



Fiscal Note

Legislative Council Staff

Nonpartisan Services for Colorado’s Legislature

SB 26-142: DEVELOPMENT OF THERMAL ENERGY RESOURCES

Prime Sponsors:

Sen. Ball
Rep. Joseph; Gonzalez R.

Fiscal Analyst:

Colin Gaiser, 303-866-2677
colin.gaiser@coleg.gov

Published for: Senate Transportation & Energy

Drafting number: LLS 26-0789

Version: Initial Fiscal Note

Date: April 8, 2026

Fiscal note status: The fiscal note reflects the introduced bill.

Summary Information

Overview. The bill makes adjustments to state laws regarding thermal energy resources and the recovery of thermal energy.

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

- Minimal State Workload
- Local Government

Appropriations. No appropriation is required.

**Table 1
State Fiscal Impacts**

Type of Impact	Budget Year FY 2026-27	Out Year FY 2027-28
State Revenue	\$0	\$0
State Expenditures	\$0	\$0
Transferred Funds	\$0	\$0
Change in TABOR Refunds	\$0	\$0
Change in State FTE	0.0 FTE	0.0 FTE

Summary of Legislation

The bill makes changes to laws concerning thermal energy resources, as outlined below.

Sale of Thermal Energy

The bill authorizes the sale of thermal energy by industrial or commercial facilities that recover thermal energy as a by-product of their primary industrial or commercial processes, as long as the facilities meet certain conditions. These recovered thermal energy sales are not subject to regulation by the Public Utilities Commission (PUC).

Thermal Energy for Local Governments

The bill allows a local government to enter into an agreement with one or more entities for the purpose of providing the local government with service from a thermal energy network. The local government may issue bonds for the purpose of financing thermal energy infrastructure, interconnections, or customer connections within the jurisdiction of the local government.

Under current law, if a municipality builds or acquires gas or electric works and distribution systems, the municipality must get voter approval at the next municipal election. The bill removes the voter approval requirement if the municipality builds or acquires heating and cooling works and distribution systems obtained from geothermal resources or from waste and cogenerated heat.

Community Geothermal Gardens

The bill increases the net electric generating capacity of a community geothermal garden from 5 megawatts to 25 megawatts.

Study of Thermal Energy Resources

The bill requires the Colorado Energy and Carbon Management Commission (ECMC) in the Department of Natural Resources (DNR) and the Colorado Geological Survey to collect data and information related to the development of geological resources in the state. The ECMC will develop recommendations on the safe and effective development of geothermal resources and report to the General Assembly by November 15, 2026.

Geothermal Projects

The bill requires investor-owned electric utilities to identify small-scale and large-scale geothermal projects. The utility must solicit proposals for the development of small-scale geothermal projects of up to 25 megawatts of net electric generating capacity and large-scale geothermal projects that are greater than 25 megawatts of net electric generating capacity.

The utility may submit the proposals to the PUC as part of the utility's next electric resource planning filing. A utility may also partner with a specific customer or group of customers to develop geothermal projects if the customer agrees to certain conditions, such as covering at least 50 percent of the cost of development of the project.

State Expenditures

The bill increases workload for various departments to comply with the bill.

Energy and Carbon Management Commission—Department of Natural Resources

The bill increases workload for the ECMC to develop recommendations on the development of geothermal energy, collaborate with other state agencies and stakeholders on the recommendations, and report to the General Assembly by November 15, 2026. The ECMC will also require staff to work with the Colorado Geological Survey on facilitating the collection of data regarding geothermal resources in Colorado. The ECMC can absorb this workload increase within existing appropriations.

Colorado Geological Survey—Institutions of Higher Education

The bill increases workload for the Colorado Geological Survey, which is situated within the Colorado School of Mines, to collaborate with the ECMC on collecting data and information related to the development of geological resources in the state. This workload can be absorbed within the normal operations of the CGS.

Colorado Energy Office

The bill minimally increases workload in the Colorado Energy Office to collaborate with the ECMC on recommendations for geothermal energy.

Public Utilities Commission—Department of Regulatory Agencies

The bill minimally increases workload for the PUC to review investor-owned utilities' proposals for geothermal projects. The PUC will review these proposals as part of existing electric resource planning and will absorb any additional workload with existing resources.

Local Government

The bill may increase workload for certain local governments to enter into agreements to receive service from a thermal energy network. The bill may increase revenue for these local governments if they choose to issue bonds for the purpose of financing thermal energy infrastructure or interconnections.

By removing a voter approval requirement, the bill reduces impediments for municipalities to build or acquire certain geothermal energy infrastructure.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed.

State and Local Government Contacts

Colorado Energy Office	Municipalities
Counties	Natural Resources
Higher Education	Public Health and Environment
Law	Regulatory Agencies
Local Affairs	Special District Association
Municipal Utilities	

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](#).