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Fiscal Note

Drafting Number: LLS 21-0037
Prime Sponsors: Sen. Fenberg

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Bill Status: Senate Trans. & Energy
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Bill Topic: ELECTRIC UTILITY PROMOTE BENEFICIAL ELECTRIFICATION

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

The bill requires investor-owned electric utilities to file beneficial electrification plans with the Public Utilities Commission. It increases state expenditures beginning in FY 2021-22, and may increase state revenue.

Appropriation Summary: For FY 2021-22, the bill requires an appropriation of \$168,448 to the Department of Regulatory Agencies.

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

Table 1
State Fiscal Impacts Under SB21-246

Table with 3 columns: Category, Budget Year FY 2021-22, and Out Year FY 2022-23. Rows include Revenue, Expenditures (General Fund, Centrally Appropriated, Total Expenditures, Total FTE), Transfers, and TABOR Refund.

1 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. See Technical Note.

Summary of Legislation

The bill requires investor-owned electric utilities to file beneficial electrification plans with the Public Utilities Commission (PUC) by April 1, 2022, and no less frequently than every three years. Beneficial electrification is defined as converting the energy source of a customer's end use from a non-electric fuel source to a high-efficiency electric source, or avoiding the use of non-electric fuel sources in new construction or industrial applications, if the result reduces greenhouse gas emissions over the lifetime of the conversion or avoidance and reduces societal costs or provides more efficient use of grid resources.

Beneficial electrification plans must, at minimum:

- include programs to advance beneficial electrification for residential and commercial customers;
- target 20 percent of program expenditures to low-income households or disproportionately impacted communities with associated outreach plans;
- include budgets, targeted number of installations, projected fuel savings and cost-effectiveness calculations, and greenhouse gas emissions reductions;
- demonstrate that the incremental electrical load will be no more carbon intensive than the utility's portfolio;
- target incentives toward new and existing buildings; and
- demonstrate that electric grid reliability will be maintained.

Utilities and the PUC are directed to account for the social cost of carbon dioxide and methane in cost-benefit analyses and include both avoided emissions from combustion and leakage as well as the incremental emissions from electricity generation.

The PUC must allow cost recovery for implementing approved beneficial electrification programs and may consider incentive mechanisms to encourage utilities to invest in these programs. Investor-owned electric utilities are required to file a beneficial electrification strategic issues application with the PUC by April 1, 2024, and no less frequently than every six years that proposes a 10-year beneficial electrification target. Electric utilities must comply with the labor standards outlined in the bill when implementing their programs, and submit annual reports to the PUC describing plan implementation.

Other non-investor owned electric utilities are encouraged to implement beneficial electrification plans and submit status reports to the Colorado Energy Office.

State Revenue

Fixed Utilities Fund. The bill may increase fee revenue to the Fixed Utilities Fund to cover the PUC's administrative expenses under the bill; however, the fund 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. See Technical Note.

State Expenditures

The bill increases state General Fund expenditures in the Department of Regulatory Agencies by \$212,081 and 1.6 FTE in FY 2021-22 and \$705,799 and 6.2 FTE in FY 2022-23. First-year costs have been prorated for the General Fund pay date shift.

**Table 2
 Expenditures Under SB21-246**

	FY 2021-22	FY 2022-23
Department of Regulatory Agencies		
Personal Services	\$128,548	\$535,339
Operating Expenses	\$2,700	\$8,370
Capital Outlay Costs	\$37,200	-
Centrally Appropriated Costs ¹	\$43,633	\$162,090
Total Cost	\$212,081	\$705,799
Total FTE	1.6 FTE	6.2 FTE

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

Public Utilities Commission. The PUC requires one time staff resources of 1.6 FTE in FY 2021-22 and 6.2 FTE in FY 2022-23 to support the two investor-owned utilities required to file beneficial electrification plans. First-year costs assume that electric utilities will file a plan by April 1, 2022, with six full-time staff starting on March 1. These staff resources are similar to the resources dedicated to transportation electrification plans filed pursuant to Senate Bill 19-077. These plans are anticipated to be filed separately from other demand-side management plans and attract a large number of interveners, requiring trial and advisory staff, as well as an administrative law judge and court reporter to oversee the proceeding. A similar level of resources may be required in out-years to support the 10-year strategic issues applications, but future beneficial electrification plans are expected to be less litigated. Therefore, this fiscal note assumes that future beneficial electrification plan filing can be absorbed within existing staff resources.

Colorado Energy Office. The Colorado Energy Office will review and ensure compliance with any guidelines issued for utilities that voluntarily implement beneficial electrification plans. This workload can be accommodated within existing resources.

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 \$43,633 in FY 2021-22 and \$162,090 in FY 2022-23.

Technical Note

Fixed Utilities Fund. 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. This 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. If the General Assembly revises the statutory maximum fee, these and future expenses may be paid from the Fixed Utility Fund.

Effective Date

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

State Appropriations

In FY 2021-22, this bill requires a General Fund appropriation of \$168,448 to the Department of Regulatory Agencies.

State and Local Government Contacts

Colorado Energy Office
Public Health and Environment

Information Technology
Regulatory Agencies

Law