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Fiscal Note

Drafting Number: LLS 24-0450 Date: April 24, 2024
Prime Sponsors: Sen. Hansen; Fenberg Bill Status: Senate Finance
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Bill Topic: MODERNIZE ENERGY DISTRIBUTION SYSTEMS IN COLORADO

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

The bill makes changes to the requirements for investor-owned electric utilities in the state and creates a grant program in the Department of Labor and Employment. It increases state revenue and expenditures beginning in FY 2024-25, and transfers money from the General Fund in FY 2024-25.

Appropriation Summary: For FY 2024-25, the bill requires an appropriation of \$293,224 to the Department of Regulatory Agencies. The Line Worker Apprenticeship Grant Program Cash Fund is continuously appropriated to the Department of Labor and Employment.

Fiscal Note Status: The fiscal note reflects the introduced bill. Due to time constraints, this analysis is preliminary and will be updated following further review and any additional information received.

Table 1
State Fiscal Impacts Under SB 24-218

Table with 4 columns: Category, Sub-category, Budget Year FY 2024-25, and Out Year FY 2025-26. Rows include Revenue (Fixed Utilities Fund, Total Revenue), Expenditures (Grant Program Cash Fund, Fixed Utilities Fund, Centrally Appropriated, Total Expenditures, Total FTE), Transfers (General Fund, Grant Program Cash Fund, Net Transfer), and Other Budget Impacts (TABOR Refund).

Summary of Legislation

The bill creates a grant program and makes various changes to the requirements for investor-owned electric utilities that serve 500,000 customers or more (qualifying retail utilities). It also requires new rulemaking by the Public Utilities Commission (PUC) in the Department of Regulatory Agencies (DORA).

Line Worker Apprenticeship Grant Program. The bill creates a grant program to expand apprenticeship programs within the Office of Future of Work in Department of Labor and Employment (CDLE). The bill outlines the responsibilities of the office and the requirements for grant recipients, and creates a program cash fund. The bill transfers \$800,000 from the General Fund in FY 2024-25 to the program cash fund. The office may also seek, accept, and expend gifts, grants, and donations. The program is repealed July 1, 2028.

Qualifying retail utility requirements. The bill requires qualifying retail utilities to upgrade their electricity distribution systems to support state decarbonization goals. The bill also creates additional measures for qualifying retail utilities to ensure they meet their obligation to connect and energize new customers without substantial delay.

Distribution system planning and submissions to PUC. In addition to the distribution plans that qualifying retail utilities must submit to the Public Utilities Commission (PUC), qualifying retail utilities must also submit plans to create sufficient hosting capacity across their electrical distribution systems, present at least two future planning scenarios to show different future states of the distribution system, and provide analyses of current and future staffing levels. In evaluating distribution plans, the PUC must evaluate whether the plans satisfy certain criteria. A qualifying retail utility must submit a report to the General Assembly every two years after its distribution system plan is approved.

Qualifying retail utilities must submit to the PUC an application to implement a virtual power plant program, including a tariff for performance-based compensation for a qualified virtual power plant, by February 1, 2025. They must also file a plan to implement the community-directed underground conversion program by January 1, 2025.

Cost recovery. If a qualifying retail utility's distribution activities are found to benefit or advance the state's energy policy goals, costs can be recovered through a grid modernization adjustment clause. If it does not, recovery can occur if certain criteria are met. Qualifying retail utilities must submit an annual grid modernization clause advice letter to the PUC by November 1 each year.

Rulemaking. The PUC must adopt rules concerning interconnection, energization, electrification of end uses, and maximum individual cost caps or interconnection fees after final commission decisions on qualifying retail utility's plans in November 2024.

State Revenue

The bill increases state revenue from fees and potentially from gifts, grants, or donations.

Fixed Utility Fund fee impact. The bill increases state cash fund revenue to the Fixed Utility Fund (FUF) by about \$290,000 in FY 2024-25 and \$170,000 in FY 2025-26. Administrative costs incurred by the PUC are paid from the FUF, which receives an annual assessment on the state's regulated utilities. Whenever additional expenses are incurred against the fund, the assessment must be raised to increase revenue. This revenue is subject to TABOR.

