JOINT BUDGET COMMITTEE

STAFF BUDGET BRIEFING
FY 2023-24

OFFICE OF THE GOVERNOR

(Colorado Energy Office)

JBC WORKING DOCUMENT - SUBJECT TO CHANGE
STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE DECISION

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ADDITIONAL RESOURCES

Brief summaries of all bills that passed during the 2021 and 2022 legislative sessions that had a fiscal impact on this department are available in Appendix A of the annual Appropriations Report: https://leg.colorado.gov/sites/default/files/fy22-23apprept.pdf

The online version of the briefing document, which includes the Numbers Pages, may be found by searching the budget documents on the General Assembly's website by visiting leg.colorado.gov/content/budget/budget-documents. Once on the budget documents page, select the name of this department's *Department/Topic*, "Briefing" under *Type*, and ensure that *Start date* and *End date* encompass the date a document was presented to the JBC.

OFFICE OF THE GOVERNOR
(COLORADO ENERGY OFFICE)

DEPARTMENT OVERVIEW

The Office of the Governor (Division) oversees operation of the executive branch of state government including coordination, direction, and planning of agency operations. The Office represents the State, and serves as a liaison with local and federal governments. This division includes the core functions of a traditional executive director's office and the Colorado Energy Office.

The Colorado Energy Office (CEO) was established in statute in H.B. 08-1025 and pursuant to Section 24-38.5-101, C.R.S., the office's mission is to:

- Support Colorado's transition to a more equitable, low-carbon, and clean energy economy and promote resources that reduce air pollution and greenhouse gas emissions;
- Promote economic development and high quality jobs in Colorado through advancing clean energy, transportation electrification, and other technologies that reduce air pollution and greenhouse gas emissions;
- Promote energy efficiency;
- Promote an equitable transition toward zero emission buildings;
- Promote an equitable transition to transportation electrification, zero emission vehicles, transportation systems, and land use patterns that reduce energy use and greenhouse gas emissions;
- Increase energy security;
- Support lower long-term consumer costs and support reduced energy cost burden for lower-income Coloradans; and
- Protect the environment and public health.

CEO is also instrumental in coordinating Colorado's Greenhouse Gas Pollution Reduction Roadmap (GHG Roadmap). Released in January 2021, the GHG Roadmap is based on H.B. 19-1261 (Climate Action Plan) which sets targets to reduce statewide GHG pollution from 2005 levels by 26.0 percent by 2025, 50.0 percent by 2030, and 90.0 percent by 2050. To achieve these goals, CEO works with agencies throughout the state to meet the goals set by the GHG Roadmap, and also manages various statewide programs aimed at reducing emissions, electrifying transportation, increasing energy efficiency in public buildings, and providing assistance to qualified households to reduce energy expenditures.

Some of the programs that CEO manages include:
- Charge Ahead Colorado;
- EV Corridors;
- EV Plazas;
- Can Do Colorado eBike Program;
- Clean Truck Strategy;

- ReCharge Colorado;
- Agricultural Energy Efficiency;
- Energy Performance Contracting;
- Industrial Strategic Energy Management;
- Renewable Energy Upgrade Loan; and
- Weatherization Assistance Program.

OFFICE BUDGET: RECENT APPROPRIATIONS

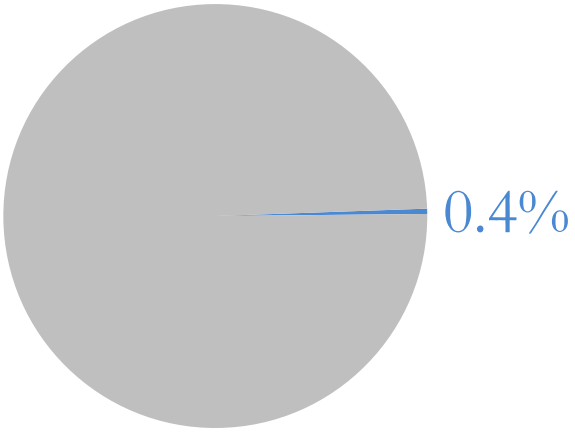
FUNDING SOURCE	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24 *
General Fund	$3,333,421	$3,576,550	$4,309,344	$5,571,752
Cash Funds	7,536,204	1,036,204	33,836,249	33,698,111
Reappropriated Funds	0	0	52,904	46,704
Federal Funds	3,867,625	3,800,109	3,752,728	3,750,258
TOTAL FUNDS	**$14,737,250**	**$8,412,863**	**$41,951,225**	**$43,066,825**
Full Time Equiv. Staff	24.8	26.6	38.7	38.8

*Requested appropriation.

Funding for the Colorado Energy Office in FY 2022-23 consists of 10.3 percent General Fund, 80.7 percent cash funds, 0.1 percent reappropriated funds, and 8.9 percent federal funds.

