

**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. 26-0789.01 Christopher McMichael x4775

SENATE BILL 26-142

SENATE SPONSORSHIP

Ball,

HOUSE SPONSORSHIP

Joseph and Gonzalez R.,

Senate Committees
Transportation & Energy

House Committees

A BILL FOR AN ACT

101 **CONCERNING THE DEVELOPMENT OF THERMAL ENERGY RESOURCES.**

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>.)

A qualifying entity is an industrial or commercial facility operator that recovers thermal energy as a by-product of its primary industrial or commercial processes. The bill permits the sale of recovered thermal energy by a qualifying entity under certain conditions, including:

- The thermal energy is a by-product of the qualifying entity's primary industrial or commercial process, and the thermal energy is not generated primarily for retail sale;
- The qualifying entity's primary business activity is not the

Shading denotes HOUSE amendment. Double underlining denotes SENATE amendment.
Capital letters or bold & italic numbers indicate new material to be added to existing law.
Dashes through the words or numbers indicate deletions from existing law.

- operation of a public utility;
- The recovery and sale of thermal energy does not result in an increase in fossil fuel combustion beyond what the qualifying entity's primary industrial or commercial process requires;
- The recovered thermal energy is sold pursuant to a contract between the qualifying entity and a purchaser; and
- The qualifying entity does not sell electricity, natural gas, or other commodities regulated by the public utilities commission as part of the transaction.

The bill authorizes a local government or a special district (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.

The bill also increases the net electric generating capacity of a community geothermal garden from 5 megawatts to 25 megawatts. The bill requires a qualifying retail utility to purchase a minimum amount of electricity from community geothermal gardens, as determined by the public utilities commission.

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 for the distribution of heat and cooling obtained from geothermal resources or from waste and cogenerated heat.

The bill requires the Colorado energy and carbon management commission (commission) and the Colorado geological survey to collect data and information related to the development of geological resources in the state. The commission shall make recommendations to encourage safe and effective development of geothermal resources and report those recommendations to the general assembly on or before November 15, 2026.

The bill requires investor-owned electric utilities (utilities) to identify small-scale geothermal projects and large-scale geothermal projects (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 public utilities commission 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 specific customer agrees to certain conditions,

such as covering at least 50% of the cost of development of the project.

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

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

4 (a) In 2021, the general assembly enacted Senate Bill 21-264,
5 requiring regulated gas utilities to develop clean heat plans to reduce
6 greenhouse gas emissions;

7 (b) In 2023, the general assembly enacted House Bill 23-1252,
8 which authorized thermal energy networks, integrated thermal energy into
9 the clean heat standard, and required a large gas utility to propose pilot
10 thermal energy network projects;

11 (c) The Colorado energy office has invested substantial public
12 funds in geothermal and thermal energy network grants and tax credits,
13 and communities across the state are pursuing neighborhood-scale
14 alternatives to natural gas infrastructure;

15 (d) While existing law does not prohibit municipalities from
16 operating thermal energy networks that include private participants and
17 does not prohibit industrial facilities from selling recovered waste heat,
18 the absence of express statutory authority for these activities imposes
19 unnecessary soft costs on every entity that attempts to conduct those
20 activities, including legal fees, financial risk premiums, and extended
21 project timelines;

22 (e) These soft costs are disproportionately burdensome for small
23 and rural communities and prevent publicly funded thermal energy
24 project operators from entering into contracts that make financial sense;
25 and

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(f) Geothermal energy and thermal energy networks have the potential to provide stable, predictable, and lower-cost energy for heating and cooling, and expanding access to geothermal and thermal energy resources can help reduce energy burdens for income-qualified households and improve energy affordability for Coloradans.

(2) Therefore, the general assembly declares that:

(a) It is the purpose of this act to reduce soft costs and legal ambiguity associated with thermal energy network deployment and industrial waste heat recovery by providing express statutory authority for these activities that otherwise lack clear legal pathways; and

(b) This act does not limit any authority that a local government already has under the local government's organic statute or other state law to provide thermal energy service; and

(c) This act does not create new state spending obligations or new regulatory mandates on existing or new regulatory bodies.

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SECTION 2. In Colorado Revised Statutes, **add** 29-1-208 as follows:

29-1-208. Local government thermal energy aggregation - contracting authority - revenue bonds - private operators - definitions.

(1) AS USED IN THIS SECTION, UNLESS THE CONTEXT OTHERWISE REQUIRES:

(a) "LOCAL GOVERNMENT" MEANS A STATUTORY OR HOME RULE CITY, TOWN, COUNTY, CITY AND COUNTY, OR SPECIAL DISTRICT.

(b) "PUBLIC UTILITIES COMMISSION" MEANS THE PUBLIC UTILITIES

1 COMMISSION CREATED IN SECTION 40-2-101.

2 (c) "THERMAL ENERGY" HAS THE MEANING SET FORTH IN SECTION
3 40-3.2-108 (2)(r).

4 (d) "THERMAL ENERGY NETWORK" HAS THE MEANING SET FORTH
5 IN SECTION 40-3.2-108 (2)(s).

6 (e) "THERMAL ENERGY SERVICE AGREEMENT" MEANS A CONTRACT
7 BETWEEN A LOCAL GOVERNMENT AND ONE OR MORE OTHER PARTIES FOR
8 THE PURCHASE, SALE, DELIVERY, OR CAPACITY RESERVATION OF THERMAL
9 ENERGY OR THERMAL ENERGY NETWORK SERVICE.

10 (2) (a) A LOCAL GOVERNMENT MAY AGGREGATE THERMAL
11 ENERGY DEMAND FOR BUILDINGS AND FACILITIES OWNED OR MANAGED BY
12 THE LOCAL GOVERNMENT WITH DEMAND FROM OTHER ENTITIES,
13 INCLUDING PRIVATE ENTITIES THAT ELECT TO PARTICIPATE IN THE
14 THERMAL ENERGY NETWORK.

