needed on an ongoing basis.

Since the PUC is scheduled to hold a RES rulemaking at the end of June 2021, the remaining changes under the bill can be accommodated within this rulemaking. Any disputes regarding meter collar adaptors are expected to be minimal and can be accomplished within existing resources. Rules regarding interconnections for distributed generation resources can be accomplished in the PUC's normal course of business.

TABOR refunds. The bill may increase the amount of state revenue required to be refunded to taxpayers by a minimal amount. TABOR refunds are paid from the General Fund. This estimate is based on the June 2021 LCS revenue forecast, which incorporates the revenue impacts of bills passed during the 2021 session. A forecast of state revenue subject to TABOR is not available beyond FY 2022-23.

Federal ARPA funds. This bill may increase state revenue, which may impact the state's flexibility in spending federal American Rescue Plan Act (ARPA) funds. For more information, see the LCS memo, titled "Legislative Changes and Flexibility in Use of American Rescue Plan Funds," available online at: <https://leg.colorado.gov/node/2211881>.

Local Government

Similar to the state, to the extent that this bill results in more permit applications for renewable generation facilities, revenue and expenditures will increase for local permitting authorities. This amount has not been estimated.

Effective Date

The bill was signed into law by the Governor and took effect on June 21, 2021.

State Appropriations

For FY 2021-22, the bill requires and includes an appropriation of \$91,488 from the Fixed Utility Fund to the Department of Regulatory Agencies and 1.0 FTE.

State and Local Government Contacts

Colorado Energy Office
Information Technology
Municipalities

Counties
Law
Regulatory Agencies