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Fiscal Note

Drafting Number:	LLS 21-0352	Date:	March 30, 2021
Prime Sponsors:	Rep. Bernett Sen. Hansen	Bill Status:	House Energy & Environment
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Bill Topic: PUC MODERNIZE GAS UTILITY DEMAND-SIDE MGMT STANDARDS

Summary of Fiscal Impact:

<input type="checkbox"/> State Revenue	<input type="checkbox"/> TABOR Refund
<input checked="" type="checkbox"/> State Expenditure	<input type="checkbox"/> Local Government
<input type="checkbox"/> State Transfer	<input type="checkbox"/> Statutory Public Entity

This bill updates the methods used to determine cost-effectiveness and other requirements of demand-side management programs implemented by gas utilities. The bill will minimally increase state workload beginning in FY 2021-22.

Appropriation Summary: No appropriation is required.

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

Summary of Legislation

This bill revises the requirements of gas utility demand-side management (DSM) programs beginning in 2022, including updates to the methods used to determine cost-effectiveness. In considering the cost-effectiveness of DSM programs, the Public Utilities Commission (PUC) is required to consider the avoided costs to ratepayers resulting from the reduced consumption of natural gas. Avoided costs must include carbon dioxide and methane emissions based on the most recent assessment by the federal government on the social cost of carbon and the social cost of methane. In calculating the avoided cost of methane emissions, the PUC is required to account for natural gas leakage during extraction, processing, transportation and delivery by the gas public utility and combustion of natural gas by end-users.

The bill also makes various changes to the current gas utility DSM program requirements, including:

- adding behind-the-meter thermal renewable sources to the definition of DSM programs;
- allowing the PUC to deem innovative technologies with the potential for significant energy saving impact cost-effective;
- establishing minimum expenditures that must be targeted to customers in income-qualified households;

- revising expenditure target requirements; and
- adding savings targets and budget control mechanisms to the approval process for gas DSM programs, aligned with the existing process that applies to electric DSM programs.

Background

Demand-side management programs aim to reduce end-use natural gas consumption in a cost effective manner, and are defined in statute as programs that support energy efficiency, conservation, and load management. This bill adds behind-the-meter thermal renewable sources to that definition.

Under current law, a utility's annual expenditure target for DSM programs must be equal to at least 0.5 percent of total revenues from its sales customers in the prior year. This bill revises that requirement by directing the PUC adopt an estimated budget for DSM program that is commensurate with the energy savings targets established by the commission, which must be consistent with achieving the greenhouse gas reduction targets.

Finally, current PUC rules consider avoided greenhouse gas emissions to be a non-energy benefit of gas utility DSM programs. This benefit is incorporated into the cost-effectiveness of a gas utility DSM portfolio by multiplying the initial total resource cost ratio, which excludes consideration of avoided emissions and other societal benefits, by 1.05 to reflect the value of the avoided emissions and other societal benefits. This bill requires gas utilities to use the social cost of carbon and social cost of methane developed by the federal government to account for the non-energy benefits of gas DSM programs.

State Expenditures

This bill will minimally increase workload in the Department of Regulatory Agencies and the Department of Public Health and Environment beginning in FY 2021-22.

Public Utilities Commission. The bill's specified commencement date of 2022 is consistent with or near the time when gas utilities will be filing their DSM plans with the PUC. As a result, the changes proposed in this bill can be incorporated into the regular filing deadline for gas utility DSM plans. This bill will require modifications to the commission's current rules for gas DSM, but these changes can be incorporated into rules in the ordinary course of business.

Department of Public Health and Environment. The bill requires the PUC to collaborate with the Air Quality Control Commission (AQCC) to ensure emissions reductions through gas DMS programs are accounted for in meeting the state's greenhouse gas reduction goals. The AQCC can accomplish this workload within existing staffing resources.

Effective Date

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

State and Local Government Contacts

Colorado Energy Office
Public Health and Environment

Information Technology
Regulatory Agencies

Law