

First Regular Session  
Seventy-third General Assembly  
STATE OF COLORADO

INTRODUCED

LLS NO. 21-0989.01 Thomas Morris x4218

SENATE BILL 21-264

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SENATE SPONSORSHIP

Hansen and Coram,

HOUSE SPONSORSHIP

(None),

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Senate Committees  
Transportation & Energy

House Committees

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A BILL FOR AN ACT

101 CONCERNING THE ADOPTION OF PROGRAMS BY GAS UTILITIES TO  
102 REDUCE GREENHOUSE GAS EMISSIONS.

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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>.)*

**Section 1** of the bill defines a "gas distribution utility" (GDU) as a gas public utility with more than 90,000 retail customers. The bill requires each GDU to file a clean heat plan (plan) with the public utilities commission (PUC). A plan must demonstrate how the GDU will use clean heat resources to meet clean heat targets (targets) established in the bill. The targets are a 5% reduction below 2015 greenhouse gas (GHG)

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

emission levels by 2025 and 20% below 2015 GHG emission levels by 2030. Section 1 makes a legislative finding that meeting these targets will facilitate the electric generating utility sector's compliance with the state's GHG emission reduction goals by reducing GDUs' carbon dioxide and methane emissions.

A plan may use qualified offsets as one method to meet the targets. A GDU that uses only clean heat resources in its plan to meet the targets is not subject to any other GHG emission reduction requirements during the 5-year period covered by the plan. If a GDU does not file a plan, the air quality control commission (AQCC) will adopt rules to require the GDU to meet a 30% GHG emission reduction by 2035 when compared to 2015 levels.

The PUC will initiate a rule-making proceeding by August 1, 2021, to adopt rules that establish a cost cap for each GDU's compliance with its plan. The cost cap is 2% of gas bills for all of a GDU's full-service customers. A plan that costs equal to or less than the cost cap and uses clean heat resources to the maximum practicable extent need not meet the targets. A plan that uses only clean heat resources and meets the targets need not comply with the cost cap. The PUC is directed to approve a plan if the PUC finds that doing so is in the public interest.

A municipal GDU must file a plan that demonstrates a 20% GHG emission reduction by 2030 compared with 2015 levels. Small GDUs may file a plan, which is subject to the cost cap and must contain its own targets.

**Section 2** requires the AQCC to initiate a rule-making proceeding by January 1, 2022, to define qualified offsets that plans may use to meet a target. The AQCC will start another rule-making proceeding by January 1, 2029, to determine mass-based GHG emission reduction goals for plans for 2035, 2040, 2045, and 2050.

**Section 3** gives the oil and gas conservation commission authority over class VI injection wells used for sequestration of GHG, including through the issuance of permits.

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

2 **SECTION 1.** In Colorado Revised Statutes, **add** 40-3.2-107 as  
3 follows:

4 **40-3.2-107. Clean heat targets - legislative declaration -**  
5 **definitions - plans - rules - reports. (1) Legislative declaration.** THE

6 GENERAL ASSEMBLY HEREBY:

7 (a) FINDS THAT:

1 (I) IN ORDER TO ACHIEVE COLORADO'S SCIENCE-BASED  
2 GREENHOUSE GAS EMISSION REDUCTION GOALS AND MAINTAIN A  
3 HEALTHY, LIVABLE CLIMATE FOR COLORADANS, COLORADO MUST REDUCE  
4 GREENHOUSE GAS POLLUTION FROM ALL SECTORS OF THE ECONOMY,  
5 INCLUDING THE BUILT ENVIRONMENT;

6 (II) A SIGNIFICANT SOURCE OF GREENHOUSE GAS POLLUTION FROM  
7 THE BUILT ENVIRONMENT COMES FROM THE USE OF GEOLOGICAL GAS TO  
8 HEAT COLORADO'S HOMES AND BUSINESSES AND TO HEAT WATER IN THOSE  
9 BUILDINGS, FROM THE USE OF GEOLOGICAL GAS IN COMMERCIAL AND  
10 INDUSTRIAL PROCESSES, AND FROM GAS LEAKS IN THE SUPPLY CHAIN;

11 (III) IMPROVING THE ENERGY EFFICIENCY OF COLORADO'S  
12 BUILDINGS WILL REDUCE POLLUTION, IMPROVE COMFORT AND SAFETY,  
13 PROVIDE MORE RESILIENCE DURING WEATHER EXTREMES, AND REDUCE  
14 CONSUMER COSTS FOR HEATING AND COOLING HOMES AND BUSINESSES;  
15 AND

16 (IV) REDUCING THE CARBON INTENSITY OF GAS DELIVERED BY  
17 UTILITIES AND SWITCHING FROM GAS SPACE AND WATER HEATING TO  
18 HIGH-EFFICIENCY ELECTRIC HEATING WILL REDUCE GREENHOUSE GAS  
19 POLLUTION, ENSURE THAT COLORADO MAKES PROGRESS TOWARD ITS  
20 CLIMATE GOALS, AND LEAD TO IMPROVED INDOOR AIR QUALITY;

21 (b) DETERMINES THAT:

22 (I) THERE IS SIGNIFICANT POTENTIAL TO REDUCE EMISSIONS OF  
23 METHANE FROM ACTIVE AND INACTIVE COAL MINES, LANDFILLS,  
24 WASTEWATER TREATMENT PLANTS, AGRICULTURAL OPERATIONS, AND  
25 OTHER SOURCES OF METHANE POLLUTION THROUGH DEVELOPMENT OF  
26 METHANE RECOVERY AND BIOMETHANE PROJECTS, AND THERE ARE ALSO  
27 SIGNIFICANT ECONOMIC DEVELOPMENT OPPORTUNITIES, ESPECIALLY IN

1 RURAL COLORADO, FROM DEVELOPMENT OF THIS RESOURCE;

2 (II) GREEN AND BLUE HYDROGEN HAVE THE POTENTIAL TO BE  
3 ZERO- OR VERY LOW-CARBON SOURCES OF ENERGY FOR USE IN A VARIETY  
4 OF SECTORS, INCLUDING HIGH-HEAT INDUSTRIAL APPLICATIONS,  
5 ZERO-CARBON ELECTRICITY GENERATION, AND THE GAS DISTRIBUTION  
6 SYSTEM; AND

7 (III) THE DEVELOPMENT OF HYDROGEN PROJECTS IN COLORADO  
8 HAS THE POTENTIAL TO LOWER COSTS, CONTRIBUTE TO ECONOMIES OF  
9 SCALE, AND BRING ECONOMIC DEVELOPMENT OPPORTUNITIES; AND

10 (c) DECLARES THAT:

11 (I) THE GENERAL ASSEMBLY'S INTENT IN ENACTING THIS SECTION  
12 IS TO IMPLEMENT A PERFORMANCE STANDARD THAT WILL ALLOW  
13 COLORADO GAS UTILITIES TO USE AVAILABLE TOOLS, INCLUDING ENERGY  
14 EFFICIENCY, BIOMETHANE, HYDROGEN, RECOVERED METHANE, BENEFICIAL  
15 ELECTRIFICATION OF CUSTOMER END USES, LEAK REDUCTION ON THE  
16 UTILITY DISTRIBUTION SYSTEM THAT EXCEEDS STATE AND FEDERAL  
17 REQUIREMENTS AND IS PART OF AN APPROVED SYSTEM INTEGRITY PLAN,  
18 AND OTHER MEASURES TO ACHIEVE GREENHOUSE GAS EMISSION  
19 REDUCTION GOALS IN A MANNER THAT MAXIMIZES EMISSION REDUCTIONS,  
20 COST-EFFECTIVENESS, AND EQUITY WHILE ALSO REQUIRING GAS UTILITIES  
21 TO ACHIEVE THE STATE'S EMISSION REDUCTION GOALS AND MINIMIZING  
22 RISK OF STRANDED ASSETS;

23 (II) COLORADO IS FOCUSED ON A TRANSITION TO A DECARBONIZED  
24 ECONOMY THAT RECOGNIZES THE HISTORIC INJUSTICES THAT IMPACT  
25 LOWER-INCOME COLORADANS AND BLACK, INDIGENOUS, AND OTHER  
26 PEOPLE OF COLOR WHO HAVE BORNE A DISPROPORTIONATE SHARE OF  
27 ENVIRONMENTAL RISKS WHILE ALSO ENJOYING FEWER ENVIRONMENTAL

1 BENEFITS;

2 (III) THE COMMISSION MUST MAXIMIZE GREENHOUSE GAS  
3 EMISSION REDUCTIONS AND BENEFITS TO CUSTOMERS, WITH PARTICULAR  
4 ATTENTION TO RESIDENTIAL CUSTOMERS WHO PARTICIPATE IN  
5 INCOME-QUALIFIED PROGRAMS, WHILE MANAGING COSTS AND RISKS TO  
6 CUSTOMERS, INCLUDING STRANDED ASSET COST RISKS, AND IN A MANNER  
7 THAT SUPPORTS FAMILY-SUSTAINING JOBS; AND

8 (IV) DECARBONIZING COLORADO'S HOMES AND BUSINESSES WILL  
9 REQUIRE INVESTMENTS IN BUILDING AND EQUIPMENT UPGRADES, CLEAN  
10 FUEL PROJECTS, AND INFRASTRUCTURE UPGRADES.

