Second Regular Session
Seventy-fifth General Assembly
STATE OF COLORADO

PREAMENDED

This Unofficial Version Includes Committee Amendments Not Yet Adopted on Second Reading

LLS NO. 26-0431.02 Clare Haffner x6137 **HOUSE BILL 26-1225**

HOUSE SPONSORSHIP

Smith and Willford,

SENATE SPONSORSHIP

Ball,

House Committees
Energy & Environment
Finance

Senate Committees

A BILL FOR AN ACT

CONCERNING REQUIREMENTS TO FOSTER DISTRIBUTED ENERGY RESOURCES IN THE STATE.

Bill Summary

(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at http://leg.colorado.gov.)

Under current law, each subscriber to a community solar garden receives 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. The bill states that, on and after July 1, 2026, 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.

A public utility is permitted under current law to recover its prudently incurred 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 requires a public utility to:

- On or before July 1, 2026, 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, develop a process to allow for the concurrent performance of all needed interconnection studies; and
- On or before October 1, 2026, 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.

An interconnection study and upgrades that are performed by a contracted third party must meet applicable safety, reliability, labor, and technical standards.

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 quickly increasing, and the ability of electric utilities to affordably satisfy demand while preserving reliability is increasingly important;

(b) Electricity generation sources in the state are increasingly renewable due to consumer demand, state policy, and the lower generation costs of renewable electricity, and distributed energy resources

like community solar, dispatchable distributed generation, and distributed energy storage play an important role in satisfying such increasing electricity demand in an affordable way;

(c) Since 2011, the state has consistently encouraged the deployment of community solar gardens to ensure that Coloradans without access to rooftop solar can still choose to use solar power, and ratepayers with low incomes, in particular, can benefit from community solar bill credits that reduce monthly utility bills;

(d) Dispatchable distributed generation facilities, like solar paired with battery storage, are increasingly recognized as important cost-effective grid reliability resources;

(e) While state policy remains strongly in favor of lower-cost and cleaner renewable energy generation, federal policy has drastically changed to discourage these resources;

(f) The enactment of H.R. 1, Pub.L. 119-21, in 2025 eliminated tax incentives from certain electricity generation sources, including solar, while retaining favorable tax incentives for some nonrenewable forms of electricity generation;

(g) H.R. 1, Pub.L. 119-21, also expires federal tax credits for new solar generation facilities at the end of 2029 unless a new solar generation facility is fully operational by that time;

(h) Federal tax credits are instrumental in incentivizing the use of solar resources for affordable power generation;

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

(j) In addition, the interconnection process often takes multiple

years, thus delaying the building of a necessary energy resource and endangering the ability of the energy resource to cost-effectively deploy before the 2029 expiration of federal tax credits;

(k) One of the most significant periods of time required in the building of new community solar and dispatchable distributed generation facilities is the time it takes for the utility to study interconnection impacts of the proposed facility and to make necessary developer-funded upgrades to the electric grid to enable safe interconnection;

(l) Innovative ideas that facilitate a quicker and more economic interconnection process can greatly assist the deployment of necessary community solar and dispatchable distributed generation resources, thus assisting electric utilities in providing clean and affordable power to ratepayers;

(m) Maintaining the value of bill credits for community solar subscribers, particularly for ratepayers with low incomes, is important amid the rising cost of living; and

(n) As a result of new federal policy, some adjustments need to be made to the state's community solar and dispatchable distributed generation programs in order to maintain the programs' benefits to the electric grid and ratepayers.

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

(a) Continue to encourage the development of distributed energy resources like community solar and dispatchable distributed generation;

(b) 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

(c) Require the state's investor-owned public utilities to make appropriate adjustments to bill credits for participants in community solar gardens and develop processes to facilitate more expeditious and economical interconnection studies and perform required system upgrades for community solar and distributed generation resources.

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 INDEX THE VALUE OF THE FIXED BILL CREDIT TO AN INCOME-QUALIFIED SUBSCRIBER BY APPLYING AN ANNUAL ADJUSTMENT MECHANISM TO THE BILL CREDIT EQUAL TO THE MOST RECENT ANNUAL

PERCENTAGE CHANGE IN THE UNITED STATES DEPARTMENT OF LABOR'S BUREAU OF LABOR STATISTICS CONSUMER PRICE INDEX, OR A SUCCESSOR INDEX, FOR DENVER-AURORA-LAKEWOOD FOR ENERGY PAID FOR BY URBAN CONSUMERS.

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

40-2-135. Retail distributed generation - customers' rights - 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 SURETY BOND OR A LETTER OF CREDIT FROM A QUALIFIED PROVIDER.

(7) (a) ON OR BEFORE SEPTEMBER 1, 2026, A PUBLIC UTILITY

SHALL DEVELOP A PROCESS TO ALLOW AN INTERCONNECTION CUSTOMER TO CONTRACT WITH A THIRD PARTY TO PERFORM ANY NEEDED INTERCONNECTION STUDY. A PUBLIC UTILITY SHALL RESPOND TO A THIRD-PARTY INTERCONNECTION STUDY REQUEST SUBMITTED BY AN INTERCONNECTION CUSTOMER WITHIN FIFTEEN DAYS AFTER THE SUBMISSION OF THE INTERCONNECTION STUDY REQUEST. AN INTERCONNECTION STUDY PERFORMED BY A THIRD PARTY MUST MEET APPLICABLE SAFETY, RELIABILITY, LABOR, AND TECHNICAL STANDARDS.

(b) ON OR BEFORE SEPTEMBER 1, 2026, A PUBLIC UTILITY SHALL DEVELOP A PROCESS TO ALLOW FOR THE CONCURRENT PERFORMANCE OF ALL NEEDED INTERCONNECTION STUDIES, INCLUDING INTERCONNECTION STUDIES PERFORMED BY A CONTRACTED THIRD PARTY. EACH INTERCONNECTION STUDY PERFORMED MUST MEET APPLICABLE SAFETY, RELIABILITY, LABOR, AND TECHNICAL STANDARDS.

(c) ON OR BEFORE OCTOBER 1, 2026, A PUBLIC UTILITY SHALL 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. A PUBLIC UTILITY SHALL NOT IMPOSE UNREASONABLE RESTRICTIONS ON UPGRADES PERFORMED BY A CONTRACTED THIRD PARTY AND SHALL RESPOND TO UPGRADE PLANS SUBMITTED BY AN INTERCONNECTION CUSTOMER WITHIN THIRTY DAYS AFTER THE SUBMISSION OF THE UPGRADE PLANS. UPGRADES THAT ARE PERFORMED BY A CONTRACTED THIRD PARTY MUST MEET APPLICABLE SAFETY, RELIABILITY, LABOR, AND TECHNICAL STANDARDS, INCLUDING THE APPLICABLE REQUIREMENTS OF THE "COLORADO ENERGY SECTOR PUBLIC WORKS PROJECT CRAFT LABOR REQUIREMENTS ACT", PART 3 OF

ARTICLE 92 OF TITLE 24.

(e) THIS SUBSECTION (7) ONLY APPLIES TO A PUBLIC UTILITY WITH MORE THAN FIVE HUNDRED THOUSAND CUSTOMERS IN THE STATE.

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. 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.