

An Act

HOUSE BILL 26-1225

BY REPRESENTATIVE(S) Smith and Willford, Bacon, Brown, Duran, English, Froelich, Goldstein, Jackson, Joseph, Lindsay, McCormick, Nguyen, Paschal, Ricks, Sirota, Camacho, McCluskie;
also SENATOR(S) Ball and Bright, Bridges, Cutter, Kipp, Lindstedt, Marchman, Coleman.

CONCERNING REQUIREMENTS TO FOSTER DISTRIBUTED ENERGY RESOURCES
IN THE STATE.

Be it enacted by the General Assembly of the State of Colorado:

SECTION 1. Short title. The short title of this act is the "Advancing Grid Resilience Using Distributed Energy Resources Act".

SECTION 2. Legislative declaration. (1) The general assembly finds and declares that:

(a) Demand for electricity is rapidly increasing, and the ability of electric utilities to affordably satisfy demand while preserving reliability is increasingly important;

(b) Distributed energy resources, including community solar,

Capital letters or bold & italic numbers indicate new material added to existing law; dashes through words or numbers indicate deletions from existing law and such material is not part of the act.

dispatchable distributed generation, and distributed energy storage, play an important role in satisfying increasing electricity demand in a reliable and affordable manner;

(c) Since 2011, the state has consistently encouraged the deployment of community solar gardens to ensure that Coloradans without access to onsite generation can participate in distributed energy programs and that ratepayers with low incomes, in particular, can benefit from bill credits that reduce monthly utility bills;

(d) Dispatchable distributed generation facilities, including resources paired with energy storage, are increasingly recognized as cost-effective resources that support grid reliability and resilience;

(e) State policy has supported the development of distributed energy resources as part of a diversified and resilient electric grid, while federal policy changes have created uncertainty for certain resource types;

(f) The enactment of H.R. 1 of the 119th Congress (2025-2026), Pub.L. 119-21, in 2025 modified federal tax incentives for certain electricity generation resources, creating new market conditions that affect the deployment of distributed energy resources;

(g) Certain federal tax credits applicable to distributed energy resource projects are scheduled to phase out or expire beginning in 2029, depending on project completion timelines;

(h) Federal tax policy has historically played a role in enabling cost-effective deployment of distributed energy resources;

(i) Community solar and dispatchable distributed generation facilities require multiple years to design, finance, permit, and interconnect to the electric grid;

(j) The interconnection process can take multiple years, delaying deployment of needed distributed energy resources and increasing project costs;

(k) A significant portion of project timelines is attributable to utility interconnection studies and necessary system upgrades required for safe and

reliable integration;

(l) Policies and processes that facilitate more timely and cost-effective interconnection can accelerate deployment of distributed energy resources and enhance grid reliability and affordability;

(m) Maintaining the value of bill credits for subscribers to distributed energy resource programs, particularly for ratepayers with low incomes, is important amid rising cost pressures; and

(n) Adjustments to state policy are necessary to ensure that distributed energy resource programs continue to provide benefits to the electric grid and to ratepayers under evolving federal and market conditions.

(2) Therefore, it is the intent of the general assembly to:

(a) Make adjustments to state law to facilitate the timely and cost-effective deployment of distributed energy resources while maintaining the value of such resources for community solar subscribers and particularly for ratepayers with low incomes; and

(b) Ensure that processes designed to accelerate interconnection protect communities and workers.

SECTION 3. In Colorado Revised Statutes, 40-2-127, **add** (2)(b)(I.5) and (5)(b)(II)(J) as follows:

40-2-127. Community energy funds - community solar gardens - definitions - rules - legislative declaration - applicability - repeal.

(2) **Definitions.** As used in this section, unless the context otherwise requires:

(b) In addition:

(I.5) "INCOME-QUALIFIED SUBSCRIBER" HAS THE MEANING SET FORTH IN SECTION 40-2-127.2 (1)(f).