11 (2) **Definitions.** AS USED IN THIS SECTION, UNLESS THE CONTEXT  
12 OTHERWISE REQUIRES:

13 (a) "BIOMETHANE":

14 (I) MEANS A MIXTURE OF CARBON DIOXIDE AND HYDROCARBONS  
15 RELEASED FROM THE BIOLOGICAL DECOMPOSITION OF ORGANIC  
16 MATERIALS THAT IS PRIMARILY METHANE AND PROVIDES A NET  
17 REDUCTION IN GREENHOUSE GAS EMISSIONS; AND

18 (II) INCLUDES BIOMETHANE RECOVERED FROM MANURE  
19 MANAGEMENT SYSTEMS OR ANAEROBIC DIGESTERS THAT HAS BEEN  
20 PROCESSED TO MEET PIPELINE QUALITY.

21 (b) "BLUE HYDROGEN" MEANS HYDROGEN DERIVED FROM  
22 BIOMETHANE OR GEOLOGICAL GAS PAIRED WITH A PROCESS TO CAPTURE  
23 AND SEQUESTER ASSOCIATED CARBON DIOXIDE EMISSIONS.

24 (c) "CLEAN HEAT PLAN" MEANS A COMPREHENSIVE PLAN  
25 SUBMITTED BY A GAS DISTRIBUTION UTILITY OR MUNICIPAL GAS  
26 DISTRIBUTION UTILITY THAT DEMONSTRATES PROJECTED REDUCTIONS IN  
27 METHANE AND CARBON DIOXIDE EMISSIONS MEASURED IN CARBON

1 DIOXIDE EQUIVALENT THAT MEETS THE REDUCTIONS REQUIRED IN THIS  
2 SECTION AND ALIGNS WITH COLORADO'S GREENHOUSE GAS EMISSION  
3 REDUCTION GOALS ESTABLISHED IN SECTION 25-7-102 (2)(g) AT THE  
4 LOWEST REASONABLE COST. AS USED IN THIS SUBSECTION (2)(c), "LOWEST  
5 REASONABLE COST" MEANS A REASONABLE-COST MIX OF CLEAN HEAT  
6 RESOURCES THAT MEET CLEAN HEAT TARGETS ESTABLISHED PURSUANT TO  
7 THIS SECTION AS DETERMINED THROUGH A DETAILED ANALYSIS OF  
8 AVAILABLE TECHNOLOGIES AND INCLUDES RESOURCE COSTS, MARKET  
9 VOLATILITY RISKS, RISKS TO RATEPAYERS, SYSTEMS OPERATIONS COSTS,  
10 INFRASTRUCTURE COSTS, ENVIRONMENTAL JUSTICE GOALS, THE SOCIAL  
11 COST OF CARBON, AND THE SOCIAL COST OF METHANE IN COMPARING THE  
12 COSTS AND BENEFITS OF ALTERNATIVES, AND OTHER COSTS AND BENEFITS  
13 AS DETERMINED BY THE COMMISSION.

14 (d) "CLEAN HEAT RESOURCE" MEANS ANY ONE OR A COMBINATION  
15 OF:

16 (I) GAS DEMAND-SIDE MANAGEMENT PROGRAMS AS DEFINED IN  
17 SECTION 40-1-102 (6);

18 (II) RECOVERED METHANE;

19 (III) GREEN OR BLUE HYDROGEN;

20 (IV) BENEFICIAL ELECTRIFICATION AS DEFINED IN SECTION  
21 40-3.2-106 (6)(a);

22 (V) COAL MINE METHANE AS DEFINED IN SECTION 40-2-124  
23 (1)(a)(II);

24 (VI) PYROLYSIS OF TIRES AS DEFINED IN SECTION 30-20-1402 (8);

25 (VII) METHANE EMISSION REDUCTION ON THE GAS DISTRIBUTION  
26 SYSTEM ATTRIBUTABLE TO AN APPROVED UTILITY SAFETY OR INTEGRITY  
27 PLAN;

1 (VIII) LEAK REDUCTIONS FROM THE DISTRIBUTION PIPELINE  
2 SYSTEM THAT EXCEED STATE AND FEDERAL REQUIREMENTS; AND

3 (IX) ANY TECHNOLOGY THAT THE COMMISSION FINDS IS  
4 COST-EFFECTIVE AND REDUCES GREENHOUSE GAS EMISSIONS ASSOCIATED  
5 WITH THE DISTRIBUTION PIPELINE SYSTEM OR THE COMBUSTION OF GAS IN  
6 CUSTOMER END USES. TO QUALIFY AS A CLEAN HEAT RESOURCE, ALL  
7 CREDITS OR SEVERABLE, TRADABLE MECHANISMS REPRESENTING THE  
8 EMISSION REDUCTION ATTRIBUTES OF THE CLEAN HEAT RESOURCE MUST  
9 BE RETIRED IN THE YEAR GENERATED AND MAY NOT BE SOLD.

10 (e) "COST CAP" MEANS A MAXIMUM COST IMPACT ESTABLISHED  
11 PURSUANT TO SUBSECTION (6)(a)(I) OF THIS SECTION FOR COMPLIANCE  
12 WITH A CLEAN HEAT TARGET.

13 (f) "DIVISION" MEANS THE DIVISION OF ADMINISTRATION CREATED  
14 BY SECTION 25-1-102 (2)(a) IN THE DEPARTMENT OF PUBLIC HEALTH AND  
15 ENVIRONMENT.

16 (g) "GAS" MEANS GEOLOGICAL GAS, HYDROGEN, AND RECOVERED  
17 METHANE.

18 (h) "GAS DISTRIBUTION UTILITY" MEANS A PUBLIC UTILITY  
19 PROVIDING GAS SERVICE TO MORE THAN NINETY THOUSAND RETAIL  
20 CUSTOMERS. "GAS DISTRIBUTION UTILITY" DOES NOT INCLUDE A  
21 MUNICIPAL GAS DISTRIBUTION UTILITY.

22 (i) "GEOLOGICAL GAS" MEANS METHANE AND OTHER  
23 HYDROCARBONS THAT OCCUR UNDERGROUND WITHOUT HUMAN  
24 INTERVENTION AND ARE USED AS FUEL.

25 (j) "GREENHOUSE GAS" HAS THE MEANING SET FORTH IN SECTION  
26 25-7-140 (6), MEASURED IN TERMS OF CARBON DIOXIDE EQUIVALENT  
27 USING THE ONE-HUNDRED-YEAR GLOBAL WARMING POTENTIAL IN THE

1 MOST RECENT ASSESSMENT REPORT OF THE INTERGOVERNMENTAL PANEL  
2 ON CLIMATE CHANGE.

3 (k) "GREEN HYDROGEN" MEANS HYDROGEN DERIVED FROM A  
4 CLEAN ENERGY RESOURCE AS DEFINED IN SECTION 40-2-125.5 (2)(b) THAT  
5 USES WATER AS THE SOURCE OF THE HYDROGEN.

6 (l) "INNOVATIVE TECHNOLOGY" MEANS A TECHNOLOGY THAT,  
7 ALONE OR IN COMBINATION WITH OTHER TECHNOLOGIES, IS  
8 GREENHOUSE-GAS-NEUTRAL OR ACHIEVES A NET REDUCTION IN  
9 GREENHOUSE GAS EMISSIONS AND THAT HAS NOT BEEN DEPLOYED WIDELY  
10 IN THE UNITED STATES.

11 (m) "MUNICIPAL GAS DISTRIBUTION UTILITY" MEANS A  
12 MUNICIPALLY OWNED UTILITY THAT PROVIDES GAS SERVICE TO MORE  
13 THAN NINETY THOUSAND CUSTOMERS.

14 (n) "PYROLYSIS" HAS THE MEANING SET FORTH IN SECTION  
15 40-2-124 (1)(a)(V).

16 (o) "QUALIFIED OFFSET" MEANS A GREENHOUSE GAS EMISSION  
17 REDUCTION OFFSET AS DETERMINED BY THE AIR QUALITY CONTROL  
18 COMMISSION PURSUANT TO SECTION 25-7-105 (1)(e)(XIV).