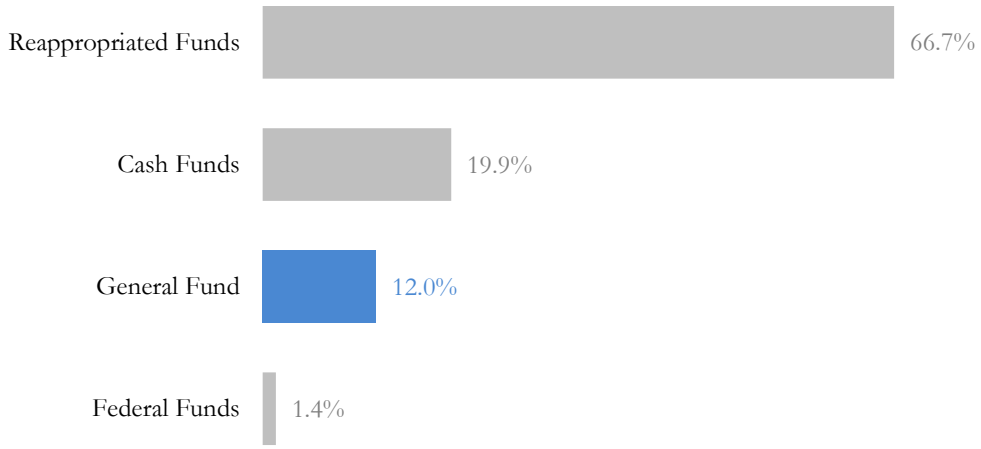
DEPARTMENT BUDGET: GRAPHIC OVERVIEW

Department's Share of Statewide General Fund



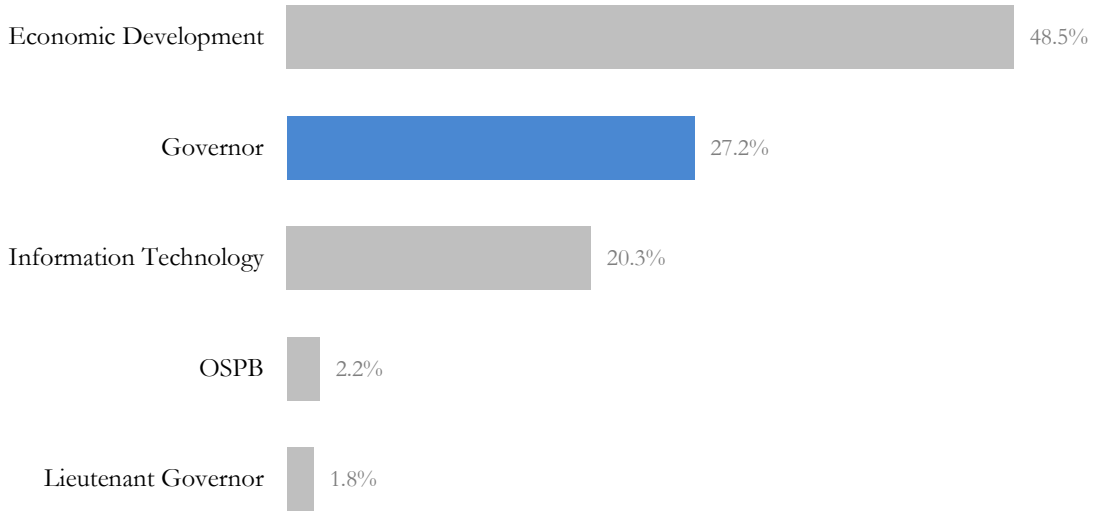
Based on the FY 2022-23 appropriation.

Department Funding Sources



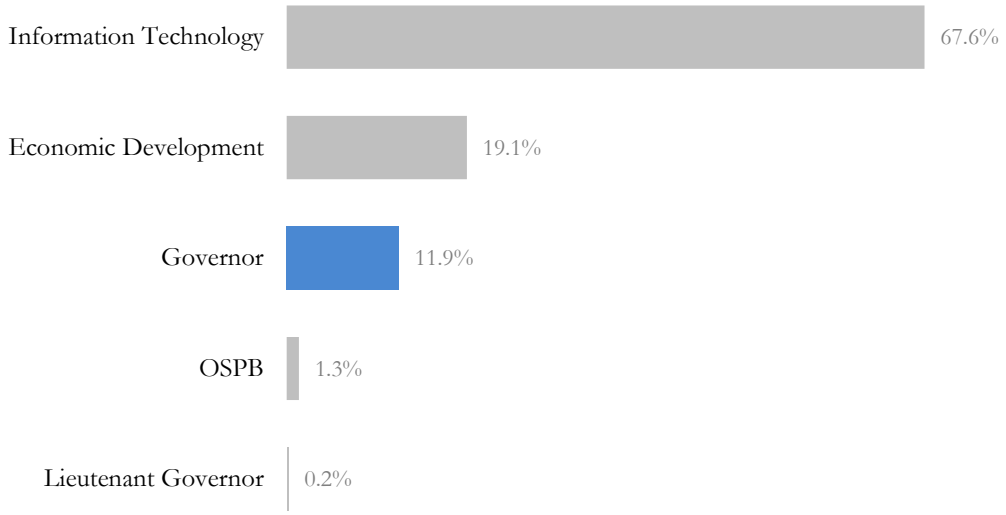
Based on the FY 2022-23 appropriation.

Distribution of General Fund by Division



Based on the FY 2022-23 appropriation.

Distribution of Total Funds by Division



Based on the FY 2022-23 appropriation.

GENERAL FACTORS DRIVING THE BUDGET

CONTINUOUSLY APPROPRIATED PROGRAMS

OVERVIEW

For FY 2022-23, H.B. 22-1329 (Long Bill) indicates that CEO has a total appropriation of $43,294,630. Of that amount, $33,836,249 is from continuously appropriated cash funds, meaning the General Assembly has no authority to control the appropriation. This leaves the Office's appropriated budget at $9,458,381.