15 (b) A LOCAL GOVERNMENT THAT AGGREGATES THERMAL ENERGY
16 DEMAND PURSUANT TO THIS SUBSECTION (2) IS NOT CONSIDERED A PUBLIC
17 UTILITY OR A MUNICIPAL UTILITY AND IS NOT SUBJECT TO REGULATION BY
18 THE PUBLIC UTILITIES COMMISSION.

19 (3) (a) A LOCAL GOVERNMENT MAY ENTER INTO THERMAL ENERGY
20 SERVICE AGREEMENTS FOR A TERM NOT TO EXCEED TWENTY-FIVE YEARS,
21 SUBJECT TO ANNUAL APPROPRIATION BY THE LOCAL GOVERNMENT.

22 (b) A LOCAL GOVERNMENT MAY ENTER INTO
23 INTERGOVERNMENTAL AGREEMENTS WITH OTHER LOCAL GOVERNMENTS
24 PURSUANT TO SECTION 29-1-203 FOR THE DEVELOPMENT, OPERATION, OR
25 FINANCING OF A THERMAL ENERGY NETWORK.

26 (c) A LOCAL GOVERNMENT MAY ENTER INTO A CONTRACT WITH A
27 PRIVATE ENTITY FOR THE DESIGN, CONSTRUCTION, OPERATION,

1 MAINTENANCE, OR MANAGEMENT OF A THERMAL ENERGY NETWORK ON
2 BEHALF OF THE LOCAL GOVERNMENT IF THE CONTRACT IS APPROVED BY
3 THE GOVERNING BODY OF THE LOCAL GOVERNMENT.

4 (4) A PRIVATE ENTITY, OTHER THAN AN ENTITY THAT IS A UTILITY
5 REGULATED BY THE PUBLIC UTILITIES COMMISSION OR AN AFFILIATE OF A
6 PUBLIC UTILITY, AS DEFINED IN SECTION 40-3-104.3 (4)(b), THAT
7 OPERATES, MAINTAINS, OR MANAGES A THERMAL ENERGY NETWORK ON
8 BEHALF OF A LOCAL GOVERNMENT IS NOT CONSIDERED A MUNICIPAL
9 UTILITY OR A PUBLIC UTILITY, AS DEFINED IN SECTION 40-1-103, AND IS
10 NOT SUBJECT TO REGULATION BY THE PUBLIC UTILITIES COMMISSION.

11 (5) (a) IF A LOCAL GOVERNMENT IS OTHERWISE AUTHORIZED BY
12 LAW TO ISSUE BONDS, THE LOCAL GOVERNMENT MAY ISSUE REVENUE
13 BONDS, GENERAL OBLIGATION BONDS, OR OTHER FINANCING MECHANISMS
14 AUTHORIZED BY LAW FOR THE PURPOSE OF FINANCING THE DESIGN,
15 CONSTRUCTION, ACQUISITION, OR IMPROVEMENT OF THERMAL ENERGY
16 NETWORK INFRASTRUCTURE, INCLUDING PIPES, INTERCONNECTIONS, HEAT
17 EXCHANGERS, GROUND-SOURCE LOOPS, CUSTOMER CONNECTIONS, AND
18 OTHER INFRASTRUCTURE RELATED TO THE DISTRIBUTION OF THERMAL
19 ENERGY.

20 (b) IF A LOCAL GOVERNMENT ISSUES BONDS PURSUANT TO THIS
21 SUBSECTION (5), THE BONDS MUST BE PAYABLE SOLELY FROM THE
22 REVENUE DERIVED FROM THE OPERATION OF THE THERMAL ENERGY
23 NETWORK AND DO NOT CONSTITUTE A GENERAL OBLIGATION OF THE
24 LOCAL GOVERNMENT.

25 (c) GENERAL OBLIGATION BONDS ISSUED PURSUANT TO THIS
26 SUBSECTION (5) ARE SUBJECT TO SECTION 20 OF ARTICLE X OF THE STATE
27 CONSTITUTION AND ALL OTHER APPLICABLE LAWS.

1 (d) NOTWITHSTANDING ANY OTHER PROVISION OF THIS SECTION,
2 NOTHING IN THIS SUBSECTION (5) SHALL BE CONSTRUED TO LIMIT,
3 RESTRICT, OR OTHERWISE IMPAIR THE BONDING, FINANCING, OR
4 CREDIT-RAISING AUTHORITY, OR ANY POWERS INCIDENTAL TO THAT
5 AUTHORITY, GRANTED TO A LOCAL GOVERNMENT BY ITS ORGANIC
6 STATUTE OR ANY OTHER PROVISION OF STATE LAW.

7 (6) A LOCAL GOVERNMENT MAY PROVIDE THERMAL ENERGY
8 SERVICE TO PARTICIPANTS LOCATED OUTSIDE THE JURISDICTIONAL
9 BOUNDARIES OF THE LOCAL GOVERNMENT IF:

10 (a) THE LOCAL GOVERNMENT HAS ENTERED INTO AN
11 INTERGOVERNMENTAL AGREEMENT IN ACCORDANCE WITH SECTION
12 29-1-203 WITH THE LOCAL GOVERNMENT IN WHICH THE PARTICIPANT
13 RECEIVING THE THERMAL ENERGY SERVICE IS LOCATED; OR

14 (b) THE LOCAL GOVERNMENT AND THE PARTICIPANT HAVE
15 ENTERED INTO A THERMAL ENERGY SERVICE AGREEMENT.

16 (7) THE PROVISION OF THERMAL ENERGY SERVICE IN ACCORDANCE
17 WITH THIS SECTION SHALL NOT BE CONSTRUED AS THE PROVISION OF
18 NATURAL GAS SERVICE AND DOES NOT CONSTITUTE A VIOLATION OF ANY
19 EXCLUSIVE FRANCHISE AGREEMENT FOR THE DISTRIBUTION OF NATURAL
20 GAS.

