



**Colorado
Legislative
Council
Staff**

SB17-145

FISCAL NOTE

FISCAL IMPACT: State Local Statutory Public Entity Conditional No Fiscal Impact

Drafting Number: LLS 17-0839
Prime Sponsor(s): Sen. Fenberg
Rep. Foote

Date: February 13, 2017
Bill Status: Senate Agriculture
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BILL TOPIC: ELECTRIC UTILITY DISTRIBUTION GRID RESOURCE ACQUISITION PLAN

Fiscal Impact Summary	FY 2017-2018	FY 2018-2019
State Revenue	<u>\$202,071</u>	<u>\$517,570</u>
General Fund	5,886	15,075
Cash Funds	196,185	502,495
State Expenditures	<u>\$344,200</u>	<u>\$1,506,428</u>
General Fund	109,526	853,978
Cash Funds	196,185	502,495
Centrally Appropriated Costs	38,490	149,955
TABOR Impact	\$202,071	\$517,570
FTE Position Change	2.9 FTE	12.3 FTE
Appropriation Required: \$305,711 – Department of Regulatory Agencies (FY 2017-18).		
Future Year Impacts: None.		

Summary of Legislation

The bill requires investor-owned utilities and cooperative electric associations to create distributed energy resources plans. Distributed energy resources are small-scale power sources that can be combined to diversify the electrical grid to protect it from disruptions. Each utility must integrate distributed energy resources planning into its five-year infrastructure acquisition plan. The bill details specific procedures that utilities and the Public Utilities Commission (PUC) in the Department of Regulatory Agencies (DORA) must follow.

Distribution resource plans must be submitted to the PUC for review by June 1, 2018. The PUC must subsequently review, modify, if necessary, and approve these plans by December 1, 2018. After each plan is approved, the utility's expenditures for energy distribution infrastructure must be considered at its next general rate case.

Background

Investor-owned utilities and cooperative electric associations. There are currently two investor-owned, rate-regulated electric utilities operating in Colorado — Xcel Energy and Black Hills Colorado Electric. These investor-owned utilities are currently responsible for submitting electric resource plans to the PUC; most recently updated in 2016. Cooperative electric associations are nonprofit electric utility companies that are owned and controlled by their members. The PUC does not review and approve integrated resource plans of cooperatives because these organizations have exempted themselves from PUC regulation since early in the 1980s. The PUC is authorized to resolve certain complaints relating to cooperatives, however, and cooperatives are required to follow PUC accounting rules and file financial statements with the Department of Revenue, which are open to PUC review.

Recent legislative history related to renewable and distributed energy resources. Voters approved Amendment 37 in 2004, which created renewable energy standards for investor-owned utilities. House Bill 07-1281 expanded the renewable energy standards to include all but municipally owned utilities. House Bill 10-1001 required that investor-owned utilities generate 30 percent of their electricity from renewable energy sources by 2020, including 3 percent from distributed energy resources. Senate Bill 13-252 required that cooperative electric associations generate 20 percent of their electricity from renewable energy sources.

State Revenue

This bill is expected to increase state revenue by \$202,071 in FY 2017-18, of which \$5,886 is credited to the General Fund, and \$196,185 is credited to the FUF; and by \$517,570 in FY 2018-19, of which \$15,075 is credited to the General Fund, and \$502,495 is credited to the FUF. The administrative costs incurred by the PUC as a result of this bill and discussed in the State Expenditures section will be paid from the FUF.

Fixed Utility Fund. The FUF pays for the majority of PUC operating expenses related to investor-owned utility regulation. It receives its revenues from an annual fee assessment based on a statutory formula that utilizes 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 revenues to recover direct and indirect costs, plus pay an additional 3 percent to the General Fund. Thus, cash fund revenues will have to be increased sufficiently to cover the PUC's direct expenses discussed in the State Expenditures section and detailed in the FUF section of Table 1, plus credit 3 percent to the General Fund.

TABOR Impact

This bill increases state revenue from FUF assessments and the related General Fund credit, which will increase the amount of money required to be refunded under TABOR for FY 2017-18 and FY 2018-19. TABOR refunds are paid out of the General Fund. In years when the state collects revenue above the TABOR limit, the increase in General Fund revenue has no net impact on the amount of money available in the General Fund for the budget, as both revenue to the General Fund and the refund obligation increase by equal amounts. However, the increase in cash fund revenue increases the TABOR refund obligation, decreasing the amount of money available in the General Fund for the budget on a dollar-for-dollar basis.

State Expenditures

The bill increases state expenditures by \$344,200 and 2.9 FTE in FY 2017-18, and \$1,506,428 and 12.3 FTE in FY 2018-19. These expenditures will come from the FUF and the General Fund, as shown in Table 1 and discussed below.

Table 1. Expenditures Under SB17-145		
	FY 2017-18	FY 2018-19
Investor-owned Utilities (Fixed Utility Fund)		
Personal Services	\$123,499	\$352,852
FTE	1.4 FTE	4.0 FTE
Operating Expenses and Capital Outlay Costs	6,817	17,809
Legal Services	65,870	131,834
FTE	0.4 FTE	0.8 FTE
Fixed Utility Fund Subtotal	\$196,185	\$502,495
Cooperative Electric Associations (General Fund)		
Personal Services	\$88,213	\$467,606
FTE	1.0 FTE	5.4 FTE
Operating Expenses and Capital Outlay Costs	4,869	24,042
Legal Services	16,444	362,331
FTE	0.1 FTE	2.1 FTE
General Fund Subtotal	\$109,526	\$853,978
Centrally Appropriated Costs*	\$38,490	\$149,955
TOTAL COST	\$344,200	\$1,506,428
TOTAL FTE	2.9 FTE	12.3 FTE

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

Assumptions. The fiscal note makes several assumptions.

- Because the PUC is required by law to provide an opportunity for all interested parties to have a hearing, the fiscal note assumes that all distribution resource plans will require a formal legal proceeding to reach a decision either approving or modifying and then approving each utility's plan. The bill does not provide the PUC with the alternative to deny any plan, so the fiscal note assumes that the PUC must develop and incorporate cures for any deficiencies identified in the plans.
- The bill's six-month time frame for the PUC to conduct the hearings requires a streamlined approach. FTE levels are based on annual staffing for current electric resource plan proceedings for investor-owned utilities at the PUC. Staffing rates are reduced by 25 percent for the investor-owned utilities, and by 150 percent for the less-complicated cooperative electric associations. Staff will be in place from March 1, 2018, through December 31, 2018.

- From July 1, 2018, the fiscal note assumes that the staffing rate will need to double to manage the workload associated with plan review. In addition, administrative law judges are required to conduct the reviews of the cooperative electric associations, since the PUC must manage its regular docket in addition to the investor-owned utility plan reviews under the bill.
- Because electrical cooperatives do not pay into the Fixed Utility Fund, the fiscal note assumes that costs related to cooperatives under the bill will come from the General Fund.
- Only investor-owned utilities will have expenditures for energy distribution infrastructure considered at the next general rate case, as cooperative electric associations are not required to submit to PUC rate review. This workload can be accomplished within existing PUC appropriations.

Investor-owned utilities distribution resource plan review. Beginning March 1, 2018, the PUC requires 0.7 FTE of a Professional Engineer III, and 0.7 FTE of a Rate Financial Analyst IV to prepare for and process June 1, 2018, plan submissions, as well as 693 legal services hours at a rate of \$95.05 per hour from the Department of Law. Standard capital outlay and standard operating costs are included. In FY 2018-19, staffing is increased to 4.0 FTE. In addition, the PUC will require an estimated 1,387 legal hours in FY 2018-19. Legal services require an allocation of 0.4 FTE in FY 2017-18, and 0.8 FTE in FY 2018-19.

Cooperative electric association distribution resource plan review. Beginning March 1, 2018, the PUC requires 0.5 FTE of a Professional Engineer III, and 0.5 FTE of a Rate Financial Analyst IV to prepare for and process for June 1, 2018, plan submissions, as well as 173 legal services hours at a rate of \$95.05 per hour from the Department of Law. Standard capital outlay and standard operating costs are included. In FY 2018-19, staffing is increased to 5.4 FTE, and includes 1.4 FTE of an Administrative Law Judge II and 0.4 FTE of a Hearings Reporter. In addition, the PUC will require an estimated 3,812 legal hours in FY 2018-19. Legal services require an allocation of 0.1 FTE in FY 2017-18, and 2.1 FTE in FY 2018-19.

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. The centrally appropriated costs subject to this policy are estimated in the fiscal note for informational purposes and summarized in Table 2.

Table 2. Centrally Appropriated Costs Under SB17-145		
Cost Components	FY 2017-18	FY 2018-19
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$19,519	\$76,437
Supplemental Employee Retirement Payments	18,971	73,518
TOTAL	\$38,490	\$149,955

Effective Date

The bill takes effect August 9, 2017, if the General Assembly adjourns on May 10, 2017, as scheduled, and no referendum petition is filed.

State Appropriations

For FY 2017-18, the Department of Regulatory Agencies requires an appropriation of \$305,711 and an allocation of 2.9 FTE as follows:

- \$109,526 from the General Fund and an allocation of 1.1 FTE, of which \$16,444 and 0.1 FTE is reappropriated to the Department of Law; and
- \$196,185 from the Fixed Utility Fund, and an allocation of 1.8 FTE, of which \$65,870 and 0.4 FTE is reappropriated to the Department of Law.

State and Local Government Contacts

Law Regulatory Agencies