19 (p) "RECOVERED METHANE" MEANS ANY OF THE FOLLOWING THAT  
20 ARE LOCATED IN COLORADO AND ARE PROCESSED TO MEET PIPELINE  
21 QUALITY STANDARDS, IF THE DIVISION DETERMINES THAT ITS USE WILL  
22 PROVIDE A NET REDUCTION IN GREENHOUSE GAS EMISSIONS AND THAT THE  
23 RESOURCES ARE INCLUDED IN THE STATE'S GREENHOUSE GAS INVENTORY:

- 24 (I) BIOMETHANE; AND
- 25 (II) METHANE DERIVED FROM:
  - 26 (A) MUNICIPAL SOLID WASTE;
  - 27 (B) THE PYROLYSIS OF MUNICIPAL SOLID WASTE, EXCEPT FOR THE



1 PYROLYSIS OF SOURCE-SEPARATED RECYCLABLE MATERIALS THAT COULD  
2 OTHERWISE BE ECONOMICALLY RECYCLED AS DETERMINED BY THE  
3 DEPARTMENT OF PUBLIC HEALTH AND ENVIRONMENT;

4 (C) BIOMASS PYROLYSIS OR ENZYMATIC BIOMASS; OR

5 (D) WASTEWATER TREATMENT.

6 (q) "SMALL GAS DISTRIBUTION UTILITY" MEANS A PUBLIC UTILITY  
7 PROVIDING GAS SERVICE TO NINETY THOUSAND RETAIL CUSTOMERS OR  
8 FEWER. "SMALL GAS DISTRIBUTION UTILITY" DOES NOT INCLUDE A  
9 MUNICIPAL GAS DISTRIBUTION UTILITY.

10 (3) **Clean heat targets.** (a) THE PURPOSE OF A CLEAN HEAT PLAN  
11 IS TO ACHIEVE CLEAN HEAT TARGETS AND THEREBY HELP COLORADO  
12 MEET THE GREENHOUSE GAS EMISSION REDUCTION GOALS ESTABLISHED IN  
13 SECTION 25-7-102 (2)(g) BY REDUCING CARBON DIOXIDE AND METHANE  
14 EMISSIONS FROM GAS DISTRIBUTION UTILITIES.

15 (b) (I) A CLEAN HEAT PLAN UNDER THIS SECTION MUST  
16 DEMONSTRATE THAT THE GAS DISTRIBUTION UTILITY SUBMITTING THE  
17 CLEAN HEAT PLAN IS PROJECTED TO ACHIEVE A REDUCTION OF  
18 GREENHOUSE GAS EMISSIONS FROM THE DISTRIBUTION AND END-USE  
19 COMBUSTION OF GAS AND REDUCTIONS IN EMISSIONS FROM LEAKS IN THE  
20 DISTRIBUTION SYSTEM USING THE WORKBOOK DEVELOPED BY THE  
21 DIVISION PURSUANT TO SECTION 25-7-105 (1)(e)(XVII).

22 (II) A GAS DISTRIBUTION UTILITY SHALL DEMONSTRATE  
23 COMPLIANCE WITH SUBSECTION (3)(b)(I) OF THIS SECTION BY FILING AND  
24 OBTAINING COMMISSION APPROVAL OF CLEAN HEAT PLANS THAT ARE  
25 PROJECTED TO MEET CLEAN HEAT TARGETS CALCULATED AS FOLLOWS:  
26 FIVE PERCENT BELOW 2015 GREENHOUSE GAS EMISSION LEVELS IN 2025  
27 AND TWENTY PERCENT BELOW 2015 GREENHOUSE GAS EMISSION LEVELS

1 IN 2030.

2 (c) (I) IN CALCULATING ITS EMISSIONS COVERED UNDER A CLEAN  
3 HEAT PLAN, A GAS DISTRIBUTION UTILITY MUST INCLUDE THE FOLLOWING:

4 (A) METHANE LEAKED FROM THE TRANSPORTATION AND  
5 DELIVERY OF GAS FROM THE GAS DISTRIBUTION AND SERVICE PIPELINES  
6 FROM THE CITY GATE TO CUSTOMER END USE;

7 (B) CARBON DIOXIDE EMISSIONS RESULTING FROM THE  
8 COMBUSTION OF GAS BY RESIDENTIAL, COMMERCIAL, AND INDUSTRIAL  
9 CUSTOMERS NOT OTHERWISE SUBJECT TO FEDERAL GREENHOUSE GAS  
10 EMISSION REPORTING AND EXCLUDING ALL TRANSPORT CUSTOMERS; AND

11 (C) EMISSIONS OF METHANE RESULTING FROM LEAKAGE FROM  
12 DELIVERY OF GAS TO OTHER LOCAL DISTRIBUTION COMPANIES;

13 (II) ALL EMISSIONS ARE METRIC TONS OF CO<sub>2</sub>e AS REPORTED TO  
14 THE FEDERAL ENVIRONMENTAL PROTECTION AGENCY PURSUANT TO 40  
15 CFR 98, EITHER SUBPART W (METHANE) OR SUBPART NN (CARBON  
16 DIOXIDE), OR SUCCESSOR REPORTING REQUIREMENTS; EXCEPT THAT THE  
17 DIVISION SHALL USE THE AR-4 ONE-HUNDRED-YEAR GLOBAL WARMING  
18 POTENTIAL OR ANY GREATER SUCCESSOR VALUE DETERMINED BY THE  
19 FEDERAL ENVIRONMENTAL PROTECTION AGENCY.

20 (d) NOTWITHSTANDING ANY OTHER PROVISION OF LAW, A GAS  
21 DISTRIBUTION UTILITY THAT SUBMITS A CLEAN HEAT PLAN THAT USES  
22 ONLY CLEAN HEAT RESOURCES AND THAT IS APPROVED UNDER  
23 SUBSECTION (6)(d) OF THIS SECTION AS BEING PROJECTED TO MEET THE  
24 APPLICABLE GREENHOUSE GAS EMISSION REDUCTION GOAL IN AN  
25 APPLICABLE PLAN PERIOD IS, FOR THE PERIOD COVERED BY THAT PLAN,  
26 NOT SUBJECT TO ANY ADDITIONAL GREENHOUSE GAS EMISSION REDUCTION  
27 REQUIREMENTS UNDER SECTION 25-7-105 (1)(e)(XII).

1 (e) To COUNT TOWARD A GAS DISTRIBUTION UTILITY'S  
2 COMPLIANCE WITH THE EMISSION REDUCTION GOALS, RECOVERED  
3 METHANE UNDER A CLEAN HEAT PLAN MUST BE DELIVERED:

4 (I) TO OR WITHIN COLORADO THROUGH A DEDICATED PIPELINE; OR  
5 (II) THROUGH A COMMON CARRIER PIPELINE AND MUST MEET BOTH  
6 OF THE FOLLOWING REQUIREMENTS:

7 (A) THE SOURCE OF THE RECOVERED METHANE INJECTS THE  
8 RECOVERED METHANE INTO A COMMON CARRIER PIPELINE THAT  
9 PHYSICALLY FLOWS WITHIN COLORADO OR TOWARD THE END USER IN  
10 COLORADO FOR WHICH THE RECOVERED METHANE WAS PRODUCED; AND

11 (B) THE SELLER OR PURCHASER OF THE RECOVERED METHANE  
12 DEMONSTRATES TO THE DIVISION THAT THE CAPTURE OR PRODUCTION OF  
13 THE RECOVERED METHANE RESULTS IN A NET REDUCTION OF GREENHOUSE  
14 GAS EMISSIONS IN COLORADO.

15 (4) **Submission of clean heat plans.** (a) NO LATER THAN  
16 DECEMBER 1, 2022, THE LARGEST GAS DISTRIBUTION UTILITY IN  
17 COLORADO, AS DETERMINED BY THE VOLUME OF GAS SOLD IN COLORADO,  
18 SHALL FILE WITH THE COMMISSION AN APPLICATION FOR APPROVAL OF A  
19 CLEAN HEAT PLAN THAT DEMONSTRATES THAT THE GAS DISTRIBUTION  
20 UTILITY WILL ACHIEVE THE CLEAN HEAT TARGET ESTABLISHED FOR 2025  
21 IN SUBSECTION (3)(b)(II) OF THIS SECTION BY 2025. ALL OTHER GAS  
22 DISTRIBUTION UTILITIES SHALL FILE APPLICATIONS FOR APPROVAL OF  
23 CLEAN HEAT PLANS NO LATER THAN APRIL 1, 2023, THAT DEMONSTRATE,  
24 FOR EACH SUCH GAS DISTRIBUTION UTILITY, THAT IT WILL ACHIEVE THE  
25 CLEAN HEAT TARGET ESTABLISHED FOR 2025 IN SUBSECTION (3)(b)(II) OF  
26 THIS SECTION BY 2025.

