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Revised Fiscal Note

(replaces fiscal note dated April 24, 2024)

Drafting Number:	LLS 24-0450	Date:	May 4, 2024
Prime Sponsors:	Sen. Hansen; Fenberg Rep. Duran; Brown	Bill Status:	House Appropriations
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Bill Topic: MODERNIZE ENERGY DISTRIBUTION SYSTEMS

Summary of Fiscal Impact:	<input checked="" type="checkbox"/> State Revenue	<input checked="" type="checkbox"/> State Transfer	<input type="checkbox"/> Local Government
	<input checked="" type="checkbox"/> State Expenditure	<input checked="" type="checkbox"/> TABOR Refund	<input type="checkbox"/> Statutory Public Entity

The bill makes changes to the requirements for investor-owned electric utilities in the state and creates a grant program in the Department of Labor and Employment. It increases state revenue and expenditures beginning in FY 2024-25, and transfers money from the General Fund in FY 2024-25.

Appropriation Summary: For FY 2024-25, the bill requires an appropriation of \$420,500 to the Department of Regulatory Agencies. The Line Worker Apprenticeship Grant Program Cash Fund is continuously appropriated to the Department of Labor and Employment.

Fiscal Note Status: This revised fiscal note reflects the reengrossed bill. It has been updated to reflect new information.

**Table 1
State Fiscal Impacts Under SB 24-218**

		Budget Year FY 2024-25	Out Year FY 2025-26
Revenue	Fixed Utility Fund	\$498,328	\$464,978
	Total Revenue	\$498,328	\$464,978
Expenditures	Fixed Utility Fund	\$420,500	\$387,150
	Grant Program Cash Fund	\$548,463	\$63,664
	Centrally Appropriated	\$92,965	\$92,965
	Total Expenditures	\$1,061,928	\$543,779
	Total FTE	4.3 FTE	4.3 FTE
Transfers	General Fund	(\$800,000)	-
	Grant Program Cash Fund	\$800,000	-
	Net Transfer	\$0	-
Other Budget	TABOR Refund	\$498,328	\$464,978

Summary of Legislation

The bill creates a grant program and makes various changes to the requirements for investor-owned electric utilities that serve 500,000 customers or more (qualifying retail utilities). It also requires new rulemaking by the Public Utilities Commission (PUC) in the Department of Regulatory Agencies (DORA).

Line Worker Apprenticeship Grant Program. The bill creates a grant program to expand apprenticeship programs within the Office of Future of Work in Department of Labor and Employment (CDLE). The bill outlines the responsibilities of the office and the requirements for grant recipients, and creates a program cash fund. The bill transfers \$800,000 from the General Fund in FY 2024-25 to the program cash fund. The office may also seek, accept, and expend gifts, grants, and donations. The program is repealed July 1, 2028.

Qualifying retail utility requirements. The bill requires qualifying retail utilities to upgrade their electricity distribution systems to support state decarbonization goals. The bill also creates additional measures for qualifying retail utilities to ensure they meet their obligation to connect and energize new customers without substantial delay.

Distribution system planning and submissions to PUC. In addition to the distribution plans that qualifying retail utilities must submit to the Public Utilities Commission (PUC), qualifying retail utilities must also submit plans to create sufficient hosting capacity across their electrical distribution systems, present at least two future planning scenarios to show different future states of the distribution system, and provide analyses of current and future staffing levels. In evaluating distribution plans, the PUC must evaluate whether the plans satisfy certain criteria. A qualifying retail utility must submit a report to the General Assembly every two years after its distribution system plan is approved.

Qualifying retail utilities must submit to the PUC an application to implement a virtual power plant program, including a tariff for performance-based compensation for a qualified virtual power plant, by February 1, 2025. They must also file a plan to implement the community-directed underground conversion program by January 1, 2025.

Cost recovery. If a qualifying retail utility's distribution activities are found to benefit or advance the state's energy policy goals, costs can be recovered through a grid modernization adjustment clause. If it does not, recovery can occur if certain criteria are met. Qualifying retail utilities must submit an annual grid modernization clause advice letter to the PUC by November 1 each year.

Rulemaking. The PUC must adopt rules concerning interconnection, energization, electrification of end uses, and maximum individual cost caps or interconnection fees after final commission decisions on qualifying retail utility's plans in November 2024.

State Revenue

The bill increases state revenue from fees and potentially from gifts, grants, or donations.