21 (8) A THERMAL ENERGY SERVICE AGREEMENT ENTERED INTO
22 PURSUANT TO THIS SECTION MAY BE SUBMITTED AS EVIDENCE OF
23 CUSTOMER DEMAND IN ANY PROCEEDING BEFORE THE PUBLIC UTILITIES
24 COMMISSION CONDUCTED PURSUANT TO SECTION 40-4-121.

25 (9) NOTHING IN THIS SECTION EXPANDS OR LIMITS THE AUTHORITY
26 OF THE PUBLIC UTILITIES COMMISSION OVER A PUBLIC UTILITY REGULATED
27 UNDER TITLE 40. EXCEPT AS EXPRESSLY PROVIDED IN THIS SECTION,

1 THERMAL ENERGY SYSTEMS AUTHORIZED PURSUANT TO THIS SECTION ARE
2 NOT REGULATED BY THE PUBLIC UTILITIES COMMISSION AND ARE
3 GOVERNED BY LOCAL GOVERNMENT CONTRACTING AUTHORITY.

4 **SECTION 3.** In Colorado Revised Statutes, **add** 30-11-134 as
5 follows:

6 **30-11-134. Thermal energy network agreements.**

7 A BOARD OF COUNTY COMMISSIONERS MAY ENTER INTO
8 AGREEMENTS WITH ONE OR MORE ENTITIES, INCLUDING OTHER LOCAL
9 GOVERNMENTAL ENTITIES, FOR THE PROVISION OF SERVICE FROM A
10 THERMAL ENERGY NETWORK IN ACCORDANCE WITH SECTION 40-4-121 (7)
11 OR 29-1-208.

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13 **SECTION 4.** In Colorado Revised Statutes, 31-15-713, **amend**
14 (1)(a) as follows:

15 **31-15-713. Power to sell public works - real property.**

16 (1) The governing body of each municipality has the power:

17 (a) To sell and dispose of waterworks, ditches, gasworks,
18 geothermal systems, solar systems, electric light works, THERMAL ENERGY
19 NETWORKS AS DEFINED IN SECTION 40-3.2-108 (2)(s), or other public
20 utilities, public buildings, real property used or held for park purposes, or
21 ~~any other~~ real property used or held for any governmental purpose. Before
22 any ~~such~~ sale is made, the question of ~~said~~ THE sale and the terms and
23 consideration ~~thereof~~ OF THE SALE shall be submitted at a regular or
24 special election and approved in the manner provided for authorization of
25 bonded indebtedness by section 31-15-302 (1)(d).

26 **SECTION 5.** In Colorado Revised Statutes, 31-15-901, **add**
27 (1)(e) as follows:

1 **31-15-901. Miscellaneous powers.**

2 (1) The governing body of each municipality has the power:

3 (e) TO ENTER INTO AGREEMENTS WITH ONE OR MORE ENTITIES,
4 INCLUDING OTHER LOCAL GOVERNMENTAL ENTITIES, FOR THE PROVISION
5 OF SERVICE FROM A THERMAL ENERGY NETWORK IN ACCORDANCE WITH
6 SECTION 40-4-121 (7).

7 **SECTION 6.** In Colorado Revised Statutes, 32-1-1001, **add**
8 (1)(p) as follows:

9 **32-1-1001. Common powers - definitions.**

10 (1) For and on behalf of the special district, the board has the
11 following powers:

12 (p) TO ENTER INTO AGREEMENTS WITH ONE OR MORE PARTIES,
13 INCLUDING OTHER LOCAL GOVERNMENTAL ENTITIES, FOR THE PROVISION
14 OF SERVICE FROM A THERMAL ENERGY NETWORK IN ACCORDANCE WITH
15 SECTION 40-4-121 (7) OR 29-1-208.

16 **SECTION 7.** In Colorado Revised Statutes, 34-60-106, **add**
17 **(2.5)(c) as follows:**

18 **34-60-106. Additional powers of commission - fees - rules -**
19 **definitions - repeal.**

20 **(2.5) (c) IN EXERCISING THE AUTHORITY GRANTED TO THE**
21 **COMMISSION PURSUANT TO THIS ARTICLE 60, THE COMMISSION SHALL NOT**
22 **CONDITION ANY APPROVAL OF OIL AND GAS OPERATIONS ON AN OPERATOR**
23 **AGREEING TO SUBJECT THE OPERATOR'S OIL AND GAS WELLS TO THE DATA**
24 **COLLECTION PROGRAM DESCRIBED IN SECTION 37-90.5-112.**

25 **SECTION 8.** In Colorado Revised Statutes, **add** 37-90.5-112 as
26 follows:

27 **37-90.5-112. Geothermal data collection - duties of commission**

1 **- gifts, grants, or donations - report - repeal.**

2 (1) (a) THE COMMISSION AND THE COLORADO GEOLOGICAL
3 SURVEY, ESTABLISHED IN SECTION 23-41-203, SHALL FACILITATE THE
4 COLLECTION OF DATA REGARDING GEOTHERMAL RESOURCES IN THE STATE.
5 IN CONSIDERATION OF AVAILABLE MONEY, THE COMMISSION AND THE
6 COLORADO GEOLOGICAL SURVEY MAY:

7 (I) COLLECT DATA TO INFORM THE ASSESSMENT OR DEVELOPMENT
8 OF GEOTHERMAL RESOURCES IN THE STATE;

9 (II) CONSIDER THE USE OF OIL AND GAS WELLS SCHEDULED TO BE
10 PLUGGED AND ABANDONED AS ORPHANED WELLS, AS DEFINED IN SECTION
11 34-60-133 (8)(f); MARGINAL WELLS, AS DEFINED IN SECTION 34-60-133
12 (8)(d.5); OR, WITH THE CONSENT OF THE OPERATOR, OTHER OIL AND GAS
13 WELLS IDENTIFIED BY AN OIL AND GAS OPERATOR;

