SB 18-246

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

FINAL FISCAL NOTE

Drafting Number:	LLS 18-1189	**Date:**	June 11, 2018
Prime Sponsors:	Sen. Cooke; Scott	**Bill Status:**	Postponed Indefinitely
		Fiscal Analyst:	Marc Carey | 303-866-4102 marc.carey@state.co.us

Bill Topic: RENEWABLE ENERGY STANDARD REPEAL SB 13-252

Summary of Fiscal Impact:

- ☐ State Revenue
- ☒ State Expenditure (minimal, potential)
- ☐ State Transfer
- ☐ TABOR Refund
- ☒ Local Government (potential)
- ☐ Statutory Public Entity

This bill repeals most of the elements contained in Senate Bill 13-252. The bill will result in a one-time state expenditure increase.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: This fiscal note reflects the introduced version of the bill. This bill was not enacted into law; therefore, the impacts identified in this analysis do not take effect.

Summary of Legislation

This bill repeals most of the provisions enacted by Senate Bill 13-252, which, among other things, increased the state's renewable energy standard (RES) in 2020 for cooperative electric associations (CEAs). Specifically, this bill:

- reduces the 2020 RES for CEAs serving 100,000 or more meters and qualifying wholesale utilities and from 20 percent to 10 percent;
- eliminates the distributed generation requirement for all CEAs;
- reduces the maximum permissible retail rate impact of RES compliance from 2 percent to 1 percent for CEAs;
- eliminates the reporting and renewable energy credit requirements for qualifying wholesale utilities;
- eliminates synthetic gas produced by pyrolysis of municipal waste from the definition of eligible energy resources for RES compliance; and
- reinstates a multiplier in the formula for the calculation of renewable energy credits (RECs) used to accelerate the construction of new solar generation.

The bill retains coal mine methane as an eligible energy source, subject to a determination by the Colorado Public Utilities Commission (PUC) that it is greenhouse gas neutral. The bill also eliminates the limitations on hydroelectricity resources from the definition of renewable energy resources.

Background

Affected cooperative electric associations (CEAs). Under current law, CEAs that serve over 100,000 customers and qualifying wholesale utilities are required to meet an RES of 6 percent through 2019, and 20 percent beginning in years 2020 and thereafter. These standards are currently subject to a 2 percent retail rate impact rule.

According to the U.S. Energy Information Administration, the only Colorado CEA with over 100,000 customers in 2016 was the Intermountain Rural Electric Association (IREA), which served about 151,200 customers. Tri-State Generation and Transmission Association (Tri-State) supplies wholesale electricity to 18 member CEAs and would also be affected by the requirements of this bill.

Renewable energy credits (RECs). RECs are tradeable certificates that represent proof that 1 megawatt-hour (MWh) of electricity was generated from an eligible renewable energy resource. These certificates can be bought and sold and the owner of the REC can claim to have purchased renewable energy. RECs represent the environmental attributes of the power produced from renewable energy projects. Currently, RECs are bought and sold through bi-lateral agreements. There is no national market clearinghouse.

State Expenditures

Department of Regulatory Agencies, Public Utilities Commission (PUC). The PUC will incur costs associated with rule making to reverse the changes promulgated last year for both CEAs and qualifying wholesale CEAs in SB 13-252. As the rules generally reflect specific statutory language, the impact is expected to be minimal, and no additional appropriation is required.

State agency impact. Current law contains a 2 percent cap on the retail rate impact of the RES for CEAs. This bill decreases that cap to 1 percent for both CEAs with over 100,000 customers (currently only IREA) and for wholesale CEAs (Tri-State).

The retail rate impact is required to be determined "net of alternative sources of electricity supply from noneligible energy resources that are reasonably available at the time of determination." Thus, the rate impact depends on the cost differential between renewable resource acquisition and "reasonably available" conventional resource acquisition, typically natural gas. Natural gas prices are highly volatile. Wellhead prices have been as high as $11 per thousand cubic feet (Mcf) in July 2008, as low as $1.80 per Mcf in April 2012, and are now around $2.70 per Mcf at regional hubs. The future cost differential will depend on the future price of renewable resources and the future price of natural gas, as well as anticipated technology changes for both resources.

Because this bill decreases the cap for certain CEAs from 2 to 1 percent, the rate impact of the bill on retail electricity customers of IREA and affected Tri-State member cooperatives, including state agencies, could be a decrease in energy costs of up to 1 percent. Because a prediction of future rate impacts would depend on assumptions regarding future fuel costs as well as an unknown resource acquisition schedule, the exact impact to state facilities is not possible to quantify.

Local Government

Local governments and school districts that receive their electricity from IREA or affected Tri-State member CEAs could see their energy costs decrease by up to 1 percent beginning in 2020. Energy cost decreases will depend on the cost differential between renewable resource acquisition and conventional resource acquisition as discussed above.

Effective Date

The bill was postponed indefinitely by the Senate State, Veterans, and Military Affairs Committee on April 25, 2018.

State and Local Government Contacts

Information Technology   Regulatory Agencies