The majority of the funding from continuously appropriated cash funds has been added to the Office's budget in the last two fiscal years as a result of legislation either creating new programs under the management of the Office or transferring money into existing funds to continue supporting existing programs. Those programs include Low-income Energy Assistance ($11,524,618), Energy Performance for Buildings ($1,300,000), Electric Vehicle Charging Station Grants ($1,036,204), and the Community Access Enterprise ($19,975,427).

LOW-INCOME ENERGY ASSISTANCE

The Low-income Energy Assistance program was established through S.B. 05-001 (Low-income Energy Assistance Act) and pursuant to Section 40-8.7-109, C.R.S., provides energy assistance to eligible individuals and organizations. The program is mandated to prioritize maximizing customer savings, reducing emissions, and improving indoor air quality.

Since FY 2012-13, the program has been funded by severance tax revenues at relatively stable levels, but when there was no severance tax revenue to transfer to the fund in FY 2021-22, the General Assembly changed the source of funding to a monthly charge on all investor-owned utilities through H.B. 21-1105. The following table shows the history of appropriations to and actual expenditures from the Low-income Energy Assistance line item.

LOW-INCOME ENERGY ASSISTANCE INFORMATIONAL APPROPRIATIONS

FISCAL YEAR	APPROPRIATION	ACTUAL
FY 2012-13	$7,100,000	$3,644,862
FY 2013-14	$7,100,000	$7,505,165
FY 2014-15	$7,100,000	$10,074,356
FY 2015-16	$7,100,000	$10,440,564
FY 2016-17	$7,100,000	$693,374
FY 2017-18	$6,500,000	$1,236,538
FY 2018-19	$6,500,000	$246,960
FY 2019-20	$6,500,000	$6,500,000
FY 2020-21	$6,500,000	$6,500,000
FY 2021-22	$0	$684,569
FY 2022-23	$11,524,618	-
FY 2023-24	$11,524,618	-

*Requested appropriation

As of October 2021, each investor-owned utility is required to collect a monthly energy assistance benefit charge from all customers except those receiving utility bill assistance. This charge started at

$0.50 per month per customer, but was increased to $0.75 per month per customer in September 2022. On October 1, 2023, the charge will be annually adjusted for inflation.

ENERGY PERFORMANCE FOR BUILDINGS

The Energy Performance for Buildings program is a new program implemented through the passage of H.B. 21-1286. The informational appropriation for FY 2022-23 is $1,300,000 cash funds. The program requires owners of covered buildings to submit annual benchmarking data by June 1 every year and meet building performance standards starting in 2026. A covered building is defined as one in excess of 50,000 square feet.

CEO is directed to collect an annual fee of $100 for each covered building, excepting public buildings. These fees finance the program's administration and are deposited into the Climate Change Mitigation and Adaptation Fund.

This program was implemented as one part of the GHG Roadmap, with the initial goal to reduce GHG emissions from covered buildings by 7.0 percent by 2026 and 20.0 percent by 2030 compared to 2021 levels. A task force was convened in October 2021 to promulgate recommendations on how to achieve these goals. Recommendations from the task force were due by October 1, 2022 and rules must be promulgated by May 1, 2023.

ELECTRIC VEHICLE CHARGING STATION GRANTS

The Electric Vehicle Grant Fund was established in the CEO by S.B. 09-075 and was created to provide grants to state agencies, public universities, public transit agencies, local governments, landlords of multi-family apartment buildings, private nonprofit or for-profit corporations, and the unit owners' associations of common interest communities to install charging stations for electric vehicles.

The money in the fund comes from fees on plug-in and plug-in hybrid electric vehicle registrations. Owners of these vehicles are currently charged a $50 registration fee, with $20 of that deposited into the fund. This fee is set to begin adjusting for inflation, and at that point, 40.0 percent of the total fee will be credited to the fund.

ELECTRIC VEHICLE CHARGING STATION GRANTS		
FISCAL YEAR	APPROPRIATION	ACTUAL
FY 2015-16	$313,000	$82,750
FY 2016-17	$313,000	$168,060
FY 2017-18	$313,000	$174,052
FY 2018-19	$313,000	$236,585
FY 2019-20	$1,036,204	$313,000
FY 2020-21	$1,036,204	$1,036,204
FY 2021-22	$1,036,204	$670,449
FY 2022-23	$1,036,204	-
FY 2023-24*	$1,036,204	-

*Requested appropriation

The table above shows the history of appropriations to and actual expenditures from the Electric Vehicle Charging Station Grants line since FY 2015-16. The increase seen in FY 2019-20 is the result of a budget decision in that budget cycle.

COMMUNITY ACCESS ENTERPRISE

The Community Access Enterprise was established in S.B. 21-260 (Sustainability of the Transportation System) with the goal, pursuant to Section 24-38.5-303 (3), C.R.S., to support the widespread adoption of electric motor vehicles in an equitable manner by:

- Directly investing in transportation infrastructure;
- Making grants or providing rebates or other financing options to fund the construction of electric motor vehicle charging infrastructure throughout the state; and
- Incentivizing the acquisition and use of electric motor vehicles and electric alternatives to motor vehicles in communities and by owners of older, less fuel efficient, and higher polluting vehicles.