27 (b) AFTER COMPLYING WITH SUBSECTION (4)(a) OF THIS SECTION,

1 EACH GAS DISTRIBUTION UTILITY SHALL, AS DIRECTED BY THE  
2 COMMISSION BUT NOT LESS OFTEN THAN EVERY FOUR YEARS, FILE AN  
3 ADDITIONAL CLEAN HEAT PLAN THAT COVERS, AT MINIMUM, FIVE YEARS  
4 AFTER THE DATE OF THE FILING.

5 (c) IF A GAS DISTRIBUTION UTILITY DOES NOT FILE ITS INITIAL  
6 CLEAN HEAT PLAN BY THE DEADLINE LISTED IN SUBSECTION (4)(a) OF THIS  
7 SECTION, THE AIR QUALITY CONTROL COMMISSION MAY ADOPT RULES FOR  
8 REDUCING GREENHOUSE GAS EMISSIONS RELATED TO THE DISTRIBUTION  
9 AND COMBUSTION OF GAS FROM THAT UTILITY THAT DIRECTS THE UTILITY  
10 TO MEET AT LEAST A THIRTY-PERCENT REDUCTION IN GREENHOUSE GAS  
11 EMISSIONS BY 2035 WHEN COMPARED WITH THE UTILITY'S 2015 BASELINE.

12 (d) FOR CLEAN HEAT PLANS REQUIRED TO BE FILED PURSUANT TO  
13 SUBSECTION (4)(b) OF THIS SECTION, IF A GAS DISTRIBUTION UTILITY DOES  
14 NOT FILE ITS PLAN, THE AIR QUALITY CONTROL COMMISSION MAY ADOPT  
15 RULES FOR REDUCING GREENHOUSE GAS EMISSIONS RELATED TO THE  
16 DISTRIBUTION AND COMBUSTION OF GAS FROM THAT UTILITY THAT THE AIR  
17 QUALITY CONTROL COMMISSION DETERMINES ARE NECESSARY TO MEET  
18 THE STATE'S GREENHOUSE GAS EMISSION REDUCTION GOALS IN SECTION  
19 25-7-102 (2)(g).

20 (e) A CLEAN HEAT PLAN FILED PURSUANT TO THIS SUBSECTION (4)  
21 MUST:

22 (I) DEMONSTRATE THAT THE GAS DISTRIBUTION UTILITY WILL  
23 MEET THE APPLICABLE CLEAN HEAT TARGET SPECIFIED IN THIS SECTION OR  
24 ADOPTED BY THE AIR QUALITY CONTROL COMMISSION PURSUANT TO  
25 SUBSECTION (4)(c) OF THIS SECTION FOR THE APPLICABLE PLAN PERIOD  
26 AND THAT THE ACTIONS IN THE PLAN ARE CONSISTENT WITH THE UTILITY  
27 ACHIEVING THE 2050 GREENHOUSE GAS EMISSION REDUCTION GOALS IN

1 SECTION 25-7-102 (2)(g), AS COMPARED TO A 2015 BASELINE;

2 (II) SET FORTH PORTFOLIOS THAT THE GAS DISTRIBUTION UTILITY  
3 WILL USE TO DEMONSTRATE ALTERNATIVE COMPLIANCE APPROACHES FOR  
4 ITS EMISSION REDUCTION GOALS IN THE APPLICABLE PLAN PERIOD,  
5 INCLUDING ITS PREFERRED OPTION. THE UTILITY SHALL PRESENT:

6 (A) A PORTFOLIO OF RESOURCES THAT USES CLEAN HEAT  
7 RESOURCES TO THE MAXIMUM PRACTICABLE EXTENT, THAT COMPLIES  
8 WITH THE COST CAP, AND THAT MAY OR MAY NOT MEET THE CLEAN HEAT  
9 TARGET;

10 (B) A PORTFOLIO THAT MEETS THE CLEAN HEAT TARGETS IN THE  
11 APPLICABLE PERIOD USING ONLY CLEAN HEAT RESOURCES AND THAT NEED  
12 NOT MEET THE COST CAP; AND

13 (C) OTHER PORTFOLIOS AS DIRECTED BY THE COMMISSION.

14 (III) QUANTIFY ANNUAL PROJECTED EMISSION REDUCTIONS  
15 DURING THE APPLICABLE PLAN PERIOD RESULTING FROM EACH PORTFOLIO;

16 (IV) PROPOSE PROGRAM BUDGETS TO MEET THE EMISSION  
17 REDUCTION GOALS;

18 (V) PRIORITIZE INVESTMENTS THAT ENSURE THAT  
19 DISPROPORTIONATELY IMPACTED COMMUNITIES OR CUSTOMERS WHO MEET  
20 REQUIREMENTS FOR INCOME-QUALIFIED PROGRAMS BENEFIT FROM THE  
21 INVESTMENTS MADE TO IMPLEMENT THE CLEAN HEAT PLAN;

22 (VI) PROJECT GREENHOUSE GAS EMISSIONS FROM THE GAS  
23 DISTRIBUTION UTILITY'S OPERATIONS, INCLUDING END-USE CONSUMER  
24 COMBUSTION OF GAS, THROUGH 2050;

25 (VII) FORECAST CARBON DIOXIDE AND METHANE EMISSION  
26 REDUCTIONS REASONABLY EXPECTED TO BE ACHIEVED THROUGH THE  
27 ACTIONS TAKEN IN THE PREFERRED PORTFOLIO, CONSISTENT WITH

1 GREENHOUSE GAS ACCOUNTING METHODOLOGY ADOPTED BY THE  
2 DIVISION;

3 (VIII) INCLUDE A FORECAST OF POTENTIAL NEW CUSTOMERS AND  
4 SYSTEM GROWTH OR EXPANSION OF THE GAS SYSTEM FOR THE PLAN  
5 PERIOD, INCLUDING PROJECTED GREENHOUSE GAS EMISSIONS RELATED TO  
6 THAT GROWTH;

7 (IX) DESCRIBE THE EFFECTS OF THE ACTIONS AND INVESTMENTS  
8 IN THE CLEAN HEAT PLAN ON THE SAFETY, RELIABILITY, AND RESILIENCE  
9 OF THE GAS DISTRIBUTION UTILITY'S GAS SERVICE;

10 (X) QUANTIFY THE COST OF IMPLEMENTING THE PREFERRED  
11 PORTFOLIO OF CLEAN HEAT RESOURCES USED TO MEET THE CLEAN HEAT  
12 TARGETS THROUGH THE CLEAN HEAT PLAN, NET OF THE AVOIDED COST OF  
13 ANY NEW DELIVERY INFRASTRUCTURE AVOIDED THROUGH IMPLEMENTING  
14 THE PLAN;

15 (XI) IDENTIFY POTENTIAL CHANGES TO DEPRECIATION SCHEDULES  
16 FOR ACTION INCLUDED IN THE PLAN OR OTHER ACTIONS UNDERTAKEN TO  
17 ALIGN THE GAS DISTRIBUTION UTILITY'S COST RECOVERY WITH STATEWIDE  
18 POLICY GOALS, INCLUDING REDUCING CARBON DIOXIDE AND METHANE  
19 EMISSIONS, MINIMIZING COSTS, AND MINIMIZING RISKS TO CUSTOMERS;

20 (XII) EXPLAIN THE GAS DISTRIBUTION UTILITY'S ANALYSIS OF THE  
21 COSTS AND BENEFITS OF AN ARRAY OF COMPLIANCE ALTERNATIVES,  
22 INCLUDING THE SOCIAL COST OF CARBON AND THE SOCIAL COST OF  
23 METHANE;

24 (XIII) DESCRIBE THE MONITORING AND VERIFICATION  
25 METHODOLOGY TO BE USED IN ANNUAL REPORTING; AND

26 (XIV) INCLUDE ANY OTHER INFORMATION REQUIRED BY THE  
27 COMMISSION.

1           (f) (I) TO DEMONSTRATE COMPLIANCE WITH THE APPLICABLE  
2 CLEANHEAT TARGET IN A CLEAN HEAT PLAN, A GAS DISTRIBUTION UTILITY  
3 MUST UTILIZE CLEAN HEAT RESOURCES TO THE MAXIMUM EXTENT  
4 PRACTICABLE AND COUNT GREENHOUSE GAS EMISSION REDUCTIONS  
5 RESULTING FROM ITS USE OF THOSE RESOURCES.

6           (II) NOTWITHSTANDING ANY OTHER PROVISION OF THIS SECTION,  
7 AND UNLESS THE COMMISSION FINDS THAT A CLEAN HEAT PLAN IS NOT  
8 COST-EFFECTIVE IN MEETING THE FOLLOWING TARGETS, OF THE EMISSION  
9 REDUCTIONS REQUIRED IN A CLEAN HEAT PLAN THAT A GAS DISTRIBUTION  
10 UTILITY MUST ACHIEVE, REDUCTIONS FROM RECOVERED METHANE  
11 PROJECTS MUST BE IN THE FOLLOWING MINIMUM AMOUNTS:

12           (A) ONE AND ONE-HALF PERCENT OF THE TOTAL REDUCTION FOR  
13 THE PERIOD THROUGH 2025;

14           (B) SIX PERCENT OF THE TOTAL REDUCTION FOR THE PERIOD 2026  
15 THROUGH 2030; AND

16           (C) AN AMOUNT SPECIFIED BY THE COMMISSION BY RULE FOR  
17 CLEAN HEAT PLANS COVERING YEARS AFTER 2030 IF THE COMMISSION  
18 DETERMINES THAT THE REQUIREMENTS FURTHER INVESTMENT IN  
19 COLORADO COMMUNITIES, REDUCE GREENHOUSE GAS EMISSIONS, ARE  
20 COST-EFFECTIVE, AND ARE IN THE PUBLIC INTEREST.

21           (g) A CLEANHEAT PLAN MAY BE FILED AS PART OF A DEMAND-SIDE  
22 MANAGEMENT PLAN OR ANY OTHER PLAN AS DETERMINED BY THE  
23 COMMISSION.

24           (h) A GAS DISTRIBUTION UTILITY MAY INCLUDE PROPOSALS TO  
25 MAKE INVESTMENTS IN GREEN OR BLUE HYDROGEN PROJECTS THAT WILL  
26 REDUCE GREENHOUSE GAS EMISSIONS. IF A GAS DISTRIBUTION UTILITY  
27 PROPOSES TO MAKE AN INVESTMENT PURSUANT TO THIS SUBSECTION

1 (4)(h), IT MUST ALSO INCLUDE A PROPOSAL FOR COMPETITIVE  
2 SOLICITATION.

3 (i) (I) THE COMMISSION SHALL CONSULT WITH THE DIVISION TO  
4 DETERMINE WHETHER A PORTFOLIO PRESENTED IN A CLEAN HEAT PLAN  
5 WILL ACHIEVE THE APPLICABLE CLEAN HEAT TARGET. THE DIVISION SHALL  
6 VERIFY PROJECTED GREENHOUSE GAS EMISSION REDUCTIONS THAT A GAS  
7 DISTRIBUTION UTILITY CLAIMS WILL RESULT FROM THE CLEAN HEAT PLAN  
8 AND SHALL DETERMINE WHETHER THE CLEAN HEAT PLAN WILL MEET THE  
9 APPLICABLE CLEAN HEAT TARGET.

10 (II) THE DIVISION MAY PARTICIPATE AS A PARTY IN ANY  
11 PROCEEDING BEFORE THE COMMISSION SEEKING APPROVAL OF A CLEAN  
12 HEAT PLAN DEVELOPED BY A GAS DISTRIBUTION UTILITY PURSUANT TO  
13 THIS SECTION.

14 (j) A GAS DISTRIBUTION UTILITY'S FIRST CLEAN HEAT PLAN MUST  
15 USE A PLANNING PERIOD THAT EXTENDS THROUGH 2025. THE SECOND  
16 CLEAN HEAT PLAN MUST USE A PLANNING PERIOD THAT EXTENDS  
17 THROUGH 2030. SUBSEQUENT CLEAN HEAT PLANS MUST USE A PLANNING  
18 PERIOD AS DETERMINED BY THE COMMISSION.

19 (5) **Commission rules.** (a) NO LATER THAN AUGUST 1, 2021, THE  
20 COMMISSION SHALL UNDERTAKE A RULE-MAKING PROCEEDING TO UPDATE  
21 ELECTRIC AND GAS DEMAND-SIDE MANAGEMENT RULES CONSISTENT WITH  
22 THE CLEAN HEAT TARGETS ESTABLISHED IN THIS SECTION. IN THE  
23 RULE-MAKING, THE COMMISSION SHALL REMOVE ANY PROHIBITION ON  
24 CUSTOMER INCENTIVES TO HELP CUSTOMERS REPLACE GAS APPLIANCES  
25 WITH HIGHLY EFFICIENT ELECTRIC ALTERNATIVES.

26 (b) THE COMMISSION SHALL ADOPT RULES NECESSARY TO ALLOW  
27 A GAS DISTRIBUTION UTILITY TO MEET THE GREENHOUSE GAS EMISSION



1 REDUCTION GOALS SPECIFIED IN SECTION 25-7-102 (2)(g).

2 (6) **Approval of clean heat plans - recovery.** (a) (I) FOR EACH  
3 GAS DISTRIBUTION UTILITY, THE COMMISSION SHALL ESTABLISH A COST  
4 CAP THAT IS TWO PERCENT OF GAS BILLS FOR ALL FULL-SERVICE  
5 CUSTOMERS AS A WHOLE.

6 (II) THE COMMISSION SHALL CALCULATE THE RETAIL COST IMPACT  
7 NET OF THE COST OF GAS DEMAND-SIDE MANAGEMENT PROGRAMS BUT  
8 SHALL INCLUDE ANY INCENTIVE ADOPTED OR APPROVED BY THE  
9 COMMISSION.

10 (b) THE COMMISSION SHALL CONSIDER ALLOWING CURRENT  
11 RECOVERY FOR CLEAN HEAT PLAN COSTS THROUGH A RATE ADJUSTMENT  
12 CLAUSE OR CLAUSE THAT ALLOWS FOR CURRENT RECOVERY.

13 (c) (I) IN APPROVING A CLEAN HEAT PLAN, THE COMMISSION SHALL  
14 CONSIDER BOTH A LEAST-COST, BEST-FIT ANALYSIS AND A  
15 REGULATORY-COST TEST THAT INCLUDES BOTH THE SOCIAL COST OF  
16 CARBON AND THE SOCIAL COST OF METHANE.

17 (II) IN EVALUATING A CLEAN HEAT PLAN, THE COMMISSION SHALL  
18 CONSIDER WHETHER THE PLAN WILL ACHIEVE THE CLEAN HEAT TARGETS  
19 AND WHETHER THE PLAN IS CONSISTENT WITH ACHIEVING COLORADO'S  
20 LONG-TERM GREENHOUSE GAS EMISSION REDUCTION GOALS ESTABLISHED  
21 IN SECTION 25-7-102 (2)(g).

22 (d) (I) THE COMMISSION SHALL APPROVE A CLEAN HEAT PLAN IF  
23 THE COMMISSION FINDS IT TO BE IN THE PUBLIC INTEREST. THE  
24 COMMISSION MAY MODIFY THE PLAN IF THE MODIFICATIONS ARE  
25 NECESSARY TO ENSURE THAT THE PLAN IS IN THE PUBLIC INTEREST. IN  
26 EVALUATING WHETHER THE CLEAN HEAT PLAN SUBMITTED TO THE  
27 COMMISSION IS IN THE PUBLIC INTEREST, THE COMMISSION SHALL TAKE

1 INTO ACCOUNT THE FOLLOWING FACTORS:

2 (A) WHETHER THE CLEAN HEAT PLAN ACHIEVES THE CLEAN HEAT  
3 TARGETS THROUGH MAXIMIZING THE USE OF CLEAN HEAT RESOURCES;

4 (B) THE ADDITIONAL AIR QUALITY, ENVIRONMENTAL, AND HEALTH  
5 BENEFITS OF THE PLAN IN ADDITION TO THE GREENHOUSE GAS EMISSION  
6 REDUCTIONS;

7 (C) WHETHER INVESTMENTS IN A CLEAN HEAT PLAN PRIORITIZE  
8 SERVING CUSTOMERS PARTICIPATING IN INCOME-QUALIFIED PROGRAMS  
9 AND DISPROPORTIONATELY IMPACTED COMMUNITIES;

10 (D) WHETHER THE CLEAN HEAT PLAN RESULTS IN A REASONABLE  
11 COST TO CUSTOMERS, INCLUDING SAVINGS TO CUSTOMER BILLS RESULTING  
12 FROM INVESTMENTS MADE PURSUANT TO A PLAN; AND

13 (E) WHETHER THE CLEAN HEAT PLAN ENSURES SYSTEM  
14 RELIABILITY AND LONG-TERM COST IMPACTS.

15 (II) IN APPROVING A CLEAN HEAT PLAN:

16 (A) IF THE COMMISSION DETERMINES THAT IT IS POSSIBLE TO  
17 ACHIEVE LARGER GREENHOUSE GAS EMISSION REDUCTIONS THAN THE  
18 REQUIRED CLEAN HEAT TARGETS USING CLEAN HEAT RESOURCES AT OR  
19 BELOW THE COST CAP, THE COMMISSION SHALL REQUIRE THE MAXIMUM  
20 LEVEL OF EMISSION REDUCTIONS THAT CAN BE ACHIEVED USING CLEAN  
21 HEAT RESOURCES AT OR BELOW THE COST CAP.

22 (B) THE COMMISSION MUST REQUIRE THE GAS DISTRIBUTION  
23 UTILITY TO ACHIEVE THE MAXIMUM LEVEL OF GREENHOUSE GAS EMISSION  
24 REDUCTIONS PRACTICABLE USING CLEAN HEAT RESOURCES AT OR BELOW  
25 THE COST CAP.

26 (III) THE COMMISSION MAY APPROVE, OR AMEND AND APPROVE,  
27 A CLEAN HEAT PLAN WITH COSTS GREATER THAN THE COST CAP ONLY IF IT

1 FINDS THAT THE PLAN IS IN THE PUBLIC INTEREST, COSTS TO CUSTOMERS  
2 ARE REASONABLE, THE PLAN INCLUDES MITIGATION OF RATE INCREASES  
3 FOR INCOME-QUALIFIED CUSTOMERS, AND THE BENEFITS OF THE PLAN,  
4 INCLUDING THE SOCIAL COSTS OF METHANE AND CARBON DIOXIDE,  
5 EXCEED THE COSTS.

6 (7) **Annual reporting.** (a) EACH GAS DISTRIBUTION UTILITY  
7 SHALL SUBMIT TO THE COMMISSION AN ANNUAL REPORT THAT SHOWS THE  
8 AMOUNT OF MONEY THAT IT HAS SPENT UNDER EACH PROGRAM IN THE  
9 CLEAN HEAT PLAN, THE AMOUNT SPENT ON INCOME-QUALIFIED PROGRAMS  
10 OR PROGRAMS THAT SERVE DISPROPORTIONATELY IMPACTED  
11 COMMUNITIES, A CALCULATION OF EMISSIONS REDUCED OR AVOIDED  
12 PURSUANT TO ITS APPROVED CLEAN HEAT PLAN USING THE METHOD  
13 ADOPTED BY THE DIVISION FOR THE WORKBOOK DEVELOPED PURSUANT TO  
14 SECTION 25-7-105 (1)(e)(XVII), AND ANY OTHER INFORMATION REQUIRED  
15 BY THE COMMISSION.

16 (b) IN ADDITION TO ANY OTHER GREENHOUSE GAS REPORTING  
17 REQUIREMENTS, EACH GAS DISTRIBUTION UTILITY SHALL SUBMIT AN  
18 ANNUAL REPORT TO THE DIVISION PROVIDING A CALCULATION OF  
19 EMISSIONS REDUCED OR AVOIDED PURSUANT TO ITS APPROVED CLEAN  
20 HEAT PLAN.

21 (8) **Employment and utility workforce.** (a) FOR ANY  
22 UTILITY-OWNED PROJECT THAT IS PART OF A CLEAN HEAT PLAN, THE GAS  
23 DISTRIBUTION UTILITY SHALL, WHERE PRACTICABLE, USE ITS OWN  
24 EMPLOYEES TO COMPLETE THE WORK.

25 (b) FOR A UTILITY PROJECT THAT IS PART OF A COMPETITIVE  
26 SOLICITATION AND WITH A COST OF MORE THAN ONE MILLION DOLLARS,  
27 THE GAS DISTRIBUTION UTILITY SHALL REQUIRE ALL BIDDERS TO PROVIDE

1 DETAILED INFORMATION ABOUT THE USE OF COLORADO-BASED LABOR  
2 AND OUT-OF-STATE LABOR. THE UTILITY SHALL PROVIDE THIS  
3 INFORMATION TO THE COMMISSION.

4 (c) IN ALL DECISIONS APPROVING CLEAN HEAT RESOURCES TO BE  
5 ACQUIRED AS PART OF A CLEAN HEAT PLAN, THE COMMISSION SHALL  
6 CONSIDER THE LONG-TERM IMPACTS ON COLORADO'S UTILITY WORKFORCE  
7 AS PART OF A JUST TRANSITION AND SHALL GIVE ADDITIONAL WEIGHT TO  
8 A PROJECT THAT INCLUDES:

9 (I) TRAINING PROGRAMS, INCLUDING TRAINING THROUGH THE  
10 DIVISION OF EMPLOYMENT AND TRAINING IN THE DEPARTMENT OF LABOR  
11 AND EMPLOYMENT CREATED IN SECTION 8-83-102 OR A STATE  
12 APPRENTICESHIP COUNCIL REGISTERED WITH THE UNITED STATES  
13 DEPARTMENT OF LABOR;

14 (II) EMPLOYMENT OF COLORADO-BASED LABOR; AND

15 (III) LONG-TERM CAREER OPPORTUNITIES AND  
16 INDUSTRY-STANDARD WAGES, HEALTH CARE, AND PENSION BENEFITS.

17 (9) **Municipal gas distribution utilities.** (a) A MUNICIPAL GAS  
18 DISTRIBUTION UTILITY SHALL IMPLEMENT A CLEAN HEAT PLAN PROGRAM  
19 THAT USES CLEAN HEAT RESOURCES TO THE MAXIMUM COST-EFFECTIVE  
20 EXTENT AND MAY USE QUALIFIED OFFSETS PURSUANT TO THIS SUBSECTION  
21 (9). THE CLEAN HEAT PLAN MUST INCLUDE A PROJECTION OF THE UTILITY'S  
22 GREENHOUSE GAS EMISSIONS THROUGH 2050.

23 (b) NOTWITHSTANDING ANY OTHER PROVISION OF LAW, A  
24 MUNICIPAL GAS DISTRIBUTION UTILITY THAT HAS AN APPROVED CLEAN  
25 HEAT PLAN USING ONLY CLEAN HEAT RESOURCES AND THAT ACHIEVES THE  
26 EMISSION REDUCTION GOALS FOR THE PERIOD COVERED BY THE CLEAN  
27 HEAT PLAN IS NOT SUBJECT TO ANY ADDITIONAL GREENHOUSE GAS

1 EMISSION REDUCTION REQUIREMENTS UNDER SECTION 25-7-105  
2 (1)(e)(XII).

3 (c) A CLEAN HEAT PLAN FILED BY A MUNICIPAL GAS DISTRIBUTION  
4 UTILITY SHALL BE DEEMED APPROVED BY THE COMMISSION AS FILED IF:

5 (I) THE PLAN IS FILED NO LATER THAN FEBRUARY 1, 2023;

6 (II) THE DIVISION, IN CONSULTATION WITH THE COMMISSION,  
7 VERIFIES THAT THE PLAN DEMONSTRATES THAT, BY 2025, THE MUNICIPAL  
8 GAS DISTRIBUTION UTILITY WILL ACHIEVE AT LEAST A FIVE PERCENT  
9 REDUCTION IN GREENHOUSE GAS EMISSIONS FROM CUSTOMER END-USE  
10 COMBUSTION OR LEAKS IN THE UTILITY'S DISTRIBUTION SYSTEM AND THAT,  
11 BY 2030, THE UTILITY WILL ACHIEVE AT LEAST A TWENTY-PERCENT  
12 REDUCTION IN GREENHOUSE GAS EMISSIONS CAUSED BY THE UTILITY'S  
13 RETAIL GAS SALES BELOW 2015 LEVELS BY 2030; AND

14 (III) THE CLEAN HEAT PLAN HAS PREVIOUSLY BEEN APPROVED BY  
15 A VOTE OF THE ENTITY'S GOVERNING BODY.

16 (d) SUBMISSION OF A CLEAN HEAT PLAN BY A MUNICIPAL GAS  
17 DISTRIBUTION UTILITY DOES NOT ALTER THE UTILITY'S REGULATORY  
18 STATUS WITH RESPECT TO THE COMMISSION.

19 (10) **Small gas distribution utilities.** A SMALL GAS DISTRIBUTION  
20 UTILITY MAY FILE A CLEAN HEAT PLAN WITH THE COMMISSION PURSUANT  
21 TO THIS SUBSECTION (10). THE SMALL GAS DISTRIBUTION UTILITY, AS PART  
22 OF ITS CLEAN HEAT PLAN:

23 (a) MUST PROPOSE AN EMISSION REDUCTION TARGET;

24 (b) IS SUBJECT TO THE COST CAP;

25 (c) MUST IDENTIFY THE CLEAN HEAT METHODOLOGY THE SMALL  
26 GAS DISTRIBUTION UTILITY WILL USE TO REDUCE EMISSIONS ON ITS SYSTEM  
27 AND QUANTIFY THE ANNUAL EMISSION REDUCTIONS EXPECTED DURING

1 THE PLAN PERIOD, INCLUDING QUALIFIED OFFSETS;

2 (d) MUST PROPOSE PROGRAM BUDGETS TO MEET THE EMISSION  
3 REDUCTION TARGETS;

4 (e) MUST FORECAST CARBON DIOXIDE AND METHANE EMISSION  
5 REDUCTIONS REASONABLY EXPECTED TO BE ACHIEVED THROUGH THE  
6 ACTIONS TAKEN IN THE PREFERRED PORTFOLIO;

7 (f) MUST QUANTIFY THE COST OF IMPLEMENTATION OF THE  
8 PREFERRED PORTFOLIO OF RESOURCES USED IN THE CLEAN HEAT PLAN;  
9 AND

10 (g) MUST INCLUDE AN IMPLEMENTATION PLAN OF AT LEAST THREE  
11 YEARS DURING WHICH THE SMALL GAS DISTRIBUTION UTILITY PROPOSES  
12 TO ACQUIRE CLEAN HEAT RESOURCES TO REDUCE EMISSIONS.

13 **SECTION 2.** In Colorado Revised Statutes, 25-7-105, **amend** (1)  
14 introductory portion and (1)(e)(XI)(A); and **add** (1)(e)(XI)(A.5),  
15 (1)(e)(XII), (1)(e)(XIII), (1)(e)(XIV), (1)(e)(XV), (1)(e)(XVI), and  
16 (1)(e)(XVII) as follows:

17 **25-7-105. Duties of commission - rules - legislative declaration**  
18 **- definitions.** (1) Except as provided in sections 25-7-130 and 25-7-131,  
19 the commission shall promulgate ~~such rules and regulations as~~ THAT are  
20 consistent with the legislative declaration set forth in section 25-7-102  
21 and necessary for the proper implementation and administration of this  
22 article 7, including: ~~but not limited to:~~

23 (e) (XI) As used in this subsection (1)(e):

24 (A) ~~"Cost-effective" or "cost-effectiveness" means the cost per~~  
25 ~~unit of reduced emissions of greenhouse gases expressed as carbon~~  
26 ~~dioxide equivalent~~ "CLEAN HEAT PLAN" MEANS A COMPREHENSIVE PLAN  
27 SUBMITTED BY A GAS DISTRIBUTION UTILITY OR MUNICIPAL GAS

1 DISTRIBUTION UTILITY, AS THOSE TERMS ARE DEFINED IN SECTION  
2 40-3.2-107, THAT DEMONSTRATES A REDUCTION IN METHANE AND  
3 CARBON DIOXIDE EMISSIONS MEASURED IN CARBON DIOXIDE EQUIVALENT  
4 THAT MEETS THE REDUCTIONS REQUIRED IN SECTION 40-3.2-107 AND  
5 ALIGNS WITH COLORADO'S GREENHOUSE GAS EMISSION REDUCTION GOALS  
6 ESTABLISHED IN SECTION 25-7-102 (2)(g) AT THE LOWEST REASONABLE  
7 COST. AS USED IN THIS SUBSECTION (1)(e)(XI)(A), "LOWEST REASONABLE  
8 COST" MEANS A REASONABLE-COST MIX OF CLEAN HEAT RESOURCES, AS  
9 DEFINED IN SECTION 40-3.2-107 (2)(d), THAT MEET CLEAN HEAT TARGETS  
10 ESTABLISHED PURSUANT TO SECTION 40-3.2-107 AS DETERMINED  
11 THROUGH A DETAILED ANALYSIS OF AVAILABLE TECHNOLOGIES AND  
12 INCLUDES RESOURCE COSTS, MARKET VOLATILITY RISKS, RISKS TO  
13 RATEPAYERS, SYSTEMS OPERATIONS COSTS, INFRASTRUCTURE COSTS,  
14 ENVIRONMENTAL JUSTICE GOALS, THE SOCIAL COST OF CARBON, AND THE  
15 SOCIAL COST OF METHANE IN COMPARING THE COSTS AND BENEFITS OF  
16 ALTERNATIVES, AND OTHER COSTS AND BENEFITS AS DETERMINED BY THE  
17 PUBLIC UTILITIES COMMISSION.

18 (A.5) "COST-EFFECTIVE" OR "COST-EFFECTIVENESS" MEANS THE  
19 COST PER UNIT OF REDUCED EMISSIONS OF GREENHOUSE GASES,  
20 EXPRESSED AS CARBON DIOXIDE EQUIVALENT.

21 (XII) WHEN INCLUDING GAS DISTRIBUTION UTILITIES IN PROGRAMS  
22 OR REQUIREMENTS UNDER THIS SUBSECTION (1)(e), THE COMMISSION  
23 SHALL NOT MANDATE THAT A UTILITY REDUCE GREENHOUSE GAS  
24 EMISSIONS ASSOCIATED WITH THE DISTRIBUTION AND END-USE  
25 CONSUMPTION OF GAS MORE THAN IS REQUIRED UNDER A CLEAN HEAT  
26 PLAN THAT USES ONLY CLEAN HEAT RESOURCES AND IS APPROVED BY THE  
27 PUBLIC UTILITIES COMMISSION PURSUANT TO SECTION 40-3.2-107 OR

1 IMPOSE ANY DIRECT, NONADMINISTRATIVE COST ON THE UTILITY DIRECTLY  
2 ASSOCIATED WITH QUANTITIES OF GREENHOUSE GAS EMISSION  
3 REDUCTIONS THAT REMAIN AFTER THE REDUCTIONS REQUIRED BY SUCH A  
4 CLEAN HEAT PLAN ARE ACHIEVED, FOR THE TERM OF THE APPROVED CLEAN  
5 HEAT PLAN.

6 (XIII) NO LATER THAN JULY 1, 2022, THE COMMISSION SHALL  
7 INITIATE A RULE-MAKING PROCEEDING TO ADOPT RULES THAT ESTABLISH  
8 MASS-BASED GREENHOUSE GAS EMISSION REDUCTION TARGETS FOR CLEAN  
9 HEAT PLANS FOR 2035. IN ESTABLISHING THIS TARGET, THE COMMISSION  
10 SHALL:

11 (A) ENSURE THAT GAS DISTRIBUTION UTILITIES' GREENHOUSE GAS  
12 EMISSIONS WILL BE IN LINE WITH THE RESIDENTIAL, COMMERCIAL, AND  
13 INDUSTRIAL SECTORS' CONTRIBUTION TO THE STATE GREENHOUSE GAS  
14 EMISSION REDUCTION GOALS AND THAT THE GAS DISTRIBUTION UTILITIES'  
15 GREENHOUSE GAS EMISSION REDUCTIONS OVER TIME ARE CONSISTENT  
16 WITH ACHIEVING THE 2050 GREENHOUSE GAS EMISSION REDUCTION GOALS  
17 IN SECTION 25-7-102 (2)(g) FOR THE RESIDENTIAL, COMMERCIAL, AND  
18 INDUSTRIAL SECTORS AS COMPARED TO A 2015 BASELINE; AND

19 (B) DETERMINE WHETHER QUALIFIED OFFSETS AS CONTEMPLATED  
20 BY SUBSECTION (1)(e)(XIV) OF THIS SECTION MAY BE USED TO MEET THE  
21 MASS-BASED GREENHOUSE GAS EMISSION REDUCTION TARGETS.

22 (XIV) THE COMMISSION, IN CONSULTATION WITH  
23 DISPROPORTIONATELY IMPACTED COMMUNITIES, THE PUBLIC UTILITIES  
24 COMMISSION, AND OTHER INTERESTED PERSONS, SHALL INITIATE A  
25 RULE-MAKING PROCEEDING BY JULY 1, 2022, TO ADOPT RULES THAT  
26 DEFINE A QUALIFIED OFFSET FOR THE PURPOSE OF A GAS DISTRIBUTION  
27 UTILITY INCLUDING A QUALIFIED OFFSET IN A CLEAN HEAT PLAN PURSUANT



1 TO SECTION 40-3.2-107. THE PROCEEDING MAY BE COMBINED WITH THE  
2 PROCEEDING SPECIFIED IN SUBSECTION (1)(e)(XIII) OF THIS SECTION. IN  
3 DEVELOPING THE RULES, THE COMMISSION SHALL HOLD AT LEAST TWO  
4 PUBLIC MEETINGS AND CONSIDER THE FOLLOWING ITEMS FOR INCLUSION  
5 IN THE RULES:

6 (A) LIMITING PROJECTS THAT WOULD BE ELIGIBLE TO USE  
7 QUALIFIED OFFSETS TO THOSE LOCATED WITHIN COLORADO;

8 (B) ENSURING THAT EMISSION REDUCTIONS ACHIEVED BY THE  
9 QUALIFIED OFFSETS ARE QUANTIFIABLE, ENFORCEABLE, AND NOT  
10 OTHERWISE REQUIRED BY LAW;

11 (C) ALLOWING QUALIFIED OFFSETS ONLY FROM PROJECTS OR  
12 MEASURES THAT REDUCE GREENHOUSE GAS EMISSIONS IN THE  
13 AGRICULTURAL SECTOR, REDUCE OR SEQUESTER GREENHOUSE GAS  
14 EMISSIONS THROUGH LAND USE OR FORESTRY MANAGEMENT, OR CAPTURE  
15 METHANE RELEASED FROM COALBED SEEPS;

16 (D) ALLOWING THE USE OF QUALIFIED OFFSETS THAT MEET THE  
17 OTHER REQUIREMENTS OF SECTION 40-3.2-107;

18 (E) ENSURING THAT EMISSIONS CLAIMED BY QUALIFIED OFFSETS  
19 ARE NOT DOUBLE COUNTED;

20 (F) REQUIRING THE REGISTRATION OF PROJECTS WITH THE  
21 DIVISION;

22 (G) ESTABLISHING MONITORING, VERIFICATION, AND REPORTING  
23 REQUIREMENTS, INCLUDING CRITERIA FOR THIRD-PARTY VERIFICATION OF  
24 QUALIFIED OFFSETS; AND

25 (H) ESTABLISHING PROTOCOLS TO EVALUATE THE IMPACT OF THE  
26 USE OF QUALIFIED OFFSETS ON DISPROPORTIONATELY IMPACTED  
27 COMMUNITIES.

