

**First Regular Session
Seventy-third General Assembly
STATE OF COLORADO**

ENGROSSED

*This Version Includes All Amendments Adopted
on Second Reading in the House of Introduction*

LLS NO. 21-0989.01 Thomas Morris x4218

SENATE BILL 21-264

SENATE SPONSORSHIP

Hansen and Coram,

HOUSE SPONSORSHIP

(None),

Senate Committees

Transportation & Energy
Appropriations

House Committees

A BILL FOR AN ACT

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

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.*

SENATE
Amended 2nd Reading
June 2, 2021

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.

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 GAS TO HEAT
8 COLORADO'S HOMES AND BUSINESSES AND TO HEAT WATER IN THOSE
9 BUILDINGS, FROM THE USE OF GAS IN COMMERCIAL AND INDUSTRIAL
10 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 AND LEAD TO IMPROVED INDOOR AIR QUALITY;

20 (b) DETERMINES THAT:

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

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

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

9 (c) DECLARES THAT:

10 (I) THE GENERAL ASSEMBLY'S INTENT IN ENACTING THIS SECTION
11 IS TO IMPLEMENT A PERFORMANCE STANDARD THAT WILL ALLOW
12 COLORADO GAS UTILITIES TO USE AVAILABLE TOOLS, INCLUDING ENERGY
13 EFFICIENCY, BIOMETHANE, HYDROGEN, RECOVERED METHANE, BENEFICIAL
14 ELECTRIFICATION OF CUSTOMER END USES, COST-EFFECTIVE LEAK
15 REDUCTIONS ON THE UTILITY'S DISTRIBUTION SYSTEM AS DETERMINED BY
16 THE COMMISSION THAT EXCEEDS STATE AND FEDERAL REQUIREMENTS,
17 AND OTHER MEASURES TO ACHIEVE GREENHOUSE GAS EMISSION
18 REDUCTIONS, COST-EFFECTIVENESS, AND EQUITY;

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

25 (III) THE COMMISSION MUST MAXIMIZE GREENHOUSE GAS
26 EMISSION REDUCTIONS AND BENEFITS TO CUSTOMERS, WITH PARTICULAR
27 ATTENTION TO RESIDENTIAL CUSTOMERS WHO PARTICIPATE IN

1 INCOME-QUALIFIED PROGRAMS, WHILE MANAGING COSTS AND RISKS TO
2 CUSTOMERS, INCLUDING STRANDED-ASSET COST RISKS, AND IN A MANNER
3 THAT SUPPORTS FAMILY-SUSTAINING JOBS; AND

4 (IV) DECARBONIZING COLORADO'S HOMES AND BUSINESSES WILL
5 REQUIRE INVESTMENTS IN BUILDING AND EQUIPMENT UPGRADES, CLEAN
6 FUEL PROJECTS, AND INFRASTRUCTURE UPGRADES.

7 (2) Definitions. AS USED IN THIS SECTION, UNLESS THE CONTEXT
8 OTHERWISE REQUIRES:

9 (a) "BIOMETHANE":

10 (I) MEANS A MIXTURE OF CARBON DIOXIDE AND HYDROCARBONS
11 RELEASED FROM THE BIOLOGICAL DECOMPOSITION OF ORGANIC
12 MATERIALS THAT IS PRIMARILY METHANE AND PROVIDES A NET
13 REDUCTION IN GREENHOUSE GAS EMISSIONS; AND

14 (II) INCLUDES BIOMETHANE RECOVERED FROM MANURE
15 MANAGEMENT SYSTEMS OR ANAEROBIC DIGESTERS THAT HAS BEEN
16 PROCESSED TO MEET PIPELINE QUALITY.

17 (b) "CLEAN HEAT PLAN" MEANS A COMPREHENSIVE PLAN
18 SUBMITTED BY A GAS DISTRIBUTION UTILITY OR MUNICIPAL GAS
19 DISTRIBUTION UTILITY THAT DEMONSTRATES PROJECTED REDUCTIONS IN
20 METHANE AND CARBON DIOXIDE EMISSIONS THAT, TOGETHER, MEET THE
21 REDUCTIONS REQUIRED IN THIS SECTION AT THE LOWEST REASONABLE
22 COST.

23 (c) "CLEAN HEAT RESOURCE" MEANS ANY ONE OR A COMBINATION
24 OF:

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

27 (II) RECOVERED METHANE;

1 (III) GREEN HYDROGEN;

2 (IV) BENEFICIAL ELECTRIFICATION AS DEFINED IN SECTION
3 40-3.2-106 (6)(a);

4 (V) PYROLYSIS OF TIRES IF THE PYROLYSIS MEETS A RECOVERED
5 METHANE PROTOCOL; AND

6 (VI) ANY TECHNOLOGY THAT THE COMMISSION FINDS IS
7 COST-EFFECTIVE AND THAT THE DIVISION FINDS RESULTS IN A REDUCTION
8 IN CARBON EMISSIONS FROM THE COMBUSTION OF GAS IN CUSTOMER END
9 USES OR MEETS A RECOVERED METHANE PROTOCOL APPROVED BY THE AIR
10 QUALITY CONTROL COMMISSION. TO QUALIFY AS A CLEAN HEAT
11 RESOURCE, ALL CREDITS OR SEVERABLE, TRADABLE MECHANISMS
12 REPRESENTING THE EMISSION REDUCTION ATTRIBUTES OF THE CLEAN HEAT
13 RESOURCE MUST BE RETIRED IN THE YEAR GENERATED AND MAY NOT BE
14 SOLD.