14 (III) CONSIDER THE USE OF MONITORING AND OBSERVATION
15 WELLS, AS DEFINED IN SECTION 37-91-102 (10.5); TEST HOLES, AS DEFINED
16 IN SECTION 37-91-102 (15.7), AUTHORIZED BY THE STATE BOARD OF
17 EXAMINERS OF WATER WELL AND GROUND HEAT EXCHANGER
18 CONTRACTORS, CREATED IN SECTION 37-91-103; OR OTHER WELLS, AS
19 DEFINED IN SECTION 37-91-102 (16), IDENTIFIED BY THE STATE ENGINEER,
20 APPOINTED PURSUANT TO SECTION 37-80-101;

21 (IV) ASSESS BOTTOM-HOLE TEMPERATURES AND THERMAL
22 GRADIENTS FROM WELLS, AS DESCRIBED IN SUBSECTIONS (1)(a)(II) AND
23 (1)(a)(III) OF THIS SECTION;

24 (V) UTILIZE EXISTING INFRASTRUCTURE OR DRILL NEW WELLS FOR
25 DATA COLLECTION IF FUNDING IS AVAILABLE;

26 (VI) PRIORITIZE THE COLLECTION OF BOTTOM-HOLE
27 TEMPERATURES, THE MEASUREMENT AND EVALUATION OF THERMAL

1 GRADIENTS, AND THE COLLECTION OF OTHER RELEVANT DATA THAT
2 WOULD SUPPORT INCREASED UNDERSTANDING OF AVAILABLE
3 GEOTHERMAL RESOURCES OR THAT COULD FACILITATE OR INFORM:

4 (A) THE PRODUCTION OF GEOTHERMAL ENERGY;

5 (B) DRILLING OF RESERVOIR DEPTH RESOURCE EXPLORATION,
6 CHARACTERIZATION, OR CONFIRMATION WELLS TO GATHER ADDITIONAL
7 DATA AND INFORMATION;

8 (C) FIELD TESTS OR OTHER TESTS AT SITES WITH POTENTIAL FOR
9 HYDROTHERMAL, NEXT-GENERATION DEVELOPMENT, OR ELECTRIC POWER
10 GENERATION; OR

11 (D) THE DEPLOYMENT OF LOW-TEMPERATURE GEOTHERMAL
12 TECHNOLOGIES FOR HEATING, COOLING, OR OTHER DIRECT USES; AND

13 (VII) CONSIDER ANY ADDITIONAL RELEVANT DATA OR
14 INFORMATION, INCLUDING:

15 (A) DATA RELATED TO RESOURCES IN HOT DRY ROCK;

16 (B) TEMPERATURE AT DEPTH;

17 (C) INFORMATION RELATED TO SUBSURFACE PERMEABILITY AND
18 FRACTURE NETWORKS;

19 (D) DATA RELATED TO LOCAL STRESS REGIMES; AND

20 (E) THERMAL CONDUCTIVITY, THERMAL DIFFUSIVITY, AND
21 UNDISTURBED GROUND TEMPERATURE.

22 (b) THE DATA COLLECTION CONDUCTED PURSUANT TO THIS
23 SUBSECTION (1) MUST BE:

24 (I) CONDUCTED SUBJECT TO PRIVATE PROPERTY RIGHTS;

25 (II) CONDUCTED WITHOUT COMPELLING THE PUBLIC RELEASE OF
26 PROPRIETARY DATA WITHOUT THE CONSENT OF THE DATA OWNER;

27 (III) CONDUCTED WITHOUT INCREASING THE RISK OF ADVERSE

1 IMPACTS TO PUBLIC HEALTH, SAFETY, AND WELFARE, INCLUDING THE
2 ENVIRONMENT AND WILDLIFE RESOURCES;

3 (IV) CONDUCTED VOLUNTARILY WHEN DATA IS PROVIDED BY AN
4 ENTITY OTHER THAN THE COMMISSION OR THE COLORADO GEOLOGICAL
5 SURVEY; AND

6 (V) ORGANIZED IN A SEARCHABLE FORMAT THAT IS MADE
7 AVAILABLE AT NO COST TO THE PUBLIC.

8 (c) (I) THE COMMISSION AND THE COLORADO GEOLOGICAL SURVEY
9 MAY CONTRACT WITH THIRD-PARTY ENTITIES TO CONDUCT THE DATA
10 COLLECTION PURSUANT TO THIS SUBSECTION (1).

11 (II) THE COMMISSION MAY SEEK, ACCEPT, AND EXPEND GIFTS,
12 GRANTS, OR DONATIONS FROM PRIVATE OR PUBLIC SOURCES FOR THE
13 PURPOSES OF CONDUCTING THE DATA COLLECTION PURSUANT TO THIS
14 SUBSECTION (1).

15 (III) THE COMMISSION MAY EXPEND ANY MONEY APPROPRIATED
16 BY THE GENERAL ASSEMBLY FOR THE PURPOSES OF CONDUCTING THE DATA
17 COLLECTION PURSUANT TO THIS SUBSECTION (1).

18 (d) (I) THE COLLECTION OF DATA CONDUCTED PURSUANT TO THIS
19 SUBSECTION (1) IS CONTINGENT ON AVAILABLE APPROPRIATIONS OR GIFTS,
20 GRANTS, OR DONATIONS RECEIVED FOR THIS PURPOSE AND DOES NOT
21 IMPAIR THE COLORADO GEOLOGICAL SURVEY'S OBLIGATION TO FULFILL
22 EXISTING STATUTORY RESPONSIBILITIES. THE COLORADO GEOLOGICAL
23 SURVEY SHALL NOT REDUCE EXISTING COMMITMENTS OF MONEY MADE BY
24 THE COLORADO GEOLOGICAL SURVEY FROM THE SEVERANCE TAX
25 OPERATIONAL FUND, CREATED IN SECTION 39-29-109 (2)(b)(I), OR THE
26 GENERAL FUND TO CONDUCT THE DATA COLLECTION.