(5) **Purchases of the output from community solar gardens.**

(b) (II) (J) ON AND AFTER OCTOBER 1, 2026, A SUBSCRIBER ORGANIZATION MAY DIRECT THE QUALIFYING RETAIL UTILITY TO PROVIDE THE SUBSCRIBER ORGANIZATION'S INCOME-QUALIFIED SUBSCRIBERS WITH A FIXED BILL CREDIT PURSUANT TO SUBSECTION (5)(b)(II)(C) OF THIS SECTION AND TO PROVIDE THE SUBSCRIBER ORGANIZATION'S OTHER SUBSCRIBERS WITH A BILL CREDIT THAT CHANGES ANNUALLY PURSUANT TO SUBSECTION (5)(b)(II)(B) OF THIS SECTION. THE QUALIFYING RETAIL UTILITY SHALL ADJUST THE VALUE OF THE FIXED BILL CREDIT AVAILABLE TO AN INCOME-QUALIFIED SUBSCRIBER BY ADJUSTING THE FIXED BILL CREDIT ANNUALLY TO ENSURE THAT THE CREDIT REMAINS ALIGNED WITH CHANGES IN ELECTRICITY RATES OVER TIME. THE SUBSCRIBER ORGANIZATION SHALL CHOOSE THE INITIAL VALUE OF THE FIXED BILL CREDIT FOR AN INCOME-QUALIFIED SUBSCRIBER FROM ANY OF THE PREVIOUS THREE YEARS. THE INITIAL VALUE APPLIES FOR AN INITIAL PERIOD OF TIME, AS DETERMINED BY THE COMMISSION. AFTER THE INITIAL PERIOD, THE CREDIT SHALL BE ADJUSTED ANNUALLY IN A MANNER DETERMINED BY THE COMMISSION.

SECTION 4. In Colorado Revised Statutes, 40-2-135, **amend** (6); and **add** (7) and (8) as follows:

40-2-135. Retail distributed generation - customers' rights - working group - accelerated interconnection - rules - penalties.

(6) (a) A public utility may recover its prudently incurred costs to facilitate a timely interconnection, which costs may include the cost of equipment that the public utility procures for future upgrades needed to interconnect retail distributed generation resources. A public utility may recover the costs of any such equipment inventory as capital work in progress if the inventory is projected to be used within five years ~~of~~ AFTER its procurement and with a return at the most recently authorized weighted average cost of capital.

(b) A PUBLIC UTILITY SHALL NOT REQUIRE AN INTERCONNECTION CUSTOMER TO PAY THE COSTS ASSOCIATED WITH REASONABLE AND NECESSARY INTERCONNECTION FACILITIES AND UPGRADES UNTIL THIRTY DAYS BEFORE THE PUBLIC UTILITY INCURS THE COSTS. A PUBLIC UTILITY MAY REQUIRE AN INTERCONNECTION CUSTOMER TO PROVIDE SECURITY FOR THE ESTIMATED FULL COSTS OF INTERCONNECTION AT THE TIME BOTH PARTIES EXECUTE AN INTERCONNECTION AGREEMENT. A PUBLIC UTILITY SHALL PROVIDE SECURITY OPTIONS TO THE INTERCONNECTION CUSTOMER,

INCLUDING ACCEPTANCE OF A LETTER OF CREDIT FROM A QUALIFIED PROVIDER.

(7) (a) ON OR BEFORE AUGUST 15, 2026, A PUBLIC UTILITY WITH MORE THAN FIVE HUNDRED THOUSAND CUSTOMERS IN THE STATE SHALL CONVENE A WORKING GROUP TO ACCELERATE DISTRIBUTED GENERATION INTERCONNECTION. THE WORKING GROUP MUST INCLUDE STAKEHOLDERS FROM THE PUBLIC UTILITY, STAFF OF THE COMMISSION, THE OFFICE OF THE UTILITY CONSUMER ADVOCATE CREATED IN SECTION 40-6.5-102, TRADE ASSOCIATIONS, AND PROJECT DEVELOPERS.

(b) THE WORKING GROUP SHALL:

(I) DISCUSS, IF APPLICABLE:

(A) A CLUSTER AND BATCH STUDY PROCESS FOR INTERCONNECTION STUDIES DESIGNED TO ACCELERATE INTERCONNECTION FOR ALL PROJECTS IN THE PUBLIC UTILITY'S INTERCONNECTION QUEUE; AND

(B) A PROCESS FOR THE PUBLIC UTILITY TO ACCEPT A SURETY BOND IN LIEU OF A LETTER OF CREDIT OR CASH FOR INTERCONNECTION UPGRADE WORK; AND

(II) DISCUSS, AND THE PUBLIC UTILITY SHALL IMPLEMENT, A PROCESS FOR THIRD-PARTY INTERCONNECTION STUDIES AND UPGRADES, WHICH PROCESS MUST INCLUDE A LIST OF THIRD-PARTY CONTRACTORS THAT ARE APPROVED BY THE PUBLIC UTILITY AND A PROCESS FOR CONTRACTORS TO BE ADDED AND REMOVED FROM THE LIST AS APPLICABLE.

