



Legislative Council Staff
Nonpartisan Services for Colorado's Legislature

Final Fiscal Note

Drafting Number: LLS 23-0601 Date: August 10, 2023
Prime Sponsors: Rep. Lieder; Kipp Bill Status: Signed into Law
Sen. Exum; Hansen Fiscal Analyst: Matt Bishop | 303-866-4796
matt.bishop@coleg.gov

Bill Topic: THERMAL ENERGY

- Summary of Fiscal Impact:
- State Revenue
- State Expenditure
- State Transfer
- TABOR Refund
- Local Government
- Statutory Public Entity

The bill makes various changes regarding the use of geothermal energy. It increases state expenditures beginning in FY 2023-24.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: The fiscal note reflects the enacted bill.

Table 1
State Fiscal Impacts Under HB 23-1252

Table with 4 columns: Category, Sub-category, Budget Year FY 2023-24, and Out Year FY 2024-25. Rows include Revenue, Expenditures (General Fund, Cash Funds, Centrally Appropriated, Total Expenditures, Total FTE), Transfers, and Other Budget Impacts (General Fund Reserve).

Summary of Legislation

The bill addresses geothermal energy usage by expanding an existing grant program, creating requirements for thermal energy networks, and repealing the Geothermal Heat Suppliers Act.

Grant program eligibility. The existing Geothermal Energy Grant Program, created by House Bill 22-1381 and administered by the Colorado Energy Office, may award grants for heating and cooling systems in certain new construction projects, multi-building thermal projects, or geothermal electricity generation projects. The bill expands the grant program to include heating and cooling systems that retrofit an existing building and studies that include the utilization of direct air capture technology.

Thermal energy networks. The bill defines thermal energy networks as systems that supply multiple buildings with heating and cooling or water heating systems and that reduce greenhouse gas emissions. The bill requires Clean Heat Plans to demonstrate that these networks comply with existing permitting requirements for the production of geothermal fluid.

In addition, a gas utility that seeks to offer a thermal energy network must apply separately to the Public Utilities Commission (PUC) from its Clean Heat Plan. By September 1, 2024, any gas utility serving at least 500,000 customers must submit at least one pilot program to provide thermal energy service serving a disproportionately impacted community, a mountain community, or a utility service area that is capacity-constrained. The bill requires that any such project undertaken by a utility's pilot program, a state agency, or a state institution of higher education complies with existing apprenticeship and prevailing wage requirements.

By January 1, 2025, the PUC must initiate a proceeding to determine whether any changes to rules or state law are required to facilitate the development of thermal energy, taking into consideration appropriate utility ownership models, rate structures, and the impact on the utility workforce.

Geothermal Heat Suppliers Act. The bill repeals the requirement that geothermal heat suppliers obtain operating permits from the PUC.

State Expenditures

The bill increases state expenditures, mainly in DORA, by \$423,313 in FY 2024-25 only, paid from the Fixed Utility Fund and the General Fund. The bill may minimally impact state expenditures in other state agencies beginning in FY 2023-24. Expenditures are shown in Table 2 and detailed below.

Table 2
Expenditures Under HB 23-1252

	FY 2023-24	FY 2024-25
Department of Regulatory Agencies		
Personal Services	-	\$178,210
Operating Expenses	-	\$2,700
Capital Outlay Costs	-	\$13,340
Legal Services	-	\$150,680
Centrally Appropriated Costs ¹	-	\$38,730
FTE – Personal Services	-	2.0 FTE
FTE – Legal Services	-	0.8 FTE
DORA Subtotal	-	\$383,660
Colorado Energy Office		
Legal Services	-	\$39,653
FTE – Legal Services	-	0.2 FTE
CEO Subtotal	-	\$39,653
Total	-	\$423,313
Total FTE	-	3.0 FTE

¹ Centrally appropriated costs are not included in the bill's appropriation.

Department of Regulatory Agencies. The PUC requires additional staff in FY 2024-25 only to review one application for a thermal energy pilot program. These expenditures are paid from the Fixed Utility Fund.

- **Staff.** Based on the bill’s deadlines, the application is expected to occur outside the regular cycle for Clean Heat Plans, requiring 2.0 FTE to review the application, resolve any disputes, and advise the commission. Standard operating and capital outlay costs are included.
- **Legal services.** DORA will require 1,425 hours of legal services for rulemaking and representation during application review, which is expected to require a hearing. Legal services are provided by the Department of Law at a rate of \$105.74 per hour.

Colorado Energy Office. The bill increases workload by expanding the grant program and to participate in the pilot program application proceedings. These expenditures are paid from the General Fund.

- **Grant program.** Expanding eligibility for the Geothermal Energy Grant Program may result in the receipt of additional applications, increasing workload. This workload can be accomplished within existing appropriations.

- **Legal services.** The office has the authority to intervene in PUC proceedings that affect energy issues. It is expected to participate in the pilot program application process in FY 2024-25. This is expected to require 375 hours of legal services representation from the Department of Law.

Department of Public Health and Environment. To the extent that utilities include thermal energy networks in future Clean Heat Plans, which are reviewed by the department, workload may increase. This can be accomplished during the normal course of business.

Department of Labor and Employment. Workload may increase beginning in FY 2023-24 to respond to inquiries about the new labor requirements for thermal energy projects and to update public guidance. This can be accomplished within existing appropriations.

Capital construction. Expenditures will increase for thermal energy network projects undertaken by state agencies or state institutions of higher education if those projects were not otherwise required to comply with apprenticeship and prevailing wage requirements. Any increase in project costs will be incorporated into the entity's future budget requests.

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 include employee insurance and supplemental employee retirement payments, are shown in Table 2.

Other Budget Impacts

General Fund reserve. Under current law, an amount equal to 15 percent of General Fund appropriations must be set aside in the General Fund statutory reserve. Based on this fiscal note, the bill is expected to increase the amount of General Fund held in reserve by the amounts shown in Table 1, decreasing the amount of General Fund available for other purposes.

Effective Date

The bill was signed into law by the Governor on May 11, 2023, and it took effect on August 7, 2023.

State and Local Government Contacts

Colorado Energy Office	Information Technology	Labor
Law	Personnel	Public Health and Environment
Regulatory Agencies		