27 (II) THE COLLECTION OF DATA CONDUCTED PURSUANT TO THIS

1 SUBSECTION (1) IS CONTINGENT ON AVAILABLE APPROPRIATIONS OR GIFTS,
2 GRANTS, OR DONATIONS RECEIVED FOR THIS PURPOSE AND DOES NOT
3 IMPAIR THE COMMISSION'S OBLIGATION TO FULFILL EXISTING STATUTORY
4 OR REGULATORY RESPONSIBILITIES OR EXISTING PERMITTING AND
5 REGULATORY PROGRAMS. THE COMMISSION SHALL NOT REDUCE EXISTING
6 COMMITMENTS OF MONEY MADE BY THE COMMISSION FROM THE
7 SEVERANCE TAX OPERATIONAL FUND, CREATED IN SECTION 39-29-109
8 (2)(b)(I), OR THE GENERAL FUND TO CONDUCT THE DATA COLLECTION.

9 (2) (a) THE COMMISSION SHALL DEVELOP RECOMMENDATIONS TO
10 ENCOURAGE THE SAFE AND EFFECTIVE DEVELOPMENT OF GEOTHERMAL
11 RESOURCES IN THE STATE.

12 (b) (I) IN DEVELOPING THE RECOMMENDATIONS PURSUANT TO THIS
13 SUBSECTION (2), THE COMMISSION MAY CONSIDER MEASURES THAT
14 FACILITATE THE SAFE AND EFFECTIVE DEVELOPMENT OF GEOTHERMAL
15 RESOURCES, INCLUDING THE CREATION OF A GEOTHERMAL DEVELOPMENT
16 AUTHORITY.

17 (II) ANY RECOMMENDED GEOTHERMAL DEVELOPMENT AUTHORITY
18 MAY BE STRUCTURED TO FACILITATE PUBLIC-PRIVATE PARTNERSHIPS,
19 SECURE FEDERAL FUNDING, AND PROVIDE FINANCIAL RISK-MITIGATION
20 MECHANISMS FOR DEEP EXPLORATORY DRILLING AND ASSOCIATED
21 TRANSMISSION INFRASTRUCTURE OR FOR CONDUCTING THERMAL ENERGY
22 NETWORK STUDIES OR DEVELOPING A THERMAL ENERGY NETWORK. ANY
23 RECOMMENDED GEOTHERMAL DEVELOPMENT AUTHORITY MUST BE
24 NONREGULATORY IN NATURE.

25 (c) IN DEVELOPING THE RECOMMENDATIONS PURSUANT TO THIS
26 SUBSECTION (2), THE COMMISSION SHALL CONSULT WITH:

27 (I) STATE AGENCIES WITH SUBJECT MATTER EXPERTISE RELEVANT

1 TO THE RECOMMENDATIONS, INCLUDING:

2 (A) THE COLORADO GEOLOGICAL SURVEY;

3 (B) THE COLORADO ENERGY OFFICE CREATED IN SECTION
4 24-38.5-101;

5 (C) THE DIVISION OF WATER RESOURCES IN THE DEPARTMENT OF
6 NATURAL RESOURCES; AND

7 (D) THE COLORADO OFFICE OF ECONOMIC DEVELOPMENT CREATED
8 IN SECTION 24-48.5-101;

9 (II) STAKEHOLDERS WITH TECHNICAL OR ECONOMIC EXPERTISE
10 REGARDING THE DEVELOPMENT OF GEOTHERMAL RESOURCES, AS
11 DETERMINED BY THE COMMISSION; AND

12 (III) ANY OTHER PERSON THE COMMISSION DETERMINES
13 NECESSARY TO DEVELOP RECOMMENDATIONS FOR THE SAFE AND
14 EFFECTIVE DEVELOPMENT OF GEOTHERMAL RESOURCES IN THE STATE.

15 (3) ON OR BEFORE NOVEMBER 15, 2026, THE COMMISSION SHALL
16 SUBMIT A REPORT THAT SUMMARIZES THE RECOMMENDATIONS DEVELOPED
17 PURSUANT TO SUBSECTION (2) OF THIS SECTION TO THE HOUSE OF
18 REPRESENTATIVES ENERGY AND ENVIRONMENT COMMITTEE AND THE
19 SENATE TRANSPORTATION AND ENERGY COMMITTEE, OR THEIR SUCCESSOR
20 COMMITTEES.

21 (4) THIS SUBSECTION (4) AND SUBSECTIONS (2) AND (3) OF THIS
22 SECTION ARE REPEALED, EFFECTIVE SEPTEMBER 1, 2028.

23 **SECTION 9.** In Colorado Revised Statutes, 40-2-127.5, **amend**
24 (2)(a)(IV) as follows:

25 **40-2-127.5. Community energy funds - community geothermal**
26 **gardens - rules - legislative declaration - definitions - repeal.**

27 (2) **Definitions.** As used in this section, unless the context

1 otherwise requires, the definitions in section 40-2-124 apply, and:

2 (a) (IV) A community geothermal garden must have a ~~nameplate~~
3 ~~rating of five~~ NET ELECTRIC GENERATING CAPACITY OF TWENTY-FIVE
4 megawatts or less. ~~except that the commission may, in rules adopted~~
5 ~~pursuant to subsection (3)(b) of this section, approve the formation of a~~
6 ~~community geothermal garden with a nameplate rating of up to ten~~
7 ~~megawatts.~~

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9 **SECTION 10.** In Colorado Revised Statutes, **add** 40-2-140 as
10 follows:

11 **40-2-140. Geothermal energy development - small-scale**
12 **geothermal projects - large-scale geothermal projects - commission**
13 **duties - labor requirements - rules - definitions.**

14 (1) **Definitions.** AS USED IN THIS SECTION, UNLESS THE CONTEXT
15 OTHERWISE REQUIRES:

16 (a) "INVESTOR-OWNED ELECTRIC UTILITY" OR "UTILITY" MEANS AN
17 INVESTOR-OWNED UTILITY THAT PROVIDES RETAIL ELECTRIC SERVICE TO
18 CUSTOMERS IN THE STATE AND IS REGULATED BY THE COMMISSION.