(c) IF AN INTERCONNECTION CUSTOMER ELECTS TO USE A THIRD-PARTY CONTRACTOR TO PERFORM INTERCONNECTION STUDIES OR UPGRADE WORK CONSISTENT WITH THE PUBLIC UTILITY'S INTERNAL PROCESSES:

(I) THE INTERCONNECTION CUSTOMER SHALL USE A CONTRACTOR THAT IS APPROVED BY THE PUBLIC UTILITY PURSUANT TO SUBSECTION (7)(b)(II) OF THIS SECTION;

(II) THE PUBLIC UTILITY IS NOT LIABLE FOR AND SHALL NOT WARRANTY DESIGNS, CONSTRUCTION, OR WORK PERFORMED BY THE

THIRD-PARTY CONTRACTOR THAT RESULTS IN DAMAGES, INJURY, OR DEATH;

(III) ANY RELIABILITY IMPACTS FROM THIRD-PARTY CONTRACTOR DESIGNS, CONSTRUCTION, OR OTHER UPGRADE WORK ARE INCLUDED AND SPECIFICALLY DESIGNATED IN RELIABILITY METRIC MEASUREMENTS REQUIRED BY THE COMMISSION;

(IV) THE THIRD-PARTY CONTRACTOR SHALL SUBMIT ANY DESIGNS OR AS-BUILT DRAWINGS TO THE PUBLIC UTILITY WITHIN THREE BUSINESS DAYS AFTER COMPLETION TO ALLOW THE PUBLIC UTILITY TO MAINTAIN ACCURATE GEOGRAPHIC INFORMATION SYSTEM MAPPING;

(V) THE THIRD-PARTY CONTRACTOR SHALL PROVIDE ALL INTERCONNECTION STUDIES AND OTHER DESIGN WORK TO THE PUBLIC UTILITY, AND THE PUBLIC UTILITY MAY REVIEW AND REQUEST MODIFICATIONS, INCLUDING REQUESTING ADDITIONAL ANALYSIS TO ENSURE ACCURACY AND COMPLETION;

(VI) THE PUBLIC UTILITY SHALL INSPECT ANY CONSTRUCTION WORK PERFORMED BY THE THIRD-PARTY CONTRACTOR. THE THIRD-PARTY CONTRACTOR SHALL OBTAIN THE PUBLIC UTILITY'S CONFIRMATION THAT THE WORK IS COMPLETE PRIOR TO DEEMING ANY CONSTRUCTION WORK FINAL AND COMPLETED. INSPECTIONS ARE AT THE EXPENSE OF THE THIRD-PARTY CONTRACTOR. THE THIRD-PARTY CONTRACTOR SHALL PERFORM ANY ADDITIONAL WORK REQUIRED TO ADDRESS SAFETY OR RELIABILITY CONCERNS AT THE THIRD-PARTY CONTRACTOR'S EXPENSE.

(VII) NEITHER THE PUBLIC UTILITY NOR RATEPAYERS ARE RESPONSIBLE FOR COSTS ASSOCIATED WITH REPAIRS OR CORRECTIONS TO THIRD-PARTY WORK. COSTS ASSOCIATED WITH REPAIRS OR CORRECTIONS TO THIRD-PARTY WORK ARE THE RESPONSIBILITY OF THE THIRD-PARTY CONTRACTOR.

