



Legislative  
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**FISCAL NOTE**

**Drafting Number:** LLS 20-0204  
**Prime Sponsors:** Sen. Hansen

**Date:** April 1, 2020  
**Bill Status:** Senate Transportation  
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**Bill Topic:** **BOOST RENEWABLE ENERGY TRANSMISSION INVESTMENT**

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

This bill requires the Public Utilities Commission to study and report on transmission planning and narrows the scope of an existing study of the costs and benefits of regional transmission organizations. It also requires the commission to approve a utility's application to build certain new transmission facilities within 180 days, and provides right of first refusal for incumbent electric utilities. It will increase state expenditures, and potentially revenue, on an ongoing basis.

**Appropriation Summary:** For FY 2020-21, the bill requires an appropriation of \$459,216 to the Department of Regulatory Agencies, and may include an additional appropriation of \$450,000, as discussed in the State Appropriation section.

**Fiscal Note Status:** This fiscal note reflects the introduced bill.

**Table 1  
State Fiscal Impacts Under SB 20-190**

	FY 2020-21	FY 2021-22
<b>Revenue</b>	-	-
<b>Expenditures</b> General Fund*	\$459,216	-
<b>Transfers</b>	-	-
<b>TABOR Refund</b>	-	-

\* Public Utilities Commission expenditures are typically paid from the Fixed Utilities Fund. However, that cash fund is assessing the statutory maximum rate of 0.25 percent on the gross revenues of regulated electric and natural gas utilities; therefore, the fiscal note assumes that the General Fund is required to cover the costs identified in this bill.

## **Summary of Legislation**

**Energy grid cost-benefit analysis.** The bill narrows the scope of inquiry for an ongoing Public Utilities Commission (PUC) docket to evaluate the costs and benefits of participation in regional transmission organization by removing energy imbalance markets, power pools, and joint tariffs from the study's scope.

**Transmission coordination.** This bill requires the PUC to study and report on, by December 31, 2020, the existing and potential additional energy resource zones for renewable resource generation development areas and planned transmission lines within Colorado. This report constitutes the Statewide Transmission Plan and must:

- include a map of existing generation and transmission lines, planned transmission lines, and potential renewable resource generation development areas;
- identify opportunities for renewable resource generation in fossil fuel host communities;
- identify opportunities for energy storage and noncarbon-emitting nonrenewable resources;
- identify opportunities to export renewable resources;
- evaluate the use of enterprise zones for renewable resource generation;
- evaluate the transmission needs of energy resource zones;
- identify points of congestion;
- evaluate the self-provision of transmission projects; and
- evaluate the development of various resources to support Colorado's carbon dioxide emissions reduction goals.

**Expedited review of transmission facility applications.** The bill directs the PUC to approve a utility's application within 180 days to build new transmission facilities that are determined to cost-effectively enable the reliable delivery of electricity to Colorado consumers and to meet renewable energy standards and clean energy targets. The bill allows project bidders in an electric resource plan to rely on the planned transmission lines, as identified in the Statewide Transmission Plan or under a regional transmission plan required by another applicable federal requirement, for interconnection in their proposals.

**Right of first refusal.** Finally, the bill provides right of first refusal for an incumbent electric utility that owns the existing electric transmission facilities to which a planned line will connect, to construct, own, and maintain the electric transmission line.

## **State Revenue**

The PUC is currently assessing the statutory maximum of 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. The fiscal note assumes that there are not sufficient resources in the Fixed Utilities Fund at the present time to support the expenditures identified in the fiscal note.

**State Expenditure**

The bill will increase state General Fund expenditures in the PUC by \$459,216 in FY 2020-21. It will also increase workload in the Department of Law and the Colorado Energy Office. Fiscal impacts are shown in Table 2 and discussed below.

**Table 2  
Expenditures Under SB 20-190**

	<b>FY 2020-21</b>	<b>FY 2021-22</b>
<b>Department of Regulatory Agencies</b>		
Transmission coordination	\$450,000	-
Related travel	\$9,216	-
<b>Total Cost</b>	<b>\$459,216</b>	<b>\$0</b>

**Public Utilities Commission.** In FY 2020-21, the bill increases expenditures and workload in the PUC, as discussed below.

- **Energy grid cost-benefit analysis.** Senate Bill 19-236 directed the PUC to open an investigatory proceeding to evaluate the costs and benefits associated with regional transmission organizations, energy imbalance markets, joint tariffs, and power pools. The bill's original time lines were: open the proceeding by January 1, 2020; accept public comment by July 1, 2021; issue a decision by December 1, 2021; and, if it is determined that participation in one of these systems is in the public interest, direct electric utilities to pursue participation by July 1, 2022. The PUC opened this docket in mid-September; solicited for and received several rounds of public comments and reply comments from October through January; developed the request for proposals (RFP) in February to issue in March; and anticipates awarding the cost-benefit analysis to a consultant in May or early June.

