



Fiscal Note

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

HB 26-1226: MANAGE EMISSIONS FROM ELECTRIC GENERATING UNITS

Prime Sponsors:

Rep. Willford; Froelich
Sen. Weissman; Cutter

Fiscal Analyst:

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Published for: House Energy & Environment**Drafting number:** LLS 26-0324**Version:** Initial Fiscal Note**Date:** February 25, 2026**Fiscal note status:** The fiscal note reflects the introduced bill.

Summary Information

Overview. The bill requires the Air Quality Control Commission to establish limits on the emission of nitrogen oxides and sulfur dioxide for certain electric generating units to comply with after December 31, 2030.

Types of impacts. The bill is projected to affect the following areas on an ongoing basis beginning in FY 2027-28:

- State Expenditures
- 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 | Out Year FY 2028-29 |
|-------------------------|---------------------------|------------------------|------------------------|
| State Revenue | \$0 | \$0 | \$0 |
| State Expenditures | \$0 | \$111,677 | \$49,366 |
| Transferred Funds | \$0 | \$0 | \$0 |
| Change in TABOR Refunds | \$0 | \$0 | \$0 |
| Change in State FTE | 0.0 FTE | 0.7 FTE | 0.4 FTE |

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

**Table 1A
State Expenditures**

| Fund Source | Budget Year FY 2026-27 | Out Year FY 2027-28 | Out Year FY 2028-29 |
|---------------------------|-----------------------------------|--------------------------------|--------------------------------|
| General Fund | \$0 | \$102,170 | \$39,858 |
| Cash Funds | \$0 | \$0 | \$0 |
| Federal Funds | \$0 | \$0 | \$0 |
| Centrally Appropriated | \$0 | \$9,507 | \$9,507 |
| Total Expenditures | \$0 | \$111,677 | \$49,366 |
| Total FTE | 0.0 FTE | 0.7 FTE | 0.4 FTE |

Summary of Legislation

By December 31, 2029, the bill requires the Air Quality Control Commission in the Department of Public Health and Environment (CDPHE) to establish rules limiting the emission of nitrogen oxides and sulfur dioxide for covered electric generating units to comply with after December 31, 2030. Electric generating units subject to the bill are owned or operated by an electric utility; located in Colorado; and emitted at least 200 tons of nitrogen oxides, sulfur dioxide, or both in calendar year 2024. Electric generating units that burn natural gas or fuel oil only, or that have both a flue gas desulfurization system and a selective catalytic reduction system installed are not subject to the bill.

Reporting

The owner or operator of a covered electric generating unit is required to provide quarterly emission reports to the Air Quality Control Division in the CDPHE demonstrating compliance with the rule. A utility is required to include a cost of compliance with the emission limits in its electric resource plan filed with the Public Utilities Commission (PUC) in the Department of Regulatory Agencies. Utilities that do not file an electric resource plan are encouraged to estimate their cost of compliance and to make this estimate publicly available.

If a federal order requires a covered electric generating unit to remain in operation after it was scheduled to retire, the bill requires the owner or operator of the unit to report to the PUC every 90 days on the cost to keep the unit operational and the electrical output of the unit.

Investor-owned Utilities

An investor-owned utility may submit an application to the PUC to recover the costs of complying with a federal order. Any cost recovery must be listed separately on a customer's bill and labeled "Costs to comply with an order of the federal government."

If the PUC approves a portfolio that consists in whole or in part of supply-side resources for an investor-owned utility serving more than 500,000 customers, the PUC will approve a total amount of accredited capacity sufficient for the utility to implement the retirement dates or operational restrictions in effect for covered electric generating units, and to comply with mandated carbon dioxide emission reduction requirements. The accredited capacity requirement ceases when the CDPHE determines that the utility has achieved certain carbon dioxide emission reductions or has retired all its covered electric generating units.

Background

Colorado currently has six coal-fired power plants, which are all scheduled to close by 2031. This includes Craig Unit 1, which was scheduled for closure in December 2025 but the federal government issued an emergency order to keep the plant operational. For more information on this topic, see this Legislative Council Staff memo on [Air Pollution Regulation in Colorado](#).

State Expenditures

The bill increases state expenditures in the CDPHE by approximately \$112,000 in FY 2027-28 and \$50,000 ongoing. These costs, paid from the General Fund, are summarized in Table 2 and discussed below. The bill also minimally affects workload in the Department of Regulatory Agencies and the Colorado Energy Office.

Table 2
State Expenditures
Department of Public Health and Environment

| Cost Component | Budget Year FY 2026-27 | Out Year FY 2027-28 | Out Year FY 2028-29 |
|------------------------------|-----------------------------------|--------------------------------|--------------------------------|
| Personal Services | \$0 | \$39,858 | \$39,858 |
| Legal Services | \$0 | \$62,312 | \$0 |
| Centrally Appropriated Costs | \$0 | \$9,507 | \$9,507 |
| FTE – Personal Services | \$0 | 0.4 FTE | 0.4 FTE |
| FTE – Legal Services | \$0 | 0.3 FTE | 0.0 FTE |
| Total Costs | \$0 | \$111,677 | \$49,366 |
| Total FTE | 0.0 FTE | 0.7 FTE | 0.4 FTE |

Department of Public Health and Environment

Staff

The Air Quality Control Division of the CDPHE will add 0.4 FTE of an environmental protection specialist beginning July 2027 to support the Air Quality Control Commission in conducting research, stakeholder meetings, technical analysis, rule development, and rule adoption. On an ongoing basis, this staff will review quarterly compliance reports.

Legal Services

In FY 2027-28 only, the CDPHE requires 450 hours (0.3 FTE) of legal services provided by the Department of Law to support the AQCC rulemaking required by the bill.

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 Table 2 above.

Other Agency Impacts

The PUC will have additional reporting to review within existing energy resource plan review periods regarding covered electric generating units and cost recovery proposals. This can be accomplished within the normal course of business.

The Colorado Energy Office is not expected to participate in the CDPHE rulemaking, and any increase in workload related to intervening at the PUC will take place within CEO's existing energy resource plan review participation. No change in appropriations is required.

Local Government

Municipal utilities operating coal plants are the Platte River Power Authority (Rawhide) and Colorado Springs Utilities (Nixon). Both are scheduled to be phased out in 2029 and 2030, respectively. To the extent these plants remain online in 2031, additional costs will be incurred by that utility and possibly passed on to ratepayers.

Effective Date

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

State and Local Government Contacts

Colorado Energy Office

Public Health and Environment

Law

Regulatory Agencies