(d) ON OR BEFORE DECEMBER 15, 2026, THE PUBLIC UTILITY SHALL FILE A NOTICE WITH THE COMMISSION THAT INCLUDES A REPORT ON ANY RECOMMENDATIONS OF THE WORKING GROUP AND INDICATE WHICH, IF ANY, RECOMMENDATIONS ARE UNANIMOUSLY APPROVED BY THE WORKING GROUP. THE REPORT MUST ALSO INDICATE WHICH RECOMMENDATIONS REQUIRE OR MAY REQUIRE COMMISSION APPROVAL. THE PUBLIC UTILITY SHALL MAKE APPROPRIATE FILINGS TO IMPLEMENT ANY RECOMMENDATIONS

THAT REQUIRE COMMISSION APPROVAL ON OR BEFORE JANUARY 1, 2027.

(8) ALL INTERCONNECTION UPGRADES AND RELATED UTILITY CONSTRUCTION WORK PERFORMED BY A THIRD-PARTY CONTRACTOR MUST MEET APPLICABLE SAFETY, RELIABILITY, LABOR, AND TECHNICAL STANDARDS, INCLUDING THE APPLICABLE LABOR REQUIREMENTS SET FORTH IN SECTION 40-2-132.5 (5).

SECTION 5. In Colorado Revised Statutes, 40-2-130.5, **amend** (1)(a) introductory portion and (1)(a)(II) as follows:

40-2-130.5. Dispatchable distributed generation - energy storage - definitions - program capacity - program administration - rules.

(1) **Definitions.** As used in this section, unless the context otherwise requires:

(a) "Dispatchable distributed generation" means distributed generation paired with EITHER a co-located energy storage system OR A STANDALONE ENERGY STORAGE SYSTEM that is:

(II) Measured by the capacity of the ~~distributed generation~~ ENERGY STORAGE SYSTEM in alternating current.

SECTION 6. In Colorado Revised Statutes, 40-2-124, **amend** (1)(j)(VI) as follows:

40-2-124. Renewable energy standards - qualifying retail and wholesale utilities - definitions - net metering - legislative declaration - rules.

(1) Each provider of retail electric service in the state of Colorado, other than municipally owned utilities that serve forty thousand customers or fewer, is a qualifying retail utility. Each qualifying retail utility, with the exception of cooperative electric associations that have voted to exempt themselves from commission jurisdiction pursuant to section 40-9.5-104 and municipally owned utilities, is subject to the rules established under this article 2 by the commission. No additional regulatory authority is provided to the commission other than that specifically contained in this section. In accordance with article 4 of title 24, the commission shall revise or clarify

existing rules to establish the following:

(j) Rules to accommodate aggregation and interconnection of retail distributed generation, including:

(VI) Requiring qualifying retail utilities to adopt procedures designed to ensure that, for all renewable distributed generation or storage facilities included in their net metering service:

~~(A) The size of any off-site, single-meter installation does not exceed five hundred kilowatts;~~

~~(B) The size of any off-site, multi-meter installation does not exceed three hundred kilowatts per meter; and~~

(C) For any off-site facility ~~exceeding three hundred kilowatts~~ COVERED BY THIS SECTION, the installation and any necessary repair or maintenance work is performed by a licensed master electrician, licensed journeyman electrician, or licensed residential wireman or by properly supervised apprentices, in addition to complying with all applicable interconnection rules. THE COMMISSION SHALL EVALUATE THE SIZE OF OFF-SITE FACILITY AND INSTALLATION LIMITATIONS AS PART OF A FUTURE RENEWABLE ENERGY STANDARD COMPLIANCE PLAN.

SECTION 7. Act subject to petition - effective date. This act takes effect at 12:01 a.m. on the day following the expiration of the ninety-day period after final adjournment of the general assembly (August 12, 2026, if adjournment sine die is on May 13, 2026); except that, if a referendum petition is filed pursuant to section 1 (3) of article V of the state constitution against this act or an item, section, or part of this act within such period, then the act, item, section, or part will not take effect unless

approved by the people at the general election to be held in November 2026 and, in such case, will take effect on the date of the official declaration of the vote thereon by the governor.

Julie McCluskie
SPEAKER OF THE HOUSE
OF REPRESENTATIVES

James Rashad Coleman, Sr.
PRESIDENT OF
THE SENATE

Vanessa Reilly
CHIEF CLERK OF THE HOUSE
OF REPRESENTATIVES

Esther van Mourik
SECRETARY OF
THE SENATE

APPROVED _____
(Date and Time)

Jared S. Polis
GOVERNOR OF THE STATE OF COLORADO