To conduct its business, the enterprise has the authority to:

- Impose a community access retail delivery fee;
- Invest in transportation infrastructure programs; and
- Issue revenue bonds payable from the revenue and other available money of the enterprise.

It is also authorized to implement grant, loan, or rebate programs to:

- Fund the construction of electric motor vehicle charging infrastructure;
- Provide inexpensive and accessible electric alternatives to motor vehicles such as electrical assisted bicycles and electric scooters;
- Support the adoption of electric motor vehicles in communities;
- Incentivize the replacement of high-emitting motor vehicles with electric motor vehicles; and
- Incentivize transportation network companies to increase access to overnight charging capabilities for drivers.

The enterprise is funded by community access retail delivery fee revenue, along with any federal money credited to the fund, any money appropriated or transferred to the fund by the General Assembly, and gifts, grants, and donations. The community access retail delivery fee is a fee that each retailer who makes a retail delivery adds to the price of the delivery. For FY 2022-23, the community access retail delivery fee on tangible personal property is six and nine-tenths cents. For FY 2023-24 and beyond, the fee will be adjusted for inflation based on the original amount.

According the final fiscal note for S.B. 21-260, the enterprise is expected to bring in approximately $19.4 million in fee revenue in FY 2022-23, which is roughly the same as the informational amount in the FY 2022-23 Long Bill. The fiscal note estimates fee revenue of $21.7 million in FY 2023-24.

SUMMARY: FY 2022-23 APPROPRIATION & FY 2023-24 REQUEST

GOVERNOR - COLORADO ENERGY OFFICE						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2022-23 APPROPRIATION:						
HB 22-1329 (Long Bill)	$43,294,630	$5,705,653	$33,836,249	$0	$3,752,728	37.8
Other legislation	(1,343,405)	(1,396,309)	0	52,904	0	0.9
TOTAL	**$41,951,225**	**$4,309,344**	**$33,836,249**	**$52,904**	**$3,752,728**	**38.7**
FY 2023-24 REQUESTED APPROPRIATION:						
FY 2022-23 Appropriation	$41,951,225	$4,309,344	$33,836,249	$52,904	$3,752,728	38.7
R1 EPC feasibility study	750,000	750,000	0	0	0	0.0
Centrally appropriated line items	257,179	395,317	(138,138)	0	0	0.0
Indirect cost adjustment	62,057	64,527	0	0	(2,470)	0.0
Annualize prior year budget actions	53,169	53,169	0	0	0	0.0
Annualize prior year legislation	(6,805)	(605)	0	(6,200)	0	0.1
TOTAL	**$43,066,825**	**$5,571,752**	**$33,698,111**	**$46,704**	**$3,750,258**	**38.8**
INCREASE/(DECREASE)	$1,115,600	$1,262,408	($138,138)	($6,200)	($2,470)	0.1
Percentage Change	2.7%	29.3%	(0.4%)	(11.7%)	(0.1%)	0.3%

R1 EPC FEASIBILITY STUDY: The request includes a one-time increase of $750,000 General Fund in FY 2023-24 to hire a third-party contractor to conduct a feasibility study on state facilities on the potential for entering into energy performance contracts. These contracts would provide state agencies with the ability to reduce energy and water consumption and costs without needing capital financing for building improvements up front. The Office has identified this request as evidence-informed.

CENTRALLY APPROPRIATED LINE ITEMS: The request includes an increase of $257,179 total funds including an increase of $395,317 General Fund and a decrease of $138,138 cash funds for FY 2023-24 for adjustments to centrally appropriated line items as outlined in the following table.

CENTRALLY APPROPRIATED LINE ITEMS						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
Legal services	$389,779	$389,779	$0	$0	$0	0.0
Leased space	4,751	4,751	0	0	0	0.0
Vehicle lease payments	787	787	0	0	0	0.0
Community access legal adjustment	(138,138)	0	(138,138)	0	0	0.0
TOTAL	**$257,179**	**$395,317**	**($138,138)**	**$0**	**$0**	**0.0**

INDIRECT COST ASSESSMENT: The request includes a net increase of $62,057 to indirect costs within the Office, including $64,527 General Fund.

Staff technical note: There should be no General Fund included in an indirect cost assessment appropriation. Indirect costs are charged to cash and federal funds for the purpose of offsetting General Fund that is paid for administrative overhead expenses in the Department's (Governor's Office) central office. If, in this Subdivision (CEO), there are not enough cash funds to be collected as indirect cost recoveries to pay for administrative overhead expenses for the Governor's Office, then General Fund should be paid directly in those administrative overhead line items for the cost of those

items and this line should be reduced to the amount that can be collected from cash fund sources. This exercise of appropriating General Fund for an indirect cost assessment obscures the source of funding in the central office line item and is not appropriate indirect cost management. **Staff will be eliminating this requested $64,527 General Fund appropriation for the indirect cost assessment line item at figure setting.**

ANNUALIZE PRIOR YEAR BUDGET ACTIONS: The FY 2023-24 request includes a net increase of $53,169 General Fund for prior year salary survey adjustments.

ANNUALIZE PRIOR YEAR LEGISLATION: The request includes a net decrease of $6,805 total funds to reflect the FY 2023-24 impact of bills passed in previous sessions, summarized in the following table.

