



Legislative  
Council Staff

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**FISCAL NOTE**

**Drafting Number:** LLS 20-0999  
**Prime Sponsors:** Sen. Hansen

**Date:** February 7, 2020  
**Bill Status:** Senate Transportation  
**Fiscal Analyst:** Erin Reynolds | 303-866-4146  
Erin.Reynolds@state.co.us

**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 fiscal note reflects the introduced 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 promulgate rules by July 31, 2021, regarding 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 or transportation fuel-grade requirements. The bill delineates large and small natural gas utilities by whether they have over or under 200,000 in-state customers; large utilities are required to participate, while small utilities may opt-in to a renewable natural gas program.

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.

Finally, the bill requires the PUC to address reporting requirements, cost recovery options, rates, and qualified investments through rule.

## **Background**

There 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.

**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 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**

Information Technology

Law

Regulatory Agencies