1 (XV) NO LATER THAN JANUARY 1, 2029, THE COMMISSION, IN  
2 CONSULTATION WITH THE PUBLIC UTILITIES COMMISSION, SHALL  
3 COMMENCE A RULE-MAKING PROCEEDING. THE RULES MUST DETERMINE:

4 (A) THE MASS-BASED GREENHOUSE GAS EMISSION REDUCTION  
5 GOALS FOR CLEAN HEAT PLANS FOR 2040, 2045, AND 2050 USING A 2015  
6 BASELINE THAT, AT MINIMUM, ENSURE THAT GAS DISTRIBUTION UTILITIES'  
7 GREENHOUSE GAS EMISSIONS WILL BE PROPORTIONATE TO THE  
8 RESIDENTIAL, COMMERCIAL, AND INDUSTRIAL SECTORS' CONTRIBUTION TO  
9 THE STATE GREENHOUSE GAS EMISSION REDUCTION GOALS, EXCLUDING  
10 TRANSPORTATION GAS SERVICE CUSTOMERS OR CUSTOMERS THAT REPORT  
11 THEIR OWN GREENHOUSE GAS EMISSIONS TO THE FEDERAL  
12 ENVIRONMENTAL PROTECTION AGENCY UNDER APPLICABLE FEDERAL LAW,  
13 INCLUDING 40 CFR 98, SUBPART NN. IN DETERMINING THESE GOALS, THE  
14 COMMISSION SHALL CONSIDER SAVINGS ACHIEVED OR PROJECTED TO BE  
15 ACHIEVED IN OTHER SECTORS OF THE STATE'S ECONOMY AS WELL AS THE  
16 COMMERCIAL AVAILABILITY OF TECHNOLOGIES TO ACHIEVE EMISSION  
17 REDUCTIONS IN THIS SECTOR.

18 (B) WHETHER QUALIFIED OFFSETS AS CONTEMPLATED BY  
19 SUBSECTION (1)(e)(XIV) OF THIS SECTION MAY BE USED TO MEET THE  
20 MASS-BASED GREENHOUSE GAS EMISSION REDUCTION GOALS DETERMINED  
21 PURSUANT TO SUBSECTION (1)(e)(XV)(A) OF THIS SECTION SET BY RULE.

22 (XVI) NO LATER THAN JANUARY 1, 2029, AND EVERY FIVE YEARS  
23 THEREAFTER THROUGH 2045, THE COMMISSION SHALL DETERMINE  
24 WHETHER UPDATED RULES ARE NECESSARY AND MAY, BASED ON THAT  
25 DETERMINATION, COMMENCE A RULE-MAKING PROCEEDING TO ESTABLISH  
26 NEW GREENHOUSE GAS EMISSION REDUCTION GOALS FOR CLEAN HEAT  
27 PLANS. THE 2029 PROCEEDING MAY BE COMBINED WITH THE PROCEEDING

1 SPECIFIED IN SUBSECTION (1)(e)(XV) OF THIS SECTION. IN MAKING THIS  
2 DETERMINATION, THE COMMISSION SHALL ENSURE THAT, AT MINIMUM,  
3 GAS DISTRIBUTION UTILITIES' GREENHOUSE GAS EMISSIONS WILL BE  
4 PROPORTIONATE TO THE RESIDENTIAL, COMMERCIAL, AND INDUSTRIAL  
5 SECTORS' CONTRIBUTION TO THE STATE GREENHOUSE GAS EMISSION  
6 REDUCTION GOALS IN SECTION 25-7-102 (2)(g) AND THAT THE UTILITIES'  
7 GREENHOUSE GAS EMISSION REDUCTIONS OVER TIME ARE CONSISTENT  
8 WITH ACHIEVING THE 2050 GREENHOUSE GAS EMISSION REDUCTION GOALS  
9 FOR THE RESIDENTIAL, COMMERCIAL, AND INDUSTRIAL SECTORS AS  
10 COMPARED TO A 2015 BASELINE.

11 (XVII) NO LATER THAN APRIL 1, 2022, THE DIVISION, IN  
12 CONSULTATION WITH DISPROPORTIONATELY IMPACTED COMMUNITIES, THE  
13 COMMISSION, AND OTHER INTERESTED PERSONS OR GROUPS, SHALL  
14 DEVELOP A METHODOLOGY AND WORKBOOK FOR EVALUATING EMISSIONS  
15 COVERED IN A CLEAN HEAT PLAN. IN DEVELOPING THIS METHODOLOGY,  
16 THE DIVISION SHALL DEVELOP A CARBON ACCOUNTING AND REPORTING  
17 TEMPLATE TO ACCOUNT FOR ALL MEASURES THAT MAY BE INCLUDED IN A  
18 CLEAN HEAT PLAN, INCLUDING DEFAULT FEEDSTOCK-SPECIFIC CARBON  
19 INTENSITY FOR BIOMETHANE, GREEN AND BLUE HYDROGEN, AND  
20 RECOVERED METHANE MEASURES, PRIOR TO SUBMISSION OF A CLEAN HEAT  
21 PLAN. THE METHODOLOGY MUST ENSURE THAT THERE IS NO DOUBLE  
22 COUNTING OF EMISSION REDUCTIONS AND THAT ALL REDUCTIONS OF  
23 UPSTREAM EMISSIONS ASSOCIATED WITH BIOMETHANE, RECOVERED  
24 METHANE, OR REDUCED UPSTREAM METHANE LEAKS ARE IN ADDITION TO  
25 THOSE OTHERWISE REQUIRED BY STATE OR FEDERAL LAW OR REGULATION.  
26 IN DEVELOPING THE WORKBOOK, THE DIVISION SHALL APPLY THE  
27 DEFINITIONS CONTAINED IN SECTION 40-3.2-107 AND HOLD AT LEAST TWO

1 PUBLIC MEETINGS, IN CONNECTION WITH WHICH THE DIVISION SHALL:

2 (A) MAKE MATERIALS ADVERTISING THE MEETINGS AND  
3 OUTREACH RELATED TO THE MEETINGS AVAILABLE IN ENGLISH AND  
4 SPANISH AND, TO THE EXTENT PRACTICABLE, IN OTHER LANGUAGES AS  
5 THE DIVISION DETERMINES ARE APPROPRIATE; AND

6 (B) MAKE SPANISH TRANSLATION SERVICES AVAILABLE BY  
7 REMOTE OR ONLINE PLATFORM AS WELL AS IN PERSON.

8 **SECTION 3.** In Colorado Revised Statutes, 34-60-106, **amend**  
9 (9) as follows:

10 **34-60-106. Additional powers of commission - rules -**  
11 **definition - repeal.** (9) Notwithstanding ~~the provisions of~~ section  
12 34-60-120 or any other provision of law, the commission, as to class II  
13 AND CLASS VI injection wells ~~defined~~ CLASSIFIED in 40 CFR ~~144.6b~~, shall  
14 ~~also have the power to~~ 144.6, MAY perform all acts for the purpose  
15 PURPOSES of protecting underground sources of drinking water in  
16 accordance with state programs authorized by 42 U.S.C. sec. 300f et seq.,  
17 and regulations ~~thereunder in effect or~~ UNDER THOSE SECTIONS, as ~~may~~  
18 ~~be amended~~, AND ENSURING THE SAFE AND EFFECTIVE SEQUESTRATION OF  
19 GREENHOUSE GASES, AS THAT TERM IS DEFINED IN SECTION 25-7-140 (6),  
20 AND MAY ISSUE AND ENFORCE PERMITS AS NECESSARY FOR THOSE  
21 PURPOSES.

22 **SECTION 4. Applicability.** This act applies to conduct occurring  
23 on or after the effective date of this act.

24 **SECTION 5. Safety clause.** The general assembly hereby finds,  
25 determines, and declares that this act is necessary for the immediate  
26 preservation of the public peace, health, or safety.