PRIOR YEAR LEGISLATION						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
HB 22-1249 Elec grid resil	$7,490	$7,490	$0	$0	$0	0.1
HB 22-1013 Microgrids comm resil	6,905	6,905	0	0	0	0.1
SB 22-206 Disaster prep. And recov.	0	0	0	0	0	(0.1)
SB 22-118 Encourage geothermal use	(15,000)	(15,000)	0	0	0	0.0
HB 22-1304 Affordable housing grants	(6,200)	0	0	(6,200)	0	0.0
TOTAL	**($6,805)**	**($605)**	**$0**	**($6,200)**	**$0**	**0.1**

INFORMATIONAL ISSUE: ONE-TIME FUNDING AUTHORIZED IN RECENT LEGISLATIVE SESSIONS

During the 2021 and 2022 legislative sessions, the General Assembly allocated significant one-time funding to the Colorado Energy Office that included $166,500,000 originating as state General Fund.

RECOMMENDATION

Staff recommends that the Committee seek updates from all departments during their budget hearings on the use of significant one-time allocations of federal and state funding.

DISCUSSION

During the 2021 and 2022 legislative sessions, the General Assembly allocated $166,500,000 in one-time funding to the Colorado Energy Office. For some programs, authority was provided to expend the funds through FY 2023-24 or beyond. To assist the Committee in tracking the use of these funds, the tables below show the sum of allocations provided for FY 2021-22 and FY 2022-23 and expenditures through FY 2021-22.

ALLOCATION AND EXPENDITURE OF ONE-TIME GENERAL FUND

COLORADO ENERGY OFFICE - ONE-TIME GENERAL FUND			
BILL NUMBER AND SHORT TITLE	APPROPRIATION/ TRANSFER OF FUNDS	ACTUAL EXPENDITURE OF FUNDS THROUGH FY 2022	BRIEF DESCRIPTION OF PROGRAM AND ANTICIPATED USE OF THE FUNDS
S.B. 21-230 Transfer to CO Energy Office Fund	$40,000,000	$28,637,102	Transfers $40.0 million GF to the Energy Fund for renewable and clean energy programs.
S.B. 21-231 Weatherization	3,000,000	3,000,000	Transfers $3.0 million GF to the CEO to provide grants for the Weatherization Assistance Program.
S.B. 22-180 Programs to Reduce Ozone through Increased Transit	28,000,000	0	Creates a grant program in the CEO to provide funding to transit associations to provide free transit services during ozone season.
S.B. 22-193 Air Quality Improvement Investments	38,500,000	0	Creates various programs in CEO and CDPHE with the purpose of reducing air pollution.
S.B. 22-206 Disaster Preparedness	20,000,000	0	Creates the Sustainable Rebuilding Program to provide loans and grants to eligible homeowners and businesses seeking to rebuild high-efficiency homes and buildings after a declared disaster.
H.B. 22-1362 Greenhouse Gas Emissions	25,000,000	0	Creates the Building Electrification for Public Buildings Grant Program and the High Efficiency Electric Heating and Appliances Grant Program. Both programs provide grants to install high-efficiency electric heating equipment.
H.B. 22-1381 Energy Office Geothermal Grant Program	12,000,000	0	Creates the geothermal energy grant program for single-structure geothermal grants, community district heating grants, and geothermal electricity generation grants.
TOTAL	**$166,500,000**	**$31,637,102**	

IMPLEMENTATION UPDATES AND ITEMS OF NOTE

S.B. 21-230 TRANSFER TO CO ENERGY OFFICE FUND: The legislation indicates that the CEO is required to expend or obligate at least 75.0 percent of the funds by July 1, 2022 and at least 85.0 percent of the funds by July 1, 2023. The number in the table only represents expenditures through FY 2021-22, but the Office reports that it has fulfilled its statutory requirement. As of November 30, 2021 the Office had spent or obligated $32,499,126 or 81.25 percent of the funds. They also report that as of the date of this briefing document, they have spent or obligated more than 85.0 percent of the $40.0 million that was transferred.

S.B. 21-231 WEATHERIZATION: The legislation indicates that the Office was required to expend this funding by June 30, 2022 and provide a report to the General Assembly by September 2, 2022.

ISSUE: R-01 EPC FEASIBILITY STUDIES

This issue brief describes the Colorado Energy Office's request for $750,000 one-time funds for FY 2023-24 to conduct Energy Performance Contracting feasibility studies on various state-owned buildings.

SUMMARY

- Energy Performance Contracting is a method of financing building upgrades to reduce energy and water consumption and costs where payment for those upgrades comes from realized savings and occurs over a several year payback period.

- Colorado has engaged in a total of 23 energy performance contracts since 1996, with the most recent starting in 2019.

- This request represents the first statewide effort to implement energy performance contracting in state-owned facilities across all departments.