19 (b) "LARGE-SCALE GEOTHERMAL PROJECT" MEANS A GEOTHERMAL
20 PROJECT OR GEOTHERMAL PROJECTS IDENTIFIED BY A UTILITY PURSUANT
21 TO SUBSECTION (3) OF THIS SECTION THAT INDIVIDUALLY OR IN
22 AGGREGATE PRODUCE MORE THAN TWENTY-FIVE MEGAWATTS OF
23 NAMEPLATE ELECTRIC GENERATING CAPACITY.

24 (c) "NET ELECTRIC GENERATING CAPACITY" MEANS THE MAXIMUM
25 CONTINUOUS ELECTRICAL OUTPUT, EXPRESSED IN MEGAWATTS, DELIVERED
26 TO THE TRANSMISSION OR DISTRIBUTION SYSTEM, EXCLUDING AUXILIARY
27 OR PARASITIC LOADS REQUIRED FOR ON-SITE PLANT OPERATIONS.

1 (d) "SMALL-SCALE GEOTHERMAL PROJECT" MEANS A GEOTHERMAL
2 PROJECT IDENTIFIED BY A UTILITY PURSUANT TO SUBSECTION (2) OF THIS
3 SECTION THAT PRODUCES TWENTY-FIVE MEGAWATTS OR LESS OF
4 NAMEPLATE ELECTRIC GENERATING CAPACITY.

5 (2) **Small-scale geothermal projects.**

6 (a) AN INVESTOR-OWNED ELECTRIC UTILITY SHALL IDENTIFY ONE
7 OR MORE POTENTIAL SMALL-SCALE GEOTHERMAL PROJECTS AT SPECIFIC
8 LOCATIONS OR AS COMMUNITY GEOTHERMAL GARDENS, AS DEFINED IN
9 SECTION 40-2-127.5 (2)(a).

10 (b) WHEN CONSIDERING THE DEVELOPMENT OF SMALL-SCALE
11 GEOTHERMAL PROJECTS, AN INVESTOR-OWNED ELECTRIC UTILITY SHALL
12 ISSUE A REQUEST FOR PROPOSALS TO SOLICIT PROPOSALS AND BIDS FOR
13 DEVELOPMENT OF SMALL-SCALE GEOTHERMAL PROJECTS THAT THE
14 UTILITY SHALL SUBMIT TO THE COMMISSION IN ACCORDANCE WITH
15 SUBSECTION (2)(c) OF THIS SECTION.

16 (c) NO LATER THAN ONE HUNDRED TWENTY DAYS AFTER AN
17 INVESTOR-OWNED ELECTRIC UTILITY CONCLUDES THE REQUEST FOR
18 PROPOSALS CONDUCTED IN ACCORDANCE WITH SUBSECTION (2)(b) OF THIS
19 SECTION, THE INVESTOR-OWNED ELECTRIC UTILITY SHALL SUBMIT AN
20 APPLICATION TO THE COMMISSION FOR THE DEVELOPMENT OF
21 SMALL-SCALE GEOTHERMAL PROJECTS IF THE UTILITY RECEIVES A BID IN
22 RESPONSE TO THE REQUEST FOR PROPOSALS SOLICITED IN ACCORDANCE
23 WITH THIS SUBSECTION (2). WHICH APPLICATION MUST INCLUDE:

24 (I) A DESCRIPTION OF THE SMALL-SCALE GEOTHERMAL PROJECT
25 AND WHETHER IT IS LOCATION SPECIFIC OR A COMMUNITY GEOTHERMAL
26 GARDEN;

27 (II) THE PROPOSED LOCATION OF THE SMALL-SCALE GEOTHERMAL

1 PROJECT;

2 (III) THE AMOUNT OF ELECTRICITY, MEASURED IN
3 MEGAWATT-HOURS, THAT WILL BE GENERATED FROM THE SMALL-SCALE
4 GEOTHERMAL PROJECT; AND

5 (IV) AN ESTIMATE OF THE PROJECTED TOTAL CAPITAL COST AND
6 OPERATING COST OF THE SMALL-SCALE GEOTHERMAL PROJECT AND THE
7 IMPACT THAT THE COST WILL HAVE ON THE UTILITY'S CUSTOMERS.

8 (d) THE COMMISSION SHALL APPROVE, CONDITIONALLY APPROVE,
9 DENY, OR MODIFY AN INVESTOR-OWNED ELECTRIC UTILITY'S APPLICATION
10 SUBMITTED PURSUANT TO THIS SUBSECTION (2) WITHIN ONE HUNDRED
11 TWENTY DAYS AFTER RECEIVING THE APPLICATION, OR WITHIN ONE
12 HUNDRED EIGHTY DAYS AFTER RECEIVING THE APPLICATION, FOR GOOD
13 CAUSE SHOWN.

