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Fiscal Note

Drafting Number: LLS 24-0411 Date: March 25, 2024
Prime Sponsors: Rep. Kipp; Willford Bill Status: House Energy & Environment
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Bill Topic: REDUCE COST OF USE OF NATURAL GAS

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

The bill allows local governments and certain utilities to develop neighborhood-scale alternative energy projects. It increases state revenue, state expenditures, and local expenditures beginning in FY 2024-25.

Appropriation Summary: For FY 2024-25, the bill requires appropriations totaling \$73,328 to multiple state agencies.

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

Table 1
State Fiscal Impacts Under HB 24-1370

Table with 4 columns: Category, Sub-category, Budget Year FY 2024-25, and Out Year FY 2025-26. Rows include Revenue, Expenditures (General Fund, Cash Funds, Centrally Appropriated, Total Expenditures, Total FTE), Transfers, and Other Budget Impacts (General Fund Reserve).

Summary of Legislation

The bill establishes a process by which local governments and utilities that offer both electricity and gas service can identify gas planning priority communities to explore neighborhood-scale alternative energy projects.

The Colorado Energy Office (CEO) must issue a request for information to identify local governments that could become a gas planning priority community. The CEO and applicable utilities must file their proposals with the Public Utilities Commission (PUC) in the Department of Regulatory Agencies. Once approved, utilities and local governments establish agreements regarding priority communities and share certain information for planning purposes. An approved community and its utility must rank projects and the utility must submit any projects it opts to pursue to the PUC for approval by June 1, 2026. The bill establishes criteria for the PUC to consider in approving these projects.

The utility may recover its costs for developing a project, and it must submit an annual report to the PUC by June 1 of each year. The PUC must hold a proceeding to address how to integrate neighborhood-scale alternative energy projects into the gas infrastructure planning process.

State Revenue

Administrative costs incurred by the PUC are paid from the Fixed Utility Fund, which receives an annual assessment on the state's regulated utilities. Whenever additional expenses are incurred against the fund, the assessment may be raised to increase revenue to cover these expenses. The fiscal note assumes that the costs described in the State Expenditures section below can be accomplished within existing funds. This revenue is subject to TABOR.

State Expenditures

The bill increases state expenditures in the CEO by about \$50,000 in FY 2024-25 and \$40,000 in FY 2025-26 and FY 2026-27, paid from the General Fund, and in the PUC by about \$30,000 in FY 2024-25 and \$140,000 in FY 2025-26 and ongoing, paid from the Fixed Utility Fund. Expenditures are shown in Table 2 and detailed below.

Table 2
Expenditures Under HB 24-1370

	FY 2024-25	FY 2025-26
Colorado Energy Office		
Personal Services	\$43,650	\$30,958
Centrally Appropriated Costs ¹	\$9,093	\$6,653
FTE – Personal Services	0.4 FTE	0.3 FTE
CEO Subtotal	\$52,743	\$37,611

Table 2
Expenditures Under HB 24-1370 (Cont.)

	FY 2024-25	FY 2025-26
Public Utilities Commission		
Personal Services	\$22,752	\$113,761
Operating Expenses	\$256	\$1,280
Capital Outlay Costs	\$6,670	-
Centrally Appropriated Costs ¹	\$4,531	\$22,652
FTE – Personal Services	0.2 FTE	1.0 FTE
PUC Subtotal	\$34,209	\$137,693
Total	\$86,952	\$175,304
Total FTE	0.6 FTE	1.3 FTE

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

Colorado Energy Office. The bill increases expenditures to issue the request for information, to work with utilities and communities to develop project proposals, and to participate in PUC proceedings, as applicable. This requires 0.4 FTE in FY 2024-25, decreasing to 0.3 FTE in subsequent years until proceedings are concluded in FY 2026-27. Standard operating and capital outlay costs are included.

Public Utilities Commission. The bill increases costs to evaluate and approve any submitted projects, including holding a proceeding and soliciting public comments.

- **Staffing.** These responsibilities require 1.0 FTE beginning May 1, 2025 until the conclusion of any proceedings in FY 2026-27. Standard operating and capital outlay costs are included.
- **Legal services.** The PUC will require legal services in any proceedings related to project proposals in FY 2026-27, which depends on the number of projects proposed and is not estimated here. If additional appropriations are required, it will be addressed through the budget process. Legal services are provided by the Department of Law at a rate of \$128.02 per hour.

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 shown in Table 2.

Other Budget Impacts

General Fund reserve. Under current law, an amount equal to 15 percent of General Fund appropriations must be set aside in the General Fund statutory reserve. Based on this fiscal note, the bill is expected to increase the amount of General Fund held in reserve by the amounts shown in Table 1, decreasing the amount of General Fund available for other purposes.

Local Government

The bill increases workload in any local government that opts to explore neighborhood-scale alternative energy projects.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed.

State Appropriations

For FY 2024-25, the bill requires a General Fund appropriation of \$43,650 to the Colorado Energy Office, and 0.4 FTE.

For FY 2024-25, the bill requires an appropriation of \$29,678 from the Fixed Utility Fund to the Public Utilities Commission in the Department of Regulatory Agencies, and 0.2 FTE.

State and Local Government Contacts

Colorado Energy Office
Regulatory Agencies

Counties

Law

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](#).