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HB19-1037

FISCAL NOTE

Drafting Number: LLS 19-0098
Prime Sponsors: Rep. Hansen

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Bill Status: House Energy & Environment
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Bill Topic: COLORADO ENERGY IMPACT ASSISTANCE ACT

- Summary of Fiscal Impact: State Revenue (conditional), State Expenditure (conditional), State Transfer, TABOR Refund, Local Government (conditional), Statutory Public Entity

This bill allows a utility to apply to the Public Utilities Commission for a financing order authorizing it to issue securitized utility ratepayer-backed bonds when closing an electric generating facility. The utility must use bond proceeds to purchase, build, or invest in least-cost electric generating resources or electricity storage and to provide transition assistance to local governments and workers affected by the facility's retirement. Bonds are to be repaid through a distinct charge on ratepayers. Conditionally, the bill will increase state revenue and workload. Beginning in FY 2019-20, the bill will increase workload in the newly created statutory public entity under the bill, the Colorado Energy Impact Assistance Authority.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: This fiscal note is provided pursuant to Joint Rule 22 (b) (2) and reflects strike-below Amendment L.001.

Summary of Legislation

This bill allows an electric utility to apply to the Public Utilities Commission (PUC) for approval of a financing order to issue securitized utility ratepayer-backed bonds when retiring an electric generating facility. If approved by the PUC, these Colorado Energy Impact Assistance (CO-EIA) bond proceeds are to be used by the utility to purchase, build, or invest in least-cost electric generating resources or electricity storage and to provide transition assistance to local governments and workers affected by the facility's retirement. The CO-EIA Authority is created as an independent body to administer the portion of the bond proceeds dedicated to transition assistance. CO-EIA bonds are to be repaid through a distinct charge on ratepayers. The bill specifies procedures and requirements of utilities and the PUC regarding financing order applications and approvals.

Public Utilities Commission process. The PUC is required to use its regular process for consideration of financing order applications and must engage outside consultants and counsel experienced in securitized, investor-owned electric utility ratepayer-backed bond financing to assist with the process. The bill stipulates that these consultants have a duty of loyalty solely to the PUC. Consultant costs incurred during the application, hearing, and approval process are to be included as financing costs of the CO-EIA bonds and are not an obligation of the state. If the utility's application is denied or withdrawn, the utility must pay these costs instead.

**CO-EIA Authority.** The CO-EIA Authority is a newly created statutory public entity consisting of a seven-member, Governor-appointed board that is authorized to direct bond proceeds to transition assistance and to cover its administrative costs. Board members serve without compensation but are entitled to expense reimbursement.

**Transition assistance.** At least 30 percent of transition assistance must be directed to payment of retraining costs or financial assistance for directly displaced workers and associated fuel production workers. Transition assistance may also include financial assistance, for up to five years, to local governments for losses of property tax revenue directly related to the retirement of an electric generation facility and to local governments where associated fuel facilities are located. The authority must take local input into consideration when providing transition assistance, including input from a local advisory committee composed of representatives from affected board of county commissioners, municipal government, school district, and local labor union.

**Judicial review and administrative penalties.** A party aggrieved by a financing order may petition for suspension and judicial review of the financing order in the Denver District Court. If the PUC determines that a utility's actions were inconsistent with the financing order, it may apply any remedies available, except for a remedy that has the effect of directly or indirectly impairing the bonds. Utilities are also subject to certain new administrative penalties related to failures to adhere to the process outlined in the bill.

**Reporting requirements.** The bill requires utilities to annually file a report with the PUC illustrating that CO-EIA revenue is applied solely to the repayment of CO-EIA bonds and other financing costs. The authority must also provide a financial statement and operating report to the General Assembly each year it provides transition assistance.

## State Revenue

Conditional upon CO-EIA bond issuance, the bill may impact state revenue, as discussed below.

**Grants.** The Department of Local Affairs (DOLA) may receive grants from the CO-EIA Authority for use in transition assistance. Gifts, grants, and donations are not subject to TABOR.

**State investment in CO-EIA bonds.** If the CO-EIA bonds meet the legal requirements regarding public fund investment, the state may invest public funds in these bonds.

## State Expenditures

Conditional upon CO-EIA bond issuance, the bill will increase workloads in the PUC, DOLA, the Judicial Department, and the Secretary of State's office, and may increase energy expenditures for the state. These impacts are discussed below.

**Public Utilities Commission.** Workload in the PUC will increase to review finance order applications, if filed. As these orders are required to be aligned with the existing electric resource planning process, this can be accomplished within the normal course of PUC business. Outside consultants and counsel experienced in securitized investor-owned electric utility customer-backed bond financing will perform a majority of the workload related to the CO-EIA bond arrangement, and the cost for these consultants will be financed through the bond.

**Department of Local Affairs.** DOLA may be consulted by the CO-EIA Authority when determining the direct impacts resulting from electric generating facility retirements. If DOLA receives transition assistance grants, it may also administer programs to affected communities, which would require additional staff to manage the process. To the extent additional resources are necessary, these will be sought through the annual budget process.

*Division of Property Taxation.* The Division of Property Taxation in DOLA performs property tax assessments on public utilities. If and when an application is processed and the CO-EIA Authority is looking to estimate compensation costs for lost property tax revenue to affected local governments, or where related fuel production is affected by the facility retirement, division workload may increase. To the extent additional resources are necessary, these will be sought through the annual budget process.

**Judicial Department.** Under the bill, a party aggrieved by the issuance of a financing order may petition for suspension and review of the financing order in the Denver District Court. The fiscal note assumes this judicial review will be minimally utilized, thus there is no tangible impact to the court system.

**Secretary of State.** The Secretary of State will maintain a record of the financing statement required under the bill and pursuant to the Uniform Commercial Code (UCC). The fiscal note assumes that parties will use the existing filing forms available through the UCC online filing system.

**Ratepayer impacts.** If a CO-EIA charge is assessed, the state, as a ratepayer, will have increased electricity costs.

## Local Government Impact

**Transition assistance revenue.** Local governments affected by an energy facility closure may receive fund disbursements from the CO-EIA Authority to provide transition assistance.

**Local advisory committee to the CO-EIA Authority.** Workload will increase for directly affected local governments in advising the CO-EIA Authority, particularly for appointed members to local advisory committees.

## Statutory Public Entity

In FY 2019-20, the CO-EIA Authority board will be appointed. Revenue and expenditures will increase in the authority if it is required to provide transition assistance.

## Technical Note

The bill requires CO-EIA Authority board members to be appointed by July 1, 2019, before the bill takes effect.

**Effective Date**

The bill takes effect August 2, 2019, if the General Assembly adjourns on May 3, 2019, as scheduled, and no referendum petition is filed.

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