15 (d) "COST CAP" MEANS A MAXIMUM COST IMPACT ESTABLISHED
16 PURSUANT TO SUBSECTION (6)(a)(I) OF THIS SECTION FOR COMPLIANCE
17 WITH A CLEAN HEAT TARGET.

18 (e) "DIVISION" MEANS THE DIVISION OF ADMINISTRATION CREATED
19 BY SECTION 25-1-102 (2)(a) IN THE DEPARTMENT OF PUBLIC HEALTH AND
20 ENVIRONMENT.

21 (f) "Gas" MEANS GEOLOGICAL GAS, HYDROGEN, AND RECOVERED
22 METHANE.

23 (g) "GAS DISTRIBUTION UTILITY" MEANS A PUBLIC UTILITY
24 PROVIDING GAS SERVICE TO MORE THAN NINETY THOUSAND RETAIL
25 CUSTOMERS. "GAS DISTRIBUTION UTILITY" DOES NOT INCLUDE A
26 MUNICIPAL GAS DISTRIBUTION UTILITY.

27 (h) "GEOLOGICAL GAS" MEANS METHANE AND OTHER

1 HYDROCARBONS THAT OCCUR UNDERGROUND WITHOUT HUMAN
2 INTERVENTION AND ARE USED AS FUEL.

3 (i) "GREENHOUSE GAS" HAS THE MEANING SET FORTH IN SECTION
4 25-7-140 (6), MEASURED IN TERMS OF CARBON DIOXIDE EQUIVALENT.

5 (j) "GREEN HYDROGEN" MEANS HYDROGEN DERIVED FROM A
6 CLEAN ENERGY RESOURCE AS DEFINED IN SECTION 40-2-125.5 (2)(b) THAT
7 USES WATER AS THE SOURCE OF THE HYDROGEN. FOR PURPOSES OF A
8 CLEAN HEAT PLAN, A GREEN HYDROGEN PROJECT MAY INCLUDE
9 ASSOCIATED CLEAN ENERGY GENERATION, TRANSMISSION, AND OTHER
10 INFRASTRUCTURE, SUBJECT TO COMMISSION APPROVAL.

11 (k) "LOWEST REASONABLE COST" MEANS A REASONABLE-COST MIX
12 OF CLEAN HEAT RESOURCES THAT MEET CLEAN HEAT TARGETS
13 ESTABLISHED PURSUANT TO THIS SECTION AS DETERMINED THROUGH A
14 DETAILED ANALYSIS OF AVAILABLE TECHNOLOGIES AND INCLUDES
15 RESOURCE COSTS, MARKET VOLATILITY RISKS, RISKS TO RATEPAYERS,
16 SYSTEMS OPERATIONS COSTS, INFRASTRUCTURE COSTS, ENVIRONMENTAL
17 JUSTICE GOALS, THE SOCIAL COST OF CARBON, AND THE SOCIAL COST OF
18 METHANE IN COMPARING THE COSTS AND BENEFITS OF ALTERNATIVES,
19 AND OTHER COSTS AND BENEFITS AS DETERMINED BY THE COMMISSION.

20 (l) "MUNICIPAL GAS DISTRIBUTION UTILITY" MEANS A
21 MUNICIPALLY OWNED UTILITY THAT PROVIDES GAS SERVICE TO MORE
22 THAN NINETY THOUSAND CUSTOMERS.

23 (m) "PYROLYSIS" HAS THE MEANING SET FORTH IN SECTION
24 40-2-124 (1)(a)(V).

25 (n) "RECOVERED METHANE" MEANS ANY OF THE FOLLOWING THAT
26 ARE LOCATED IN COLORADO AND MEET A RECOVERED METHANE
27 PROTOCOL APPROVED BY THE AIR QUALITY CONTROL COMMISSION:

1 (I) BIOMETHANE; AND
2 (II) METHANE DERIVED FROM:
3 (A) MUNICIPAL SOLID WASTE;
4 (B) THE PYROLYSIS OF MUNICIPAL SOLID WASTE;
5 (C) BIOMASS PYROLYSIS OR ENZYMATIC BIOMASS; OR
6 (D) WASTEWATER TREATMENT;
7 (III) COAL MINE METHANE, AS DEFINED IN SECTION 40-2-124
8 (1)(a)(II), THE CAPTURE OF WHICH IS NOT OTHERWISE REQUIRED BY STATE
9 OR FEDERAL LAW; OR
10 (IV) METHANE THAT WOULD HAVE LEAKED WITHOUT REPAIRS OF
11 THE GAS DISTRIBUTION AND SERVICE PIPELINES FROM THE CITY GATE TO
12 CUSTOMER END USE.
13 (o) "RECOVERED METHANE CREDIT" MEANS A TRADABLE
14 INSTRUMENT THAT REPRESENTS A GREENHOUSE GAS EMISSION REDUCTION
15 OR GREENHOUSE GAS REMOVAL ENHANCEMENT OF ONE METRIC TON OF
16 CARBON DIOXIDE EQUIVALENT. THE GREENHOUSE GAS EMISSION
17 REDUCTION OR GREENHOUSE GAS REMOVAL ENHANCEMENT MUST BE
18 REAL, ADDITIONAL, QUANTIFIABLE, PERMANENT, VERIFIABLE, AND
19 ENFORCEABLE. NO RECOVERED METHANE CREDIT MAY BE ISSUED IF THE
20 GREENHOUSE GAS EMISSION REDUCTION OR GREENHOUSE GAS REMOVAL
21 ENHANCEMENT THAT THE CREDIT WOULD REPRESENT IS REQUIRED OR
22 ACCOUNTED FOR BY A PROPOSED OR FINAL FEDERAL, STATE, OR LOCAL
23 RULE OR REGULATION.
24 (p) "RECOVERED METHANE PROTOCOL" MEANS A DOCUMENTED
25 SET OF PROCEDURES AND REQUIREMENTS ESTABLISHED BY THE AIR
26 QUALITY CONTROL COMMISSION TO QUANTIFY ONGOING GREENHOUSE GAS
27 EMISSION REDUCTIONS OR GREENHOUSE GAS REMOVAL ENHANCEMENTS