Fixed Utility Fund fee impact. The bill increases state cash fund revenue to the Fixed Utility Fund (FUF) by about \$500,000 in FY 2024-25 and \$465,000 in FY 2025-26. Administrative costs incurred by the PUC are paid from the FUF, which receives an annual assessment on the state's regulated utilities. Whenever additional expenses are incurred against the fund, the assessment must be raised to increase revenue. This revenue is subject to TABOR.

Gifts, grants, and donations. The bill potentially increases state revenue to the Line Worker Apprenticeship Grant Program Cash Fund from gifts, grants, or donations; however, no sources have been identified at this time. Gifts, grants, and donations are exempt from TABOR revenue limits.

State Transfer

In FY 2024-25, the bill transfers \$800,000 from the General Fund to the newly created Line Worker Apprenticeship Grant Program Cash Fund.

State Expenditures

The bill increases state expenditures in the DORA by about \$500,000 in FY 2024-25 and \$465,000 in FY 2025-26, paid from the Fixed Utilities Fund. It also increases expenditures in CDLE by a total of \$800,000 from FY 2024-25 to FY 2027-28, paid from the Line Worker Apprenticeship Grant Program Cash Fund. Expenditures are shown in Table 2 and detailed below.

**Table 2
 Expenditures Under SB 24-218**

	FY 2024-25	FY 2025-26
Public Utilities Commission—DORA		
Personal Services	\$382,670	\$382,670
Operating Expenses	\$4,480	\$4,480
Capital Outlay Costs	\$33,350	-
Centrally Appropriated Costs ¹	\$77,828	\$77,828
FTE – Personal Services	3.5 FTE	3.5 FTE
DORA Subtotal	\$498,328	\$464,978

**Table 2
 Expenditures Under SB 24-218 (Cont.)**

	FY 2024-25	FY 2025-26
Department of Labor and Employment		
Personal Services	\$61,595	\$61,595
Operating Expenses	\$1,024	\$1,024
Capital Outlay Costs	\$6,670	-
Grant Awards	\$478,129	-
Grant Management Software	\$1,045	\$1,045
Centrally Appropriated Costs ¹	\$15,137	\$15,137
FTE – Personal Services	0.8 FTE	0.8 FTE
CDLE Subtotal	\$563,600	\$78,801
Total	\$1,061,928	\$543,779
Total FTE	4.3 FTE	4.3 FTE

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

Public Utilities Commission, Department of Regulatory Agencies. The PUC requires 3.5 FTE to conduct rulemaking and review expanded filings of the distribution system plans for qualified retail utilities. This includes providing subject matter expertise to review filings submitted and to guide the rulemaking process. Staff costs are required from FY 2024-25 to FY 2025-26 only.

Office of Future of Work, Department of Labor and Employment. The bill increases state expenditures in the office for the new grant program by \$800,000 across the duration of the program from FY 2024-25 to FY 2027-28. Estimated administrative and program costs are outlined below.

- **Administrative Costs.** The office requires 0.8 FTE annually to develop program rules, distribute grant awards, and provide technical support to applicants as needed. The office also requires \$1,045 annually for software to manage the grant program. The fiscal note assumes staff costs and software costs will be required through the end of the program in FY 2027-28.
- **Grant awards.** After administrative expenses, including staff and software costs for the duration of the program, approximately \$478,000 remains for the office to provide in grants to program participants annually from FY 2024-25 to FY 2027-28. The exact amounts and number of grant awards will be determined by the office based on program participation.

Other Budget Impacts

TABOR refunds. The bill is expected to increase the amount of state revenue required to be refunded to taxpayers by the amounts shown in the State Revenue section above. This estimate assumes the March 2024 LCS revenue forecast. A forecast of state revenue subject to TABOR is not available beyond FY 2025-26. Because TABOR refunds are paid from the General Fund, increased cash fund revenue will reduce the amount of General Fund available to spend or save.

Effective Date

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

State Appropriations

For FY 2024-25, the bill requires an appropriation of \$420,500 from the Fixed Utility Cash Fund to the Department of Regulatory Agencies, and 3.5 FTE.

No further appropriation is required, as the Line Workers Apprenticeship Grant Program Cash Fund is continuously appropriated to the Department of Labor and Employment, which requires 0.8 FTE.

State and Local Government Contacts

Labor

Regulatory Agencies

The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit the [General Assembly website](#).