DISCUSSION

ENERGY PERFORMANCE CONTACTING

Energy performance contracting (EPC) is an idea that got its start in the 1980s when Energy Service Companies (ESCOs) were established to provide the infrastructure for utilities to meet federal and state mandates and offer energy conservation services. From this beginning, EPCs began to emerge when ESCOs began bidding on pieces of utilities' integrated resource plans to provide services that were funded by the ESCOs. The cost of those services were then repaid by the utilities over time through the realized savings as a result of the improvements to the buildings that the ESCOs implemented.[1]

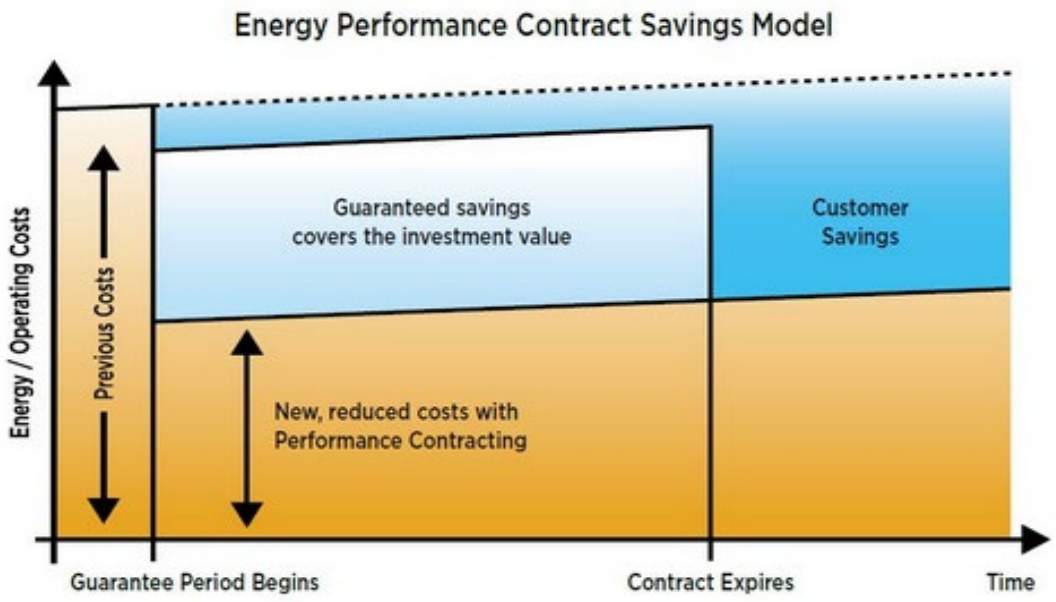
An EPC is a contract wherein some entity (the State in our case) contracts the service of an ESCO to make improvements to entity-owned buildings with the goal of reducing energy and water usage over time. Buildings targeted for improvements and upgrades are typically older buildings with aging energy and water infrastructure – which usually means less efficient in energy and water consumption.

Once the improvements have been made, the entity will then pay back the ESCO using the savings from the reduced energy and water consumption. In essence, this is a form of financing where the funding to perform the building improvements is not required at the beginning of the project, but is paid over a specified payback period.

EPC contracts are structured in such a way that it is a win-win for both the ESCO and the entity contracting them to make the improvements. Once the improvements have been made, the entity realizes cost savings from the higher-efficiency equipment. They use most, but not all, of those cost savings to repay the ESCO over a set period of time while still seeing reduced costs overall. Once the

[1] https://www.energystar.gov/ia/partners/spp_res/Introduction_to_Performance_Contracting.pdf

contract period is over, then the entity can realize the full cost savings. The following graphic is a good representation of this explanation.



Source: https://www.imt.org/how-external-financing-can-unlock-energy-savings-for-retailers-part-1/

EPC IN COLORADO

Since 1996, the State has engaged in 23 total EPC projects in various departments. All but two of these projects were initiated between 2003 and 2013. The other two were initiated in 1996 and 2019. This lack of consistency in starting EPC projects comes from fluctuations in available funding for EPC grants. During the 2008-2013 period, the State had funding through the American Recovery and Reinvestment Act (ARRA), and many departments took advantage of that by initiating EPC projects.

Many of the projects started in the 2008-2013 window are now nearing the end of their payback periods because the State commonly agrees to 15-year terms in their contracts with ESCOs. As a result, they are in a good position to enter into new contracts to make further building improvements. The following tables show when departments entered into EPCs, and how much annual savings they have realized since the building improvements were installed.

	Year EPC Signed												
State Agency	1996	2003	2005	2006	2007	2008	2009	2010	2011	2012	2013	2019	Total
CDA									1				1
CDE							1	1					2
CDHS			3	1	2	1			1	1			9
CDOC								1	2		1		4
CDOT										1			1
CDPA		1	1			1				1		1	5

State Agency	Utility Savings			Estimated Cost Savings*		
	kWh	Therms	kGal	kWh ($)	Therms ($)	kGal ($)
CDA	1,430,539	22,398	2,600	$207,714	$9,716	$9,100
CDE	668,017	90,050		$96,996	$39,064	$0
CDHS	9,003,948	329,036	89,125	$1,307,373	$142,736	$311,938
CDOC	14,787,181	886,947	83,997	$2,147,099	$384,758	$293,990
CDOT	323,567	97,431	680	$46,982	$42,266	$2,380
CDPA	2,525,331	0	521	$366,678	$0	$1,824

Based on these data provided by the Office and extrapolated over the assumed 15-year payback period, the following table shows the estimated total utility savings and cost savings for these EPCs.