14 (e) IN EVALUATING A SMALL-SCALE GEOTHERMAL PROJECT BID OR
15 PROPOSAL, THE COMMISSION SHALL EVALUATE THE BID OR PROPOSAL
16 SUBMITTED BY AN INVESTOR-OWNED ELECTRIC UTILITY BASED ON
17 FACTORS THAT INCLUDE:

18 (I) THE PROJECTED TOTAL CAPITAL AND OPERATING COST OF THE
19 SMALL-SCALE GEOTHERMAL PROJECT AND THE PROJECT'S IMPACT ON
20 RATEPAYERS IS REASONABLE IN CONSIDERATION OF GREENHOUSE GAS
21 EMISSION REDUCTIONS AND OTHER RELEVANT BENEFITS, INCLUDING
22 RESOURCE ADEQUACY NEEDS, LONG-TERM CAPACITY ACCREDITATION, THE
23 NEED FOR CLEAN FIRM GENERATION RESOURCES, AND ACHIEVING STATE
24 ENERGY POLICY GOALS, AS DETERMINED BY THE COMMISSION; AND

25 (II) THE DEVELOPMENT OF THE SMALL-SCALE GEOTHERMAL
26 PROJECT IS IN THE PUBLIC INTEREST.

27 (f) AS PART OF AN APPLICATION SUBMITTED TO THE COMMISSION

1 PURSUANT TO THIS SUBSECTION (2), THE INVESTOR-OWNED ELECTRIC
2 UTILITY SHALL REQUEST, AS APPROPRIATE:

3 (I) A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY;

4 (II) APPROVAL FOR ANY PROCUREMENT AGREEMENTS AND
5 ASSOCIATED COST RECOVERY BY THE INVESTOR-OWNED ELECTRIC
6 UTILITY; AND

7 (III) APPROVAL OF A RETURN ON INVESTED CAPITAL RECOVERY
8 APPROACH FOR ANY USED AND USEFUL PROJECT OWNED BY THE
9 INVESTOR-OWNED ELECTRIC UTILITY THAT IS DEVELOPED IN ACCORDANCE
10 WITH THIS SECTION.

11 (3) **Large-scale geothermal projects.**

12 (a) (I) WHEN CONSIDERING THE DEVELOPMENT OF LARGE-SCALE
13 GEOHERMAL PROJECTS, AN INVESTOR-OWNED ELECTRIC UTILITY SHALL
14 ISSUE A REQUEST FOR PROPOSALS TO SOLICIT PROPOSALS AND BIDS FOR
15 DEVELOPMENT OF LARGE-SCALE GEOHERMAL PROJECTS THAT THE
16 UTILITY SHALL SUBMIT TO THE COMMISSION IN ACCORDANCE WITH
17 SUBSECTION (3)(b) OF THIS SECTION.

18 (II) WHEN SOLICITING A REQUEST FOR PROPOSALS IN ACCORDANCE
19 WITH THIS SUBSECTION (3)(a), THE INVESTOR-OWNED ELECTRIC UTILITY
20 SHALL TARGET THE ACQUISITION OR DEVELOPMENT OF NO MORE THAN
21 THREE HUNDRED MEGAWATTS OF NAMEPLATE ELECTRIC GENERATING
22 CAPACITY FROM LARGE-SCALE GEOHERMAL PROJECTS.

23 (b) NO LATER THAN ONE HUNDRED TWENTY DAYS AFTER AN
24 INVESTOR-OWNED ELECTRIC UTILITY CONCLUDES THE REQUEST FOR
25 PROPOSALS CONDUCTED IN ACCORDANCE WITH SUBSECTION (3)(a) OF THIS
26 SECTION, THE INVESTOR-OWNED ELECTRIC UTILITY SHALL SUBMIT AN
27 APPLICATION TO THE COMMISSION FOR THE DEVELOPMENT OF

1 LARGE-SCALE GEOTHERMAL PROJECTS IF THE UTILITY RECEIVES A BID IN
2 RESPONSE TO THE REQUEST FOR PROPOSALS SOLICITED IN ACCORDANCE
3 WITH THIS SUBSECTION (3). WHICH APPLICATION MUST INCLUDE:

4 (I) A DESCRIPTION OF THE LARGE-SCALE GEOTHERMAL PROJECT
5 AND WHETHER IT IS A SINGLE PROJECT OR AN AGGREGATE OF MULTIPLE
6 GEOTHERMAL PROJECTS;

7 (II) THE PROPOSED LOCATION OR LOCATIONS OF THE LARGE-SCALE
8 GEOTHERMAL PROJECT;

9 (III) THE TOTAL AMOUNT OF ELECTRICITY, MEASURED IN
10 MEGAWATT-HOURS, THAT WILL BE GENERATED FROM THE LARGE-SCALE
11 GEOTHERMAL PROJECT AND THE ACCREDITED CAPACITY ASSOCIATED WITH
12 THE PROJECT OR PROJECTS;

13 (IV) AN ESTIMATE OF THE PROJECTED TOTAL CAPITAL COST AND
14 OPERATING COST OF THE LARGE-SCALE GEOTHERMAL PROJECT AND THE
15 IMPACT THAT THE COST WILL HAVE ON THE UTILITY'S CUSTOMERS;

16 (V) THE PROPOSED OWNERSHIP STRUCTURE FOR THE LARGE-SCALE
17 GEOTHERMAL PROJECTS, WHICH MAY INCLUDE FULL OR PARTIAL BUILD
18 TRANSFER OWNERSHIP STRUCTURES, JOINT VENTURES, OR INDEPENDENT
19 POWER PRODUCTION OWNERSHIP STRUCTURES WITH A POWER PURCHASE
20 AGREEMENT; AND

21 (VI) A DESCRIPTION OF ANY SPECIFIC CUSTOMER OR GROUP OF
22 CUSTOMERS THAT THE INVESTOR-OWNED ELECTRIC UTILITY MAY PARTNER
23 WITH TO SUPPORT THE DEVELOPMENT OF A LARGE-SCALE GEOTHERMAL
24 PROJECT IN ACCORDANCE WITH SUBSECTION (3)(d) OF THIS SECTION.

