SB 21-246

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Revised Fiscal Note

(replaces fiscal note dated April 27, 2021)

Drafting Number:	LLS 21-0037	**Date:**	May 5, 2021
Prime Sponsors:	Sen. Fenberg	**Bill Status:**	Senate Appropriations
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Bill Topic: **ELECTRIC UTILITY PROMOTE BENEFICIAL ELECTRIFICATION**

Summary of Fiscal Impact:

☒ State Revenue
☒ State Expenditure
☐ 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 will increase state expenditures beginning in FY 2021-22, and may increase state revenue.

Appropriation Summary: For FY 2021-22, the bill requires an appropriation of $241,799 to multiple state agencies. See State Appropriations section.

Fiscal Note Status: This revised fiscal note reflects the introduced bill, as amended in the Senate Transportation and Energy Committee.

Table 1
State Fiscal Impacts Under SB21-246

		Budget Year FY 2021-22	Out Year FY 2022-23
Revenue		-	-
Expenditures	General Fund[1]	$300,386	$616,842
	Centrally Appropriated	$58,587	$178,585
	Total Expenditures	**$358,973**	**$795,427**
	Total FTE	**2.5 FTE**	**7.2 FTE**
Transfers		-	-
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.

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 multiple state agencies by $300,386 and 2.5 FTE in FY 2021-22 and $795,427 and 7.2 FTE in FY 2022-23. First-year costs have been prorated for the General Fund pay date shift.

Table 2
Expenditures Under SB 21-246

Cost Components	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
FTE – Personal Services	1.6 FTE	6.2 FTE
DORA Subtotal	**$212,081**	**$705,799**
Department of Labor and Employment		
Personal Services	$65,801	$71,783
Operating Expenses	$1,350	$1,350
Capital Outlay Costs	$6,200	-
Centrally Appropriated Costs[1]	$14,954	$16,495
FTE – Personal Services	0.9 FTE	1.0 FTE
CDLE Subtotal	**$88,305**	**$89,628**
Total Expenditures	**$300,386**	**$795,427**
Total FTE	**2.5 FTE**	**7.2 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 process for two investor-owned utilities filing 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.

Department of Labor and Employment. The Department of Labor and Employment requires one full-time staff member to develop and maintain a certified contractor list. This staff person will contact apprenticeship sponsors to obtain a list of contractors and employers affiliated with their registered apprenticeship program. There are an estimated 150 apprenticeship sponsors within the mechanical, plumbing, and electrical occupations, and each sponsor may be affiliated with multiple contractors. This fiscal note assumes that each apprenticeship sponsor will require 12 hours of work to collect the necessarily information to compile the certified contractor list, which will be updated annually. Staff costs have been prorated to reflect the General Fund pay date shift. See the Technical Note below about the provisions of the bill affecting the Department of Labor and Employment.

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 $58,587 in FY 2021-22 and $178,585 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.

Department of Labor and Employment. Two other bills, House Bill 21-1238 and Senate Bill 21-072, also contain the provision in this bill that requires the Department of Labor and Employment to prepare and update a certified contractor list containing the names and contact information of qualified contractors that participate in apprenticeship programs that are registered with the U.S. Department of Labor or by a State Apprenticeship Council. The appropriation related to this provision is identified in the fiscal notes for all three bills, but needs only to be appropriated once.

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 the following General Fund appropriations:

- $168,448 and 1.6 FTE to the Department of Regulatory Agencies; and
- $73,351 and 0.9 FTE to the Department of Labor and Employment. See Technical Note.

State and Local Government Contacts

Colorado Energy Office
Law
Regulatory Agencies
Information Technology
Public Health and Environment
Labor and Employment