ESTIMATED UTILITY AND COST SAVINGS (15 YEARS)						
AGENCY	UTILITY SAVINGS			ESTIMATED COST SAVINGS		
	kWh	Therms	kGal	kWh ($)	Therms ($)	kGal ($)
CDA	21,458,085	335,970	39,000	$3,115,710	$145,740	$136,500
CDE	10,020,255	1,350,750	0	1,454,940	585,960	0
DHS	135,059,220	4,935,540	1,336,875	19,610,595	2,141,040	4,679,070
DOC	221,807,715	13,304,205	1,259,955	32,206,485	5,771,370	4,409,850
CDOT	4,853,505	1,461,465	10,200	704,730	633,990	35,700
DPA	37,879,965	0	7,815	5,500,170	0	27,360
TOTALS	**431,078,745**	**21,387,930**	**2,653,845**	**$62,592,630**	**$9,278,100**	**$9,288,480**

As is shown in these tables, the primary metrics used to evaluate prior EPCs and future feasibility studies are utility and cost savings in kilowatt hours (kWh), Therms, and kilogallons (kGal). However, there are other metrics that are also used, including operational and maintenance costs, potential changes to utility rate design, and avoided capital expenses.

In looking at all these factors in the feasibility studies, CEO indicates that buildings with the potential for more than 20.0 percent reductions in utility use and cost are the best candidates for EPC projects, as those will provide enough savings to reduce the payback period below 25 years

REQUEST

CEO is asking for a one-time General Fund appropriation of $750,000 to hire a third-party contractor to conduct a feasibility study to identify state-owned buildings where EPCs are financially viable and likely to produce significant reductions in energy and water consumption.

Seeing as most prior EPC projects that have included state-owned buildings have been undertaken by individual agencies, this request represents the first attempt to engage in EPCs at a statewide level. It also represents the first step in a three-step process to carry out EPC projects.

The first step is the feasibility study which, according to the office, will serve as proof of concept to attract proposals from ESCOs to invest in the project. Prior to this feasibility study, however, the Office will conduct an analysis to determine which state facilities should be included in the feasibility study. The goal of this analysis is to find those buildings with the most need for upgrades, and that have the most potential savings to be most attractive to ESCOs.

Currently, the Office has set a goal to include approximately 3,750,000 square feet, or 16.0 percent, of state facilities in the feasibility study. This number comes from looking at the building in each department that has the highest energy use intensity. When multiplying the square footage by feasibility studies' market rate of $0.20 per square foot, the cost comes out to $750,000.

Once an ESCO has signed on to the EPC project, they will then carry out the second step – an investment grade audit to determine exactly which energy and water improvement opportunities exist at each location, and what the pricing structure of the contract will look like. Once the Office and the ESCO agree on terms, the ESCO will implement the agreed upon improvements. CEO indicates that the total timeframe, from finalizing the agency building list to completion of upgrades, will take approximately 1.5-2 years.

This funding is only a one-time request because after an ESCO signs on to complete the project, they will pay for the audit and the installation of building upgrades. Each agency is then allowed to repay their portion of the EPC through cost savings realized from the upgrades and appropriated through operating expense line items.

APPENDIX A
NUMBERS PAGES
(DIGITAL ONLY)

Appendix A details actual expenditures for the last two state fiscal years, the appropriation for the current fiscal year, and the requested appropriation for next fiscal year. This information is listed by line item and fund source. ***Appendix A is only available in the online version of this document.***

	FY 2020-21 Actual	FY 2021-22 Actual	FY 2022-23 Appropriation	FY 2023-24 Request	Request vs. Appropriation
GOVERNOR - LIEUTENANT GOVERNOR - STATE PLANNING AND BUDGETING					
Jared Polis, Governor					
(1) OFFICE OF THE GOVERNOR					
(C) Colorado Energy Office					
Program Administration	6,522,356	46,568,854	6,562,338	7,358,702	*
FTE	24.8	0.0	27.9	28.0	
General Fund	2,890,670	2,772,328	2,877,748	3,680,312	
Cash Funds	0	35,415,220	0	0	
Reappropriated Funds	0	0	52,904	46,704	
Federal Funds	3,631,686	8,381,306	3,631,686	3,631,686	
Low-Income Energy Assistance	6,500,000	684,569	11,524,618	11,524,618	
FTE	0.0	0.0	4.5	4.5	
General Fund	0	0	0	0	
Cash Funds	6,500,000	684,569	11,524,618	11,524,618	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Energy Performance for Buildings	0	0	1,300,000	1,300,000	
FTE	0.0	0.0	2.0	2.0	
General Fund	0	0	0	0	
Cash Funds	0	0	1,300,000	1,300,000	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	

* This line contains a decision item.

