



Fiscal Note

Legislative Council Staff

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HB 26-1225: DISTRIBUTED ENERGY RESOURCES REQUIREMENTS

Prime Sponsors:

Rep. Smith; Willford
Sen. Ball

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Fiscal note status: The fiscal note reflects the introduced bill. This analysis is preliminary and will be updated following further review and any additional information received.

Summary Information

Overview. The bill adjusts how bill credits must be applied for subscribers to community solar gardens, and creates additional requirements for public utilities concerning community solar gardens.

Types of impacts. The bill is projected to affect the following areas on an ongoing basis:

- State Revenue
- State Expenditures
- TABOR Refunds
- Local Government

Appropriations. In FY 2026-27, the bill requires an appropriation of \$184,263 to the Department of Regulatory Agencies.

Table 1
State Fiscal Impacts

Type of Impact	Budget Year FY 2026-27	Out Year FY 2027-28
State Revenue	\$220,233	\$206,233
State Expenditures	\$220,233	\$206,233
Transferred Funds	\$0	\$0
Change in TABOR Refunds	\$220,233	\$206,233
Change in State FTE	1.4 FTE	1.4 FTE

Fund sources for these impacts are shown in the table below.

**Table 1A
 State Revenue**

Fund Source	Budget Year FY 2026-27	Out Year FY 2027-28
General Fund	\$0	\$0
Cash Funds	\$220,233	\$206,233
Total Revenue	\$220,233	\$206,233

**Table 1B
 State Expenditures**

Fund Source	Budget Year FY 2026-27	Out Year FY 2027-28
General Fund	\$0	\$0
Cash Funds	\$184,263	\$170,263
Federal Funds	\$0	\$0
Centrally Appropriated	\$35,970	\$35,970
Total Expenditures	\$220,233	\$206,233
Total FTE	1.4 FTE	1.4 FTE

Summary of Legislation

Under current law, subscribers to a community solar garden receive a net metering credit to their electric bill. The community solar subscriber organization can choose between a fixed bill credit or a bill credit that is adjusted annually. Beginning July 1, 2026, for subscriber organizations that receive a fixed bill credit from a qualifying retail utility, an annual adjustment mechanism must be applied to fixed bill credit rates to index the value of the fixed bill credit to changing rate trends.

Under current law, a public utility is permitted to recover certain costs to facilitate a timely interconnection of a distributed energy resource. The bill prohibits a public utility from requiring an interconnection customer to pay the costs associated with interconnection facilities and upgrades until 30 days before the public utility incurs the costs. The bill allows a public utility to require an interconnection customer to provide security for the estimated full costs of interconnection at the time of mutual execution of an interconnection agreement.

The bill also establishes the following requirements for public utilities:

- On or before July 1, 2026, a utility must develop a process to allow an interconnection customer to contract with a third party to perform an interconnection study;
- On or before September 1, 2026, a utility must develop a process to allow for the concurrent performance of all needed interconnection studies; and
- On or before October 1, 2026, a utility must develop a process to allow an interconnection customer to contract with a third party to perform any upgrades needed for interconnection, including engineering, procurement, and construction upgrades.

Any interconnection study and upgrades performed by a contracted third party must meet applicable safety and technical standards.

Background

A community solar garden is a solar electric generation facility connected to the electrical grid that distributes solar energy for subscribers who may be unable to install solar panels on their home or property. Subscribers to a garden receive credits on their electric bills for the solar energy they use. The Public Utilities Commission (PUC) regulates community solar gardens, and [House Bill 19-1003](#) allowed the PUC to approve the formation of gardens with a nameplate rating of up to ten megawatts. [Senate Bill 24-207](#) further specified how energy from community solar garden must be dispersed to customers.

State Revenue

The bill increases state cash fund revenue to the Fixed Utility Fund (FUF) by about \$220,000 in FY 2026-27 and \$206,000 in FY 2027-28 and subsequent years. Administrative costs incurred by the PUC are paid from the FUF, which receives an annual assessment on the state's regulated utilities. Whenever additional expenses are incurred against the fund, the assessment must be raised to increase revenue to cover these expenses. This revenue is subject to TABOR.

State Expenditures

The bill increases state expenditures in the Department of Regulatory Agencies (DORA) by about \$220,000 in FY 2026-27 and \$206,000 in FY 2027-28 and ongoing years, paid from the Fixed Utility Fund. These costs are summarized in Table 2 and discussed below. The bill also impacts workload in the Colorado Energy Office (CEO).

Table 2
State Expenditures
Department of Regulatory Agencies

Cost Component	Budget Year FY 2026-27	Out Year FY 2027-28
Personal Services	\$168,471	\$168,471
Operating Expenses	\$1,792	\$1,792
Capital Outlay Costs	\$14,000	\$0
Centrally Appropriated Costs	\$35,970	\$35,970
Total Costs	\$220,233	\$206,233
Total FTE	1.4 FTE	1.4 FTE

Department of Regulatory Agencies—Public Utilities Commission

Beginning July 2026, the PUC requires 1.4 FTE of engineering and financial analyst staff. Of this, 0.4 FTE will review and approve fixed credit adjustment mechanism and third-party interconnection study processes, and 1.0 FTE will process appeals from interconnection customers. Appeals staff assumes four new appeal proceedings per year, each requiring approximately 0.25 FTE with relevant expertise. Standard operating and capital outlay costs are included.

If appeals exceed this estimate, the PUC may require additional trial staff and commission advisory staff to litigate these appeals, which will be sought through the annual budget process.

Colorado Energy Office

Because the CEO is an intervenor by right in PUC proceedings, the bill may increase workload for the CEO if the PUC conducts rulemaking proceedings as a result of the bill. The fiscal note assumes PUC rulemaking will be minimal and any impact to the CEO is absorbable with existing resources.

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 may include employee insurance, supplemental employee retirement payments, indirect cost assessments, and other costs, are shown in the table above.

TABOR Refunds

The bill is expected to increase the amount of state revenue required to be refunded to taxpayers by about \$220,000 in FY 2026-27 and \$206,000 in FY 2027-28. This estimate assumes the December 2025 LCS revenue forecast. A forecast of state revenue subject to TABOR is not available beyond FY 2027-28. Because TABOR refunds are paid from the General Fund, increased cash fund revenue will reduce the amount of General Fund available to spend or save in FY 2026-27, FY 2027-28, and any future years when the state is over its revenue limit.

Local Government

The bill may impact revenue for certain municipal utilities depending on how electric rates impact the annual adjustment mechanism required by the bill. Increasing electric rates would result in higher rate adjustments, which would decrease revenue to utilities because of the credits offered to net metered community solar subscribers with fixed bill credit rates.

The bill may also increase workload for municipal utilities to respond to interconnection studies and requests within the response time required by the bill.

Effective Date

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

State Appropriations

For FY 2026-27, the bill requires an appropriation of \$184,263 from the Fixed Utilities Fund to the Department of Regulatory Agencies, and 1.4 FTE.

State and Local Government Contacts

Colorado Energy Office	Municipalities
Counties	Municipal Utilities
Local Affairs	Regulatory Agencies

The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit the [General Assembly website](#).