1 ACHIEVED BY A RECOVERED METHANE PROJECT AND TO CALCULATE THE
2 PROJECT BASELINE. A RECOVERED METHANE PROTOCOL MUST:

3 (I) SPECIFY RELEVANT DATA COLLECTION AND MONITORING
4 PROCEDURES AND EMISSION FACTORS;

5 (II) CONSERVATIVELY ACCOUNT FOR UNCERTAINTY,
6 ACTIVITY-SHIFTING LEAKAGE RISKS, AND MARKET-SHIFTING LEAKAGE
7 RISKS ASSOCIATED WITH A TYPE OF RECOVERED METHANE PROJECT;

8 (III) DETERMINE DATA VERIFICATION REQUIREMENTS; AND

9 (IV) SPECIFY PROCEDURES PURSUANT TO WHICH THE AIR QUALITY
10 CONTROL COMMISSION MUST APPROVE AN ENTITY THAT THE DIVISION
11 PROPOSES TO ACCREDIT FOR VERIFICATION OF ONGOING GREENHOUSE GAS
12 EMISSION REDUCTIONS OR GREENHOUSE GAS REMOVAL ENHANCEMENTS.

13 (q) "SMALL GAS DISTRIBUTION UTILITY" MEANS A PUBLIC UTILITY
14 PROVIDING GAS SERVICE TO NINETY THOUSAND RETAIL CUSTOMERS OR
15 FEWER. "SMALL GAS DISTRIBUTION UTILITY" DOES NOT INCLUDE A
16 MUNICIPAL GAS DISTRIBUTION UTILITY.

17 (3) Clean heat targets. (a) THE PURPOSE OF A CLEAN HEAT PLAN
18 IS TO ACHIEVE CLEAN HEAT TARGETS BY REDUCING CARBON DIOXIDE AND
19 METHANE EMISSIONS FROM GAS DISTRIBUTION UTILITIES.

20 (b) (I) A CLEAN HEAT PLAN UNDER THIS SECTION MUST
21 DEMONSTRATE THAT THE GAS DISTRIBUTION UTILITY SUBMITTING THE
22 CLEAN HEAT PLAN WILL ACHIEVE A REDUCTION OF CARBON DIOXIDE AND
23 METHANE EMISSIONS FROM THE DISTRIBUTION AND END-USE COMBUSTION
24 OF GAS.

25 (II) A GAS DISTRIBUTION UTILITY SHALL DEMONSTRATE
26 COMPLIANCE WITH SUBSECTION (3)(b)(I) OF THIS SECTION BY FILING AND
27 OBTAINING COMMISSION APPROVAL OF CLEAN HEAT PLANS THAT MEET

1 CLEAN HEAT TARGETS CALCULATED AS FOLLOWS: CONSISTENT WITH
2 SUBSECTION (3)(c) OF THIS SECTION AND AS COMPARED TO A 2015
3 BASELINE, A FOUR PERCENT REDUCTION IN GREENHOUSE GAS EMISSIONS
4 IN 2025, OF WHICH NOT MORE THAN ONE PERCENT CAN BE FROM
5 RECOVERED METHANE; AND A TWENTY-TWO PERCENT REDUCTION IN
6 GREENHOUSE GAS EMISSIONS IN 2030, OF WHICH NOT MORE THAN FIVE
7 PERCENT CAN BE FROM RECOVERED METHANE.

8 (c) (I) IN CALCULATING THE BASELINE AND PROJECTED EMISSIONS
9 COVERED UNDER A CLEAN HEAT PLAN, A GAS DISTRIBUTION UTILITY MUST
10 INCLUDE THE FOLLOWING:

11 (A) METHANE LEAKED FROM THE TRANSPORTATION AND
12 DELIVERY OF GAS FROM THE GAS DISTRIBUTION AND SERVICE PIPELINES
13 FROM THE CITY GATE TO CUSTOMER END USE;

14 (B) CARBON DIOXIDE EMISSIONS RESULTING FROM THE
15 COMBUSTION OF GAS BY RESIDENTIAL, COMMERCIAL, AND INDUSTRIAL
16 CUSTOMERS NOT OTHERWISE SUBJECT TO FEDERAL GREENHOUSE GAS
17 EMISSION REPORTING AND EXCLUDING ALL TRANSPORT CUSTOMERS; AND

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

20 (II) ALL EMISSIONS ARE METRIC TONS OF CARBON DIOXIDE
21 EQUIVALENT AS REPORTED TO THE FEDERAL ENVIRONMENTAL PROTECTION
22 AGENCY PURSUANT TO 40 CFR 98, EITHER SUBPART W (METHANE) OR
23 SUBPART NN (CARBON DIOXIDE), OR SUCCESSOR REPORTING
24 REQUIREMENTS; EXCEPT THAT THE DIVISION SHALL USE THE AR-4
25 ONE-HUNDRED-YEAR GLOBAL WARMING POTENTIAL OR ANY GREATER
26 SUCCESSOR VALUE DETERMINED BY THE FEDERAL ENVIRONMENTAL
27 PROTECTION AGENCY.