	FY 2020-21 Actual	FY 2021-22 Actual	FY 2022-23 Appropriation	FY 2023-24 Request	Request vs. Appropriation
Cannabis Resource Optimization Program	0	0	500,000	500,000	
FTE	0.0	0.0	0.6	0.6	
General Fund	0	0	500,000	500,000	
Cash Funds	0	0	0	0	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Sustainable Building Program	0	0	30,722	30,722	
General Fund	0	0	30,722	30,722	
Electric Vehicle Charging Station Grants	1,036,204	670,449	1,036,204	1,036,204	
Cash Funds	1,036,204	670,449	1,036,204	1,036,204	
Legal Services	219,328	534,442	559,494	949,273	
General Fund	166,950	534,442	507,116	896,895	
Cash Funds	0	0	0	0	
Reappropriated Funds	0	0	0	0	
Federal Funds	52,378	0	52,378	52,378	
Vehicle Lease Payments	8,237	6,555	4,153	4,940	
General Fund	8,237	6,555	4,153	4,940	
Cash Funds	0	0	0	0	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	

	FY 2020-21 Actual	FY 2021-22 Actual	FY 2022-23 Appropriation	FY 2023-24 Request	Request vs. Appropriation
Leased Space	229,801	218,835	326,392	331,143	
General Fund	229,801	218,835	326,392	331,143	
Cash Funds	0	0	0	0	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Indirect Cost Assessment	221,324	37,763	131,877	193,934	
General Fund	37,763	37,763	63,213	127,740	
Cash Funds	0	0	0	0	
Reappropriated Funds	0	0	0	0	
Federal Funds	183,561	0	68,664	66,194	
Community Access Enterprise	0	124,041	19,760,850	19,760,850	
FTE	0.0	0.0	3.7	3.7	
General Fund	0	0	0	0	
Cash Funds	0	124,041	19,760,850	19,760,850	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Community Access Enterprise Legal Services	0	0	214,577	76,439	
General Fund	0	0	0	0	
Cash Funds	0	0	214,577	76,439	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	

	FY 2020-21 Actual	FY 2021-22 Actual	FY 2022-23 Appropriation	FY 2023-24 Request	Request vs. Appropriation
SUBTOTAL - (C) Colorado Energy Office	14,737,250	48,845,508	41,951,225	43,066,825	2.7%
FTE	24.8	0.0	38.7	38.8	0.3%
General Fund	3,333,421	3,569,923	4,309,344	5,571,752	29.3%
Cash Funds	7,536,204	36,894,279	33,836,249	33,698,111	(0.4%)
Reappropriated Funds	0	0	52,904	46,704	(11.7%)
Federal Funds	3,867,625	8,381,306	3,752,728	3,750,258	(0.1%)
TOTAL - (1) Office of the Governor	23,498,779	59,533,187	56,463,899	59,373,469	5.2%
FTE	60.6	36.5	85.3	86.8	1.8%
General Fund	9,581,757	12,385,493	15,519,815	17,118,923	10.3%
Cash Funds	8,625,119	37,433,393	35,395,676	36,023,381	1.8%
Reappropriated Funds	1,264,100	1,332,995	1,307,809	1,298,524	(0.7%)
Federal Funds	4,027,803	8,381,306	4,240,599	4,932,641	16.3%
TOTAL - Governor - Lieutenant Governor - State Planning and Budgeting	23,498,779	59,533,187	56,463,899	59,373,469	5.2%
FTE	60.6	36.5	85.3	86.8	1.8%
General Fund	9,581,757	12,385,493	15,519,815	17,118,923	10.3%
Cash Funds	8,625,119	37,433,393	35,395,676	36,023,381	1.8%
Reappropriated Funds	1,264,100	1,332,995	1,307,809	1,298,524	(0.7%)
Federal Funds	4,027,803	8,381,306	4,240,599	4,932,641	16.3%

APPENDIX B
FOOTNOTES AND INFORMATION REQUESTS

UPDATE ON LONG BILL FOOTNOTES

The General Assembly includes footnotes in the annual Long Bill to: (a) set forth purposes, conditions, or limitations on an item of appropriation; (b) explain assumptions used in determining a specific amount of an appropriation; or (c) express legislative intent relating to any appropriation. Footnotes to the 2022 Long Bill (H.B. 22-1329) can be found at the end of each departmental section of the bill at https://leg.colorado.gov/bills/hb22-1329. The Long Bill footnotes relevant to this document are listed below.

The subdivision had no footnotes in the FY 2022-23 Long Bill.

UPDATE ON LONG BILL REQUESTS FOR INFORMATION

The Joint Budget Committee annually submits requests for information to executive departments and the judicial branch via letters to the Governor, other elected officials, and the Chief Justice. Each request is associated with one or more specific Long Bill line item(s), and the requests have been prioritized by the Joint Budget Committee as required by Section 2-3-203 (3), C.R.S. Copies of these letters are included as an Appendix in the annual Appropriations Report (Appendix H in the FY 2022-23 Report):
https://leg.colorado.gov/sites/default/files/fy22-23apprept.pdf
The requests for information relevant to this document are listed below.

The subdivision received no requests for information from the Committee.

APPENDIX C
DEPARTMENT ANNUAL PERFORMANCE REPORT

Pursuant to Section 2-7-205 (1)(b), C.R.S., the Colorado Energy Office is required to publish an **Annual Performance Report** for the *previous fiscal year* by November 1 of each year. This report is to include a summary of the department's performance plan and most recent performance evaluation for the designated fiscal year. In addition, pursuant to Section 2-7-204 (3)(a)(I), C.R.S., the department is required to develop a **Performance Plan** and submit the plan for the *current fiscal year* to the Joint Budget Committee and appropriate Joint Committee of Reference by July 1 of each year.

For consideration by the Joint Budget Committee in prioritizing the department's FY 2023-24 budget request, the FY 2021-22 Annual Performance Report and the FY 2022-23 Performance Plan can be found at the following link:

https://operations.colorado.gov/performance-management/department-performance-plans