Given the amount of work conducted to date, narrowing the scope of the study is not expected to reduce the costs of the study. The PUC will study imbalance markets as required by the entities it regulates. The removal of power pool and joint tariff analyses from the study is not expected to have a significant impact, as the bulk of the consultant's work is setting up the production cost model with the appropriate generation and transmission data sets, fuel and technology pricing, environmental constraints, load forecasts, and relevant geographic footprints.

In addition, the fiscal note for SB 19-236 estimated the cost-benefit analysis would cost up to \$700,000; however, it stated that the PUC would use the annual budget process to acquire funding for the analysis once costs were better known. The PUC has not yet received funding for the cost-benefit analysis, currently estimated at \$450,000; see Technical Note and State Appropriations section.

- **Transmission coordination.** The bill expands the Colorado Transmission Coordination Act to include the development of a new energy resource zones, transmission mapping, public outreach meetings across the state, the addition of nine new areas of inquiry to the cost-benefit analysis (discussed above), and the preparation and transmission of a final report to the Governor and General Assembly no later than December 31, 2020.

Assuming that the bill is enacted in May 2020, this study is compressed into a seven-month time frame (see Technical Note). Regardless of the tight time frame, and as discussed above, the RFP for the cost-benefit analysis is already nearing issuance, so the additional nine criteria will be included in a new RFP. The cost for this is estimated at \$450,000 General Fund, with actual costs depending on the results of the RFP and likely to range between \$400,000 and \$500,000. Additionally, the PUC will require travel costs for three meetings, estimated at \$9,216 in FY 2020-21 only. This assumes three commissioners, the PUC's information officer, an advisory staff member, and a court reporter in attendance from the PUC at each public outreach meeting.

- ***Expedited review.*** The bill requires the PUC to perform an expedited review of transmission proposals in 180 days. The review period was increased from 210 days to 250 days in Senate Bill 19-236. Additional services from the Department of Law may be required to facilitate an expedited review.
- ***First right of refusal.*** The first right of refusal provisions can be accommodated using existing resources.

**Department of Law.** As discussed above, the bill creates an expedited review process that may necessitate additional legal services support from the Department of Law. The current review timeline accommodates a 30-day notice period; time for filing written testimony and for the parties to conduct discovery if a hearing is required; an evidentiary hearing on the application; time for the parties to submit closing statements of position; time for the hearing officer or PUC commissioners to analyze the evidence and testimony, conduct deliberations and write a decision; and time for any applications for rehearing, additional argument or reconsideration and to issue a decision on those applications. The nine additional studies in the bill may also require legal support to address questions and legal analysis associated with how this information is potentially used to direct efforts moving forward. The fiscal note assumes that the PUC has enough resources in its existing legal services budget to address these costs initially. If additional resources are required, they will be sought through the annual budget process.

**Colorado Energy Office.** Workload may increase at the Colorado Energy Office for increased intervention work at the PUC; however, no change in appropriations is required.

## **Technical Note**

The bill's additional requirements for the transmission coordination study will necessitate an RFP process, which cannot be accommodated in the bill's existing time frame. Studies of this magnitude typically require at least a year or two, not including the RFP process, which takes an additional six months or so.

SB 19-236 required the PUC to conduct an energy grid cost-benefit analysis and the fiscal note indicated that the PUC would request funding through the annual budget process after the investigatory proceeding informed the likely scope of the study; however, the PUC has not yet received funding for the cost-benefit analysis. As this bill modifies the scope of that analysis, which is mandated in current law, the fiscal note assumes that funding will be provided through the budget process, rather than in this bill, if needed. However, because funding was not yet provided for the analysis that is modified by this bill, the fiscal note shows a potential appropriation in the State Appropriation section for the costs of the original cost-benefit analysis, should the General Assembly decide to allocate funding in this bill. The fiscal note estimates the cost for the cost-benefit analysis will be \$450,000.

**Effective Date**

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

**State Appropriations**

For FY 2020-21, the bill requires a General Fund appropriation of \$459,216 to the Public Utilities Commission, assuming that funding is not available in the Fixed Utilities Fund.

As discussed in the Technical Note above, the General Assembly may appropriate \$450,000 for the original cost-benefit analysis that has not yet received funding and is modified by this bill, if needed.

**State and Local Government Contacts**

Colorado Energy Office  
Law

Information Technology  
Regulatory Agencies