Gifts, grants, and donations. The bill potentially increases state revenue to the Line Worker Apprenticeship Grant Program Cash Fund from gifts, grants, or donations; however, no sources have been identified at this time. Gifts, grants, and donations are exempt from TABOR revenue limits.

State Transfer

In FY 2024-25, the bill transfers \$800,000 from the General Fund to the newly created Line Worker Apprenticeship Grant Program Cash Fund.

State Expenditures

The bill increases expenditures in CDLE by a total of \$800,000 from FY 2024-25 to FY 2027-28, paid from the Line Worker Apprenticeship Grant Program Cash Fund. It also increases state expenditures in the DORA by about \$349,000 in FY 2024-25 and \$202,000 in following years, paid from the Fixed Utilities Cash Fund. Expenditures are shown in Table 2 and detailed below.

**Table 2
 Expenditures Under SB 24-218**

	FY 2024-25	FY 2025-26
Department of Labor and Employment		
Personal Services	\$49,134	\$49,134
Operating Expenses	\$640	\$640
Capital Outlay Costs	\$6,670	-
Grant Awards	\$552,404	-
Centrally Appropriated Costs ¹	\$10,458	\$10,458
FTE – Personal Services	0.5 FTE	0.5 FTE
CDLE Subtotal	\$619,305	\$60,231

**Table 2
 Expenditures Under SB 24-218 (Cont.)**

	FY 2024-25	FY 2025-26
Public Utilities Commission—DORA		
Personal Services	\$270,014	\$166,822
Operating Expenses	\$3,200	\$1,920
Capital Outlay Costs	\$20,010	-
Centrally Appropriated Costs ¹	\$55,280	\$33,620
FTE – Personal Services	2.5 FTE	1.5 FTE
DORA Subtotal	\$348,505	\$202,362
Total	\$967,809	\$262,593
Total FTE	3.0 FTE	2.0 FTE

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

Office of Future of Work, Department of Labor and Employment. The bill increases state expenditures in the office for the new grant program by \$800,000 across the duration of the program from FY 2024-25 to FY 2027-28. Estimated administrative and program costs are outlined below.

- **Administrative Costs.** The office requires 0.5 FTE annually to develop program rules, distribute grant awards, and provide technical support to applicants as needed. The fiscal note assumes staff costs will be required through the end of the program in FY 2027-28.
- **Grant awards.** After administrative expenses, including staff costs for the duration of the program, approximately \$552,000 remains for the office to provide in grants to program participants annually from FY 2024-25 to FY 2027-28. The exact amounts and number of grant awards will be determined by the office based on program participation.

Public Utilities Commission, Department of Regulatory Agencies. The PUC requires 1.0 FTE Professional Engineer and 1.5 FTE Administrative Law Judge staff to conduct rulemaking and review expanded filings of the distribution system plans for qualified retail utilities, which the fiscal note assumes will take place at the end of FY 2024-25. Rulemaking is expected to begin in December 2024 (FY 2024-25) and continue through October 2025 (FY 2025-26). Staff costs for rulemaking are prorated for an October 2025 end date. This is a preliminary estimate and will be updated as more information becomes available.

Other Budget Impacts

TABOR refunds. The bill is expected to increase the amount of state revenue required to be refunded to taxpayers by the amounts shown in the State Revenue section above. This estimate assumes the March 2024 LCS revenue forecast. A forecast of state revenue subject to TABOR is not available beyond FY 2025-26. Because TABOR refunds are paid from the General Fund, increased cash fund revenue will reduce the amount of General Fund available to spend or save.

Effective Date

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

State Appropriations

For FY 2024-25, the bill requires an appropriation of \$293,224 from the Fixed Utilities Cash Fund to the Department of Regulatory Agencies, and 2.5 FTE.

No further appropriation is required, as the Line Workers Apprenticeship Grant Program Cash Fund is continuously appropriated to the Department of Labor and Employment, which requires 0.5 FTE.

State and Local Government Contacts

Legislative Council Staff

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](#).