25 (c) THE COMMISSION SHALL APPROVE, CONDITIONALLY APPROVE,
26 DENY, OR MODIFY AN INVESTOR-OWNED ELECTRIC UTILITY'S APPLICATION
27 SUBMITTED PURSUANT TO THIS SUBSECTION (3) WITHIN ONE HUNDRED

1 TWENTY DAYS AFTER RECEIVING THE APPLICATION, OR WITHIN ONE
2 HUNDRED EIGHTY DAYS AFTER RECEIVING THE APPLICATION, FOR GOOD
3 CAUSE SHOWN. ==

4 (d) IN EVALUATING A LARGE-SCALE GEOTHERMAL PROJECT BID OR
5 PROPOSAL, THE COMMISSION SHALL EVALUATE THE BID OR PROPOSAL
6 SUBMITTED BY AN INVESTOR-OWNED ELECTRIC UTILITY BASED ON
7 WHETHER:

8 (I) THE PROJECTED TOTAL CAPITAL AND OPERATING COST OF THE
9 LARGE-SCALE GEOTHERMAL PROJECT AND THE PROJECT'S IMPACT ON
10 RATEPAYERS IS REASONABLE IN CONSIDERATION OF RELIABILITY,
11 GREENHOUSE GAS EMISSION REDUCTIONS, AND OTHER RELEVANT
12 BENEFITS, INCLUDING RESOURCE ADEQUACY NEEDS, LONG-TERM
13 CAPACITY ACCREDITATION, THE NEED FOR CLEAN FIRM GENERATION
14 RESOURCES TO MAKE PROGRESS TOWARD THE ECONOMY-WIDE GOAL OF
15 NET-ZERO EMISSIONS BY 2050, AND ACHIEVING STATE ENERGY POLICY
16 GOALS, AS DETERMINED BY THE COMMISSION; AND

17 (II) THE DEVELOPMENT OF THE LARGE-SCALE GEOTHERMAL
18 PROJECT IS IN THE PUBLIC INTEREST.

19 (e) AS PART OF AN APPLICATION SUBMITTED TO THE COMMISSION
20 PURSUANT TO THIS SUBSECTION (3), THE INVESTOR-OWNED ELECTRIC
21 UTILITY MAY REQUEST, TO THE EXTENT NECESSARY:

22 (I) A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY;

23 (II) APPROVAL FOR ANY PROCUREMENT AGREEMENTS AND
24 ASSOCIATED COST RECOVERY BY THE INVESTOR-OWNED ELECTRIC
25 UTILITY; AND

26 (III) APPROVAL OF A RETURN ON INVESTED CAPITAL RECOVERY
27 APPROACH FOR ANY PROJECT OWNED BY THE INVESTOR-OWNED ELECTRIC

1 UTILITY THAT IS DEVELOPED IN ACCORDANCE WITH THIS SECTION.

2 (f) AN INVESTOR-OWNED ELECTRIC UTILITY MAY ONLY SUBMIT
3 ONE APPLICATION TO THE COMMISSION PURSUANT TO THIS SUBSECTION (3).

4 AN INVESTOR-OWNED ELECTRIC UTILITY SHALL USE THE EXPERIENCE
5 FROM CONDUCTING THE SOLICITATION AND SUBMITTING AN APPLICATION
6 PURSUANT TO THIS SUBSECTION (3) TO INFORM THE UTILITY'S APPROACH
7 IN FUTURE ELECTRIC RESOURCE PLAN PROCEEDINGS RELATED TO
8 GEOTHERMAL ENERGY DEVELOPMENT AND OTHER CLEAN FIRM
9 TECHNOLOGIES.

10 (4) Labor requirements. A SMALL-SCALE GEOTHERMAL PROJECT
11 OR A LARGE-SCALE GEOTHERMAL PROJECT AUTHORIZED PURSUANT TO
12 THIS SECTION THAT IS CONSIDERED AN ENERGY SECTOR PUBLIC WORKS
13 PROJECT, AS DEFINED IN SECTION 24-92-303 (5), MUST COMPLY WITH:

14 (a) THE PREVAILING WAGE REQUIREMENTS IN PART 2 OF ARTICLE
15 92 OF TITLE 24;

16 (b) THE APPRENTICESHIP UTILIZATION REQUIREMENTS IN SECTION
17 24-92-115 (7); AND

18 (c) THE LABOR REQUIREMENTS IN PART 3 OF ARTICLE 92 OF TITLE
19 24.

20 == ==

21 (5) **Rules.** THE COMMISSION MAY ADOPT ANY RULES NECESSARY
22 TO IMPLEMENT AND ENFORCE THIS SECTION.

23 **SECTION 11.** In Colorado Revised Statutes, 40-4-121, **add**
24 (1)(e.5) and (7) as follows:

25 **40-4-121. Thermal energy network projects - pilot program**
26 **for large gas utilities - application - commission proceeding -**
27 **reporting - thermal energy network for local governments -**

1 **definitions.**

2 (1) As used in this section, unless the context otherwise requires:

3 (e.5) "SPECIAL DISTRICT" HAS THE MEANING SET FORTH IN SECTION
4 32-1-103 (20).

5 (7) A LOCAL GOVERNMENT OR A SPECIAL DISTRICT MAY
6 AGGREGATE THERMAL ENERGY DEMAND FOR THE PURPOSE OF
7 FACILITATING SERVICE FROM A THERMAL ENERGY NETWORK IN
8 ACCORDANCE WITH SECTION 29-1-208.

9 **SECTION 12. Act subject to petition - effective date.** This act
10 takes effect at 12:01 a.m. on the day following the expiration of the
11 ninety-day period after final adjournment of the general assembly (August
12 12, 2026, if adjournment sine die is on May 13, 2026); except that, if a
13 referendum petition is filed pursuant to section 1 (3) of article V of the
14 state constitution against this act or an item, section, or part of this act
15 within such period, then the act, item, section, or part will not take effect
16 unless approved by the people at the general election to be held in
17 November 2026 and, in such case, will take effect on the date of the
18 official declaration of the vote thereon by the governor.