1 (d) IN CALCULATING ITS CLEAN HEAT TARGET, A UTILITY MUST
2 SHOW ITS BASELINE CARBON DIOXIDE EMISSIONS AND METHANE EMISSIONS
3 SEPARATELY AND MUST SHOW THAT THE TOTAL EMISSION REDUCTIONS
4 ARE PROJECTED TO ACHIEVE THE CLEAN HEAT TARGET. THE FINAL
5 CALCULATION DEMONSTRATING THAT THE PLAN MEETS THE CLEAN HEAT
6 TARGET MUST BE PRESENTED ON A CARBON DIOXIDE EQUIVALENT BASIS.

7 (e) IT IS THE POLICY OF THE STATE OF COLORADO TO REDUCE THE
8 STATE'S GREENHOUSE GAS EMISSIONS, AND THEREFORE TO COUNT TOWARD
9 A GAS DISTRIBUTION UTILITY'S COMPLIANCE WITH THE EMISSION
10 REDUCTION GOALS, RECOVERED METHANE UNDER A CLEAN HEAT PLAN
11 MUST BE REPRESENTED BY A RECOVERED METHANE CREDIT, ISSUED
12 SUBJECT TO AN APPROVED RECOVERED METHANE PROTOCOL, AND
13 DELIVERED:

14 (I) TO OR WITHIN COLORADO THROUGH A DEDICATED PIPELINE; OR
15 (II) THROUGH A COMMON CARRIER PIPELINE IF THE SOURCE OF THE
16 RECOVERED METHANE INJECTS THE RECOVERED METHANE INTO A
17 COMMON CARRIER PIPELINE THAT PHYSICALLY FLOWS WITHIN COLORADO
18 OR TOWARD THE END USER IN COLORADO FOR WHICH THE RECOVERED
19 METHANE WAS PRODUCED.

20 (f) TO COUNT TOWARD A GAS DISTRIBUTION UTILITY'S
21 COMPLIANCE WITH THE CLEAN HEAT TARGETS, THE UTILITY MUST
22 QUANTIFY THE ACTUAL METHANE REDUCTIONS ACHIEVED BY ANY LEAK
23 REPAIRS AND THE COMMISSION MUST FIND THAT THE LEAK REDUCTIONS
24 ARE COST-EFFECTIVE. THE COMMISSION MAY REQUIRE THE UTILITY TO
25 EVALUATE NONPIPELINE ALTERNATIVES.

26 (4) **Submission of clean heat plans.** (a) **NO LATER THAN AUGUST**
27 **1, 2023, THE LARGEST GAS DISTRIBUTION UTILITY IN COLORADO, AS**

1 DETERMINED BY THE VOLUME OF GAS SOLD IN COLORADO, SHALL FILE
2 WITH THE COMMISSION AN APPLICATION FOR APPROVAL OF A CLEAN HEAT
3 PLAN THAT DEMONSTRATES THAT THE GAS DISTRIBUTION UTILITY WILL
4 ACHIEVE THE CLEAN HEAT TARGET ESTABLISHED FOR 2025 IN SUBSECTION
5 (3)(b)(II) OF THIS SECTION BY 2025. ALL OTHER GAS DISTRIBUTION
6 UTILITIES SHALL FILE APPLICATIONS FOR APPROVAL OF CLEAN HEAT PLANS
7 NO LATER THAN JANUARY 1, 2024, THAT DEMONSTRATE, FOR EACH SUCH
8 GAS DISTRIBUTION UTILITY, THAT IT WILL ACHIEVE THE CLEAN HEAT
9 TARGET ESTABLISHED FOR 2025 IN SUBSECTION (3)(b)(II) OF THIS SECTION
10 BY 2025.

11 (b) AFTER COMPLYING WITH SUBSECTION (4)(a) OF THIS SECTION,
12 EACH GAS DISTRIBUTION UTILITY SHALL, AS DIRECTED BY THE
13 COMMISSION BUT NOT LESS OFTEN THAN EVERY FOUR YEARS, FILE AN
14 ADDITIONAL CLEAN HEAT PLAN THAT COVERS, AT MINIMUM, FIVE YEARS
15 AFTER THE DATE OF THE FILING.

16 (c) A CLEAN HEAT PLAN FILED PURSUANT TO THIS SUBSECTION (4)
17 MUST:

18 (I) DEMONSTRATE THAT THE GAS DISTRIBUTION UTILITY WILL
19 MEET THE APPLICABLE CLEAN HEAT TARGETS SPECIFIED IN THIS SECTION
20 FOR THE APPLICABLE PLAN PERIOD;

21 (II) SET FORTH PORTFOLIOS THAT THE GAS DISTRIBUTION UTILITY
22 WILL USE TO DEMONSTRATE ALTERNATIVE COMPLIANCE APPROACHES FOR
23 REDUCING CARBON DIOXIDE AND METHANE EMISSIONS TO MEET THE
24 CLEAN HEAT TARGET IN THE APPLICABLE PLAN PERIOD, INCLUDING ITS
25 PREFERRED OPTION. THE UTILITY SHALL PRESENT:

26 (A) A PORTFOLIO OF RESOURCES THAT USES CLEAN HEAT
27 RESOURCES TO THE MAXIMUM PRACTICABLE EXTENT, THAT COMPLIES

1 WITH THE COST CAP, THAT MAY INCLUDE LEAK REDUCTIONS APPROVED BY
2 THE COMMISSION, AND THAT MAY OR MAY NOT MEET THE CLEAN HEAT
3 TARGET IN THE APPLICABLE PLAN PERIOD BUT THAT DEMONSTRATES
4 REDUCTIONS IN METHANE EMISSIONS;

5 (B) A PORTFOLIO THAT MEETS THE CLEAN HEAT TARGETS IN THE
6 APPLICABLE PLAN PERIOD USING ONLY CLEAN HEAT RESOURCES BUT THAT
7 NEED NOT MEET THE COST CAP;

8 (C) OTHER PORTFOLIOS AT THE UTILITY'S DISCRETION; AND

9 (D) OTHER PORTFOLIOS AS DIRECTED BY THE COMMISSION;

10 (III) QUANTIFY ANNUAL PROJECTED GREENHOUSE GAS EMISSION
11 REDUCTIONS DURING THE APPLICABLE PLAN PERIOD RESULTING FROM
12 EACH PORTFOLIO;

13 (IV) PROPOSE PROGRAM BUDGETS TO MEET THE EMISSION
14 REDUCTION TARGETS;

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

19 (VI) PROJECT ANNUAL GREENHOUSE GAS EMISSION REDUCTIONS
20 THAT WOULD RESULT IF EACH PROPOSED PORTFOLIO WERE EXTENDED
21 THROUGH 2050;

22 (VII) FORECAST CARBON DIOXIDE AND METHANE EMISSION
23 REDUCTIONS THAT ARE CONSISTENT WITH THE RECOVERED METHANE
24 PROTOCOL RULES ADOPTED BY THE AIR QUALITY CONTROL COMMISSION
25 PURSUANT TO SECTION 25-7-105 (1)(e)(X.5);

26 (VIII) QUANTIFY ADDITIONAL AIR QUALITY, ENVIRONMENTAL,
27 AND HEALTH BENEFITS OF THE PLAN IN ADDITION TO THE GREENHOUSE GAS

- 1 EMISSION REDUCTIONS;
- 2 (IX) INCLUDE A FORECAST OF POTENTIAL NEW CUSTOMERS AND
3 SYSTEM GROWTH OR EXPANSION OF THE GAS SYSTEM FOR THE APPLICABLE
4 PLAN PERIOD, INCLUDING PROJECTED GREENHOUSE GAS EMISSIONS
5 RELATED TO THAT GROWTH;
- 6 (X) DESCRIBE THE EFFECTS OF THE ACTIONS AND INVESTMENTS IN
7 THE CLEAN HEAT PLAN ON THE SAFETY, RELIABILITY, AND RESILIENCE OF
8 THE GAS DISTRIBUTION UTILITY'S GAS SERVICE;
- 9 (XI) QUANTIFY THE COST OF IMPLEMENTING THE PREFERRED
10 PORTFOLIO OF CLEAN HEAT RESOURCES USED TO MEET THE CLEAN HEAT
11 TARGETS THROUGH THE CLEAN HEAT PLAN, NET OF THE AVOIDED COST OF
12 ANY NEW DELIVERY INFRASTRUCTURE AVOIDED THROUGH IMPLEMENTING
13 THE PLAN;
- 14 (XII) IDENTIFY POTENTIAL CHANGES TO DEPRECIATION SCHEDULES
15 OR OTHER ACTIONS TO ALIGN THE GAS DISTRIBUTION UTILITY'S COST
16 RECOVERY WITH STATEWIDE POLICY GOALS, INCLUDING REDUCING
17 CARBON DIOXIDE AND METHANE EMISSIONS, MINIMIZING COSTS, AND
18 MINIMIZING RISKS TO CUSTOMERS;
- 19 (XIII) EXPLAIN THE GAS DISTRIBUTION UTILITY'S ANALYSIS OF THE
20 COSTS AND BENEFITS OF AN ARRAY OF COMPLIANCE ALTERNATIVES,
21 INCLUDING THE SOCIAL COST OF CARBON AND THE SOCIAL COST OF
22 METHANE IN THE COST-BENEFIT CALCULATIONS;
- 23 (XIV) DESCRIBE THE MONITORING AND VERIFICATION
24 METHODOLOGY TO BE USED IN ANNUAL REPORTING;
- 25 (XV) INCLUDE ANY OTHER INFORMATION REQUIRED BY THE
26 COMMISSION.
- 27 (d) (I) TO DEMONSTRATE COMPLIANCE WITH THE APPLICABLE

1 CLEAN HEAT TARGET IN A CLEAN HEAT PLAN, A GAS DISTRIBUTION UTILITY
2 MUST UTILIZE CLEAN HEAT RESOURCES TO THE MAXIMUM EXTENT
3 PRACTICABLE AND COUNT GREENHOUSE GAS EMISSION REDUCTIONS
4 RESULTING FROM ITS USE OF THOSE RESOURCES. FOR COMPLIANCE WITH
5 THE 2030 TARGET, A UTILITY SHALL NOT PROPOSE AND THE COMMISSION
6 SHALL NOT APPROVE RECOVERED METHANE RESOURCES ACHIEVING MORE
7 THAN FIVE PERCENT OF THE TARGET OF TWENTY-TWO PERCENT.

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

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

16 (B) 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 (e) A CLEAN HEAT PLAN MAY BE FILED AS PART OF A DEMAND-SIDE
22 MANAGEMENT PLAN OR ANY OTHER PLAN AS DETERMINED BY THE
23 COMMISSION.

24 (f) 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)(f), IT MUST ALSO INCLUDE A PROPOSAL FOR COMPETITIVE
2 SOLICITATION.

3 (g) (I) THE COMMISSION SHALL CONSULT WITH THE DIVISION TO
4 ESTIMATE REDUCTIONS OF EMISSIONS OF GREENHOUSE GASES AND OTHER
5 AIR POLLUTANTS UNDER THE PORTFOLIOS.

6 (II) THE DIVISION MAY PARTICIPATE AS A PARTY IN ANY
7 PROCEEDING BEFORE THE COMMISSION IN WHICH A GAS DISTRIBUTION
8 UTILITY IS SEEKING APPROVAL OF A CLEAN HEAT PLAN THE GAS
9 DISTRIBUTION UTILITY DEVELOPED PURSUANT TO THIS SECTION.

10 (h) A GAS DISTRIBUTION UTILITY'S FIRST CLEAN HEAT PLAN MUST
11 USE A PLANNING PERIOD THAT EXTENDS THROUGH 2025. THE SECOND
12 CLEAN HEAT PLAN MUST USE A PLANNING PERIOD THAT EXTENDS
13 THROUGH 2030. SUBSEQUENT CLEAN HEAT PLANS MUST USE A PLANNING
14 PERIOD AS DETERMINED BY THE COMMISSION.

15 (5) **Commission rules.** (a) No LATER THAN OCTOBER 1, 2021,
16 THE COMMISSION SHALL UNDERTAKE A RULE-MAKING PROCEEDING TO
17 UPDATE ELECTRIC AND GAS DEMAND-SIDE MANAGEMENT RULES
18 CONSISTENT WITH THE CLEAN HEAT TARGETS ESTABLISHED IN THIS
19 SECTION. IN THE RULE-MAKING, THE COMMISSION SHALL REMOVE ANY
20 PROHIBITION ON CUSTOMER INCENTIVES TO HELP CUSTOMERS REPLACE
21 GAS APPLIANCES WITH HIGHLY EFFICIENT ELECTRIC ALTERNATIVES. AS
22 PART OF THIS RULE-MAKING PROCESS, THE COMMISSION SHALL CONVENE
23 AT LEAST FOUR WORKSHOPS OR PUBLIC MEETINGS TO SOLICIT INPUT ON
24 THE CONTENTS AND EVALUATION OF GAS DISTRIBUTION UTILITIES' CLEAN
25 HEAT PLANS, TWO OF WHICH MUST BE LOCATED IN DISPROPORTIONATELY
26 IMPACTED COMMUNITIES SERVED BY THE UTILITY THAT IS REQUIRED TO
27 SUBMIT A CLEAN HEAT PLAN. PARTICIPATION MUST BE OPEN TO THE

1 PUBLIC AND SHALL NOT BE LIMITED TO PARTIES REPRESENTED BY AN
2 ATTORNEY.

3 (b) THE COMMISSION SHALL ADOPT RULES NECESSARY FOR GAS
4 DISTRIBUTION UTILITIES TO IMPLEMENT CLEAN HEAT PLANS BY DECEMBER
5 1, 2022.

6 **(6) Approval of clean heat plans - recovery.** (a) (I) FOR EACH
7 GAS DISTRIBUTION UTILITY, THE COMMISSION SHALL ESTABLISH A COST
8 CAP THAT IS TWO AND ONE-HALF PERCENT OF ANNUAL GAS BILLS FOR ALL
9 FULL-SERVICE CUSTOMERS AS A WHOLE.

10 (II) THE COMMISSION SHALL CALCULATE THE ANNUAL RETAIL
11 COST IMPACT NET OF THE UTILITY'S APPROVED GAS DEMAND-SIDE
12 MANAGEMENT PROGRAM BUDGETS BUT SHALL INCLUDE ANY INCENTIVE
13 ADOPTED OR APPROVED BY THE COMMISSION. IF A GAS DISTRIBUTION
14 UTILITY INCLUDES A BENEFICIAL ELECTRIFICATION PLAN AS PART OF A
15 FILING WITH A CLEAN HEAT PLAN, THE COMMISSION SHALL CALCULATE
16 THE RETAIL COST IMPACT CAP NET OF THE UTILITY'S APPROVED BENEFICIAL
17 ELECTRIFICATION PLAN PROGRAM BUDGET.

18 (b) THE COMMISSION SHALL CONSIDER ALLOWING CURRENT
19 RECOVERY FOR CLEAN HEAT PLAN COSTS THROUGH A RATE ADJUSTMENT
20 CLAUSE OR STRUCTURE THAT ALLOWS FOR CURRENT RECOVERY, AND A
21 GAS DISTRIBUTION UTILITY MAY RECOVER THE PRUDENTLY INCURRED
22 COSTS ASSOCIATED WITH ACTIONS UNDER AN APPROVED CLEAN HEAT PLAN
23 OR ACTIONS TO MEET ANY ADDITIONAL EMISSION REDUCTION
24 REQUIREMENTS IMPOSED PURSUANT TO SECTION 25-7-105 (1)(e)(XI).

25 (c) (I) IN APPROVING A CLEAN HEAT PLAN, THE COMMISSION SHALL
26 CONSIDER A COST TEST THAT INCLUDES BOTH THE SOCIAL COST OF CARBON
27 AND THE SOCIAL COST OF METHANE.

1 (II) IN EVALUATING A CLEAN HEAT PLAN, THE COMMISSION SHALL
2 CONSIDER WHETHER THE PLAN WILL ACHIEVE THE APPLICABLE CLEAN
3 HEAT TARGETS.

4 (d) (I) THE COMMISSION SHALL APPROVE A CLEAN HEAT PLAN IF
5 THE COMMISSION FINDS IT TO BE IN THE PUBLIC INTEREST. THE
6 COMMISSION MAY MODIFY THE PLAN IF THE MODIFICATIONS ARE
7 NECESSARY TO ENSURE THAT THE PLAN IS IN THE PUBLIC INTEREST. IN
8 EVALUATING WHETHER THE CLEAN HEAT PLAN SUBMITTED TO THE
9 COMMISSION IS IN THE PUBLIC INTEREST, THE COMMISSION SHALL TAKE
10 INTO ACCOUNT THE FOLLOWING FACTORS:

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

13 (B) THE ADDITIONAL AIR QUALITY, ENVIRONMENTAL, AND HEALTH
14 BENEFITS OF THE PLAN IN ADDITION TO THE GREENHOUSE GAS EMISSION
15 REDUCTIONS;

16 (C) WHETHER INVESTMENTS IN A CLEAN HEAT PLAN PRIORITIZE
17 SERVING CUSTOMERS PARTICIPATING IN INCOME-QUALIFIED PROGRAMS
18 AND COMMUNITIES HISTORICALLY IMPACTED BY AIR POLLUTION AND
19 OTHER ENERGY-RELATED POLLUTION;

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

23 (E) WHETHER THE CLEAN HEAT PLAN ENSURES SYSTEM
24 RELIABILITY.

25 (II) IN APPROVING A CLEAN HEAT PLAN:

26 (A) IF THE COMMISSION DETERMINES THAT IT IS POSSIBLE TO
27 ACHIEVE LARGER GREENHOUSE GAS EMISSION REDUCTIONS THAN THE

1 REQUIRED CLEAN HEAT TARGETS USING CLEAN HEAT RESOURCES AT OR
2 BELOW THE COST CAP, THE COMMISSION SHALL REQUIRE THE MAXIMUM
3 LEVEL OF EMISSION REDUCTIONS ABOVE THE CLEAN HEAT TARGETS THAT
4 CAN BE ACHIEVED AT OR BELOW THE COST CAP USING CLEAN HEAT
5 RESOURCES, WITH THE PROPORTION OF GREENHOUSE GAS EMISSION
6 REDUCTIONS FROM RECOVERED METHANE NOT EXCEEDING THE
7 PROPORTION ALLOWED IN MEETING THE CLEAN HEAT TARGET FOR THE
8 APPLICABLE PLAN PERIOD.

9 (B) THE COMMISSION MUST REQUIRE THE GAS DISTRIBUTION
10 UTILITY TO ACHIEVE THE MAXIMUM LEVEL OF GREENHOUSE GAS EMISSION
11 REDUCTIONS PRACTICABLE USING CLEAN HEAT RESOURCES AT OR BELOW
12 THE COST CAP, WITH THE PROPORTION OF GREENHOUSE GAS EMISSION
13 REDUCTIONS FROM RECOVERED METHANE NOT EXCEEDING THE
14 PROPORTION ALLOWED IN MEETING THE CLEAN HEAT TARGET FOR THE
15 APPLICABLE PLAN PERIOD.

16 (III) THE COMMISSION MAY APPROVE, OR AMEND AND APPROVE,
17 A CLEAN HEAT PLAN WITH COSTS GREATER THAN THE COST CAP ONLY IF IT
18 FINDS THAT THE PLAN IS IN THE PUBLIC INTEREST, COSTS TO CUSTOMERS
19 ARE REASONABLE, THE PLAN INCLUDES MITIGATION OF RATE INCREASES
20 FOR INCOME-QUALIFIED CUSTOMERS, AND THE BENEFITS OF THE PLAN,
21 INCLUDING THE SOCIAL COSTS OF METHANE AND CARBON DIOXIDE,
22 EXCEED THE COSTS.

23 (7) **Annual reporting.** (a) EACH GAS DISTRIBUTION UTILITY
24 SHALL SUBMIT TO THE COMMISSION AN ANNUAL REPORT THAT SHOWS THE
25 AMOUNT OF MONEY THAT IT HAS SPENT UNDER EACH PROGRAM IN THE
26 CLEAN HEAT PLAN, THE AMOUNT SPENT ON INCOME-QUALIFIED PROGRAMS
27 OR PROGRAMS THAT SERVE COMMUNITIES HISTORICALLY IMPACTED BY AIR

1 POLLUTION AND OTHER ENERGY-RELATED POLLUTION, A CALCULATION OF
2 EMISSIONS REDUCED OR AVOIDED PURSUANT TO ITS APPROVED CLEAN
3 HEAT PLAN, AND ANY OTHER INFORMATION REQUIRED BY THE
4 COMMISSION.

5 (b) IN ADDITION TO ANY OTHER GREENHOUSE GAS REPORTING
6 REQUIREMENTS, EACH GAS DISTRIBUTION UTILITY SHALL SUBMIT AN
7 ANNUAL REPORT TO THE COMMISSION PROVIDING A CALCULATION OF
8 EMISSIONS REDUCED OR AVOIDED PURSUANT TO ITS APPROVED CLEAN
9 HEAT PLAN. THE REPORT MUST INCLUDE SEPARATE QUANTIFICATIONS OF
10 THE REDUCTIONS IN CARBON DIOXIDE AND METHANE EMISSIONS. CARBON
11 DIOXIDE EMISSION REDUCTIONS MUST BE CALCULATED BASED ON
12 EMISSIONS REPORTED PURSUANT TO THE AIR QUALITY CONTROL
13 COMMISSION'S RULES. IF A UTILITY INCLUDES RECOVERED METHANE, THE
14 UTILITY SHALL QUANTIFY ACTUAL EMISSION REDUCTIONS ACHIEVED ON A
15 PROJECT BASIS FOR EACH PROJECT FOR WHICH IT CLAIMS REDUCTIONS IN
16 THAT YEAR, BASED ON ANY RECOVERED METHANE CREDITS GENERATED.

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

21 (b) FOR A UTILITY PROJECT THAT IS PART OF A COMPETITIVE
22 SOLICITATION AND WITH A COST OF MORE THAN ONE MILLION DOLLARS,
23 THE GAS DISTRIBUTION UTILITY SHALL REQUIRE ALL BIDDERS TO PROVIDE
24 DETAILED INFORMATION ABOUT THE USE OF COLORADO-BASED LABOR
25 AND OUT-OF-STATE LABOR. THE UTILITY SHALL PROVIDE THIS
26 INFORMATION TO THE COMMISSION.

27 (c) IF A CLEAN HEAT PLAN INCLUDES GAS DEMAND-SIDE

1 MANAGEMENT PROGRAMS AS DEFINED IN SECTION 40-1-102 (6), ALL
2 REQUIREMENTS SPECIFIED IN THIS ARTICLE 3.2 RELATING TO LABOR
3 STANDARDS FOR GAS DEMAND-SIDE MANAGEMENT PROGRAMS OR
4 PROJECTS APPLY. IF A CLEAN HEAT PLAN INCLUDES BENEFICIAL
5 ELECTRIFICATION, ALL REQUIREMENTS SPECIFIED IN THIS ARTICLE 3.2
6 RELATING TO BENEFICIAL ELECTRIFICATION LABOR STANDARDS,
7 BENEFICIAL ELECTRIFICATION PLANS, RECOVERY OF COSTS, AND
8 REPORTING APPLY.

9 (d) IN ALL DECISIONS APPROVING CLEAN HEAT RESOURCES TO BE
10 ACQUIRED AS PART OF A CLEAN HEAT PLAN, THE COMMISSION SHALL
11 CONSIDER THE LONG-TERM IMPACTS ON COLORADO'S UTILITY WORKFORCE
12 AS PART OF A JUST TRANSITION AND SHALL GIVE ADDITIONAL WEIGHT TO
13 A PROJECT THAT INCLUDES:

14 (I) TRAINING PROGRAMS, INCLUDING TRAINING THROUGH THE
15 DIVISION OF EMPLOYMENT AND TRAINING IN THE DEPARTMENT OF LABOR
16 AND EMPLOYMENT CREATED IN SECTION 8-83-102 OR A STATE
17 APPRENTICESHIP COUNCIL REGISTERED WITH THE UNITED STATES
18 DEPARTMENT OF LABOR;

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

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

22 (9) **Small gas distribution utilities.** (a) A SMALL GAS
23 DISTRIBUTION UTILITY MAY FILE A CLEAN HEAT PLAN WITH THE
24 COMMISSION PURSUANT TO SUBSECTIONS (3) TO (7) OF THIS SECTION OR IT
25 MAY SUBMIT A SMALL UTILITY EMISSION REDUCTION PLAN PURSUANT TO
26 THIS SUBSECTION (9).

27 (b) THE SMALL GAS DISTRIBUTION UTILITY, AS PART OF ITS SMALL

1 UTILITY EMISSION REDUCTION PLAN:
2 (I) MUST PROPOSE GREENHOUSE GAS EMISSION REDUCTION
3 TARGETS FOR 2025 AND 2030;
4 (II) IS SUBJECT TO THE COST CAP;
5 (III) MUST IDENTIFY THE CLEAN HEAT RESOURCES THE SMALL GAS
6 DISTRIBUTION UTILITY WILL USE TO REDUCE EMISSIONS ON ITS SYSTEM
7 AND QUANTIFY THE ANNUAL EMISSION REDUCTIONS EXPECTED DURING
8 THE PLAN PERIOD;
9 (IV) MUST PROPOSE PROGRAM BUDGETS TO MEET THE EMISSION
10 REDUCTION TARGETS PROPOSED BY THE SMALL GAS DISTRIBUTION
11 UTILITY;
12 (V) MUST FORECAST CARBON DIOXIDE AND METHANE EMISSION
13 REDUCTIONS REASONABLY EXPECTED TO BE ACHIEVED THROUGH THE
14 ACTIONS TAKEN IN THE PREFERRED PLAN;
15 (VI) MUST QUANTIFY THE COST OF IMPLEMENTATION OF THE
16 PREFERRED PORTFOLIO OF RESOURCES USED IN THE PLAN; AND
17 (VII) MUST INCLUDE AN IMPLEMENTATION PLAN OF AT LEAST
18 THREE YEARS DURING WHICH THE SMALL GAS DISTRIBUTION UTILITY
19 PROPOSES TO ACQUIRE CLEAN HEAT RESOURCES TO REDUCE EMISSIONS.
20 (c) THE COMMISSION SHALL APPROVE A CLEAN HEAT PLAN FILED
21 UNDER THIS SUBSECTION (9) IF THE COMMISSION FINDS IT TO BE IN THE
22 PUBLIC INTEREST. THE COMMISSION MAY MODIFY THE CLEAN HEAT PLAN
23 IF THE MODIFICATIONS ARE NECESSARY TO ENSURE THAT THE PLAN IS IN
24 THE PUBLIC INTEREST. IN EVALUATING WHETHER THE CLEAN HEAT PLAN
25 SUBMITTED TO THE COMMISSION IS IN THE PUBLIC INTEREST, THE
26 COