Bill Topic: ELECTRIC UTILITY PLANS TO FURTHER REDUCE CO2 EMISSIONS

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

This bill establishes targets for utilities to reduce carbon dioxide emissions. A qualifying utility must submit clean energy plans to the Public Utilities Commission as part of its electric resource planning process. The Department of Public Health and Environment is required to review these plans and to verify compliance with emissions targets. The bill will increase state expenditures and workloads on an ongoing basis.

Appropriation Summary: For FY 2019-20, the bill requires an appropriation of $171,541 to the Department of Public Health and Environment.

Fiscal Note Status: This revised fiscal note reflects the introduced bill, and has been updated to reflect new information from the Department of Public Health and Environment.

Table 1
State Fiscal Impacts Under HB 19-1313

<table>
<thead>
<tr>
<th></th>
<th>FY 2019-20</th>
<th>FY 2020-21</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Expenditures General Fund</td>
<td>$171,541</td>
<td>$176,694</td>
</tr>
<tr>
<td>Centrally Appropriated</td>
<td>$47,557</td>
<td>$51,193</td>
</tr>
<tr>
<td>Total</td>
<td>$219,098</td>
<td>$227,887</td>
</tr>
<tr>
<td>Total FTE</td>
<td>1.9 FTE</td>
<td>2.1 FTE</td>
</tr>
<tr>
<td>Transfers</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>TABOR Refund</td>
<td>-</td>
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</tbody>
</table>
Summary of Legislation

This bill supplements existing state renewable energy standard laws by establishing targets for the reduction of carbon dioxide emissions from electricity generation by utilities serving more than 500,000 customers (Xcel Energy). These targets are an 80 percent reduction in carbon dioxide emission levels compared to 2005 levels by 2030; and a goal of a 100 percent reduction in carbon dioxide emission levels by 2050 and thereafter. Other utilities may opt in.

Electric resource planning process. The qualifying utility is directed to submit plans to the Public Utilities Commission (PUC) in the Department of Regulatory Agencies (DORA) as part of its ongoing resource acquisition planning process to address the clean energy targets. The approval process includes participation by the Air Pollution Control Division (APCD) in the Department of Public Health and Environment (CDPHE) regarding the measurement of carbon dioxide emission reductions and estimates as to whether the clean energy plan will achieve the desired reductions.

Rate recovery and requirements for the utility. The qualifying utility may recover its costs of implementation through rates, as approved by the PUC, and own any generating resources and infrastructure necessary to effectuate the plan. The qualifying utility must use a competitive bidding process to fill the cumulative resource need identified in its next electric resource plan that includes a clean energy plan filed after January 1, 2020.

The bill prohibits an electric utility to own, as rate-based property, new eligible energy resources without competitive bidding if certain conditions are satisfied. The bill also requires electric resource acquisition decisions in front of the PUC to include documentation from the utility on employment metrics, the use of Colorado labor, and the availability of apprenticeship programs.

Customer-sited energy generation. The bill allows retail electric utility customers to generate, consume, store, and export electricity produced from certain energy resources to the electric grid, subject to reliability standards, interconnection rules, and procedures determined by the PUC.

Reporting. Utilities that receive approval for a clean energy plan are required to report to the Governor, the General Assembly, the PUC, and the Air Quality Control Commission in CDPHE on a list of matters, including its progress in implementing the plan and in reducing carbon dioxide emissions.

State Expenditures

The bill is expected to increase state General Fund expenditures by $219,098 and 1.9 FTE in FY 2019-20 and by $227,887 and 2.1 FTE in FY 2020-21 and ongoing in the CDPHE, as shown in Table 2 and discussed below. Workload increases and potential expenditures for DORA are also discussed below.
Department of Public Health and Environment. The bill requires 2.1 FTE Environmental Protection Specialist in the APCD to develop carbon dioxide emission measurement methodology; participate in the electric resource planning process at the PUC; and verify compliance with emissions targets under the bill. First-year costs assume a July 1, 2019, start date and are prorated for the General Fund pay date shift.

- **Carbon dioxide emission measurement methodology.** The APCD staff will seek input from the PUC, utilities, and other stakeholders to establish a carbon dioxide emission measurement methodology. It is assumed this effort will require regular monthly meetings through FY 2020-21 until the methodology is finalized.

- **Electric resource planning process participation.** The APCD staff will participate in a review of Xcel Energy’s clean energy plan during its upcoming electric resource planning process in FY 2019-20. Staff will develop expertise in the subject matter, coordinate with PUC staff and stakeholders, and develop methodologies to measure whether the clean energy plan will achieve the desired reductions.

- **Verification of compliance with emissions targets.** The bill requires the APCD to track carbon dioxide emissions based on retail sales, which will require the creation of a new methodology. The APCD currently regulates air emissions from electric generating units. These units have continuous emission monitoring systems to measure carbon dioxide emissions directly out of the stacks and are based on gross electric generation. The Division spent time working with stakeholders to address the Environmental Protection Agency’s Clean Power Plan from 2014 to 2016, where challenges in measuring emissions in comparison to a carbon dioxide emission limit were identified. Further, there is also a significant difference between gross generation and net sales.

Department of Regulatory Agencies. The clean energy plans from Xcel Energy will be integrated into the existing electric resource planning process which occurs every four years. The fiscal note assumes that only Xcel Energy will be subject to the requirements of the bill as it is the only utility in the state serving over 500,000 electric customers. Besides Black Hills Energy, which is already subject to PUC regulation and the electric resource planning process, if one or more currently unregulated utilities seek voluntary participation, the PUC will require approximately four additional staff, including two professional engineers and two rate and financial analysts, per electric resource planning process. DORA will seek these resources through the annual budget process if necessary. For informational purposes, the electric resource planning process includes...
development of a load forecast, evaluation of the utility’s current resources, determination of need for additional resources, and the utility’s proposed plan for acquiring the resources to meet the identified need. The process covers a 7-year resource acquisition period and a 25-year planning period, as required by PUC rules.

**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 $47,557 in FY 2019-20 and $51,193 in FY 2020-21.

**Effective Date**

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

**State Appropriations**

For FY 2019-20, the bill requires a General Fund appropriation of $171,541 to the Department of Public Health and Environment and an allocation of 1.9 FTE.

**State and Local Government Contacts**

Public Health and Environment    Regulatory Agencies

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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: [leg.colorado.gov/fiscalnotes](http://leg.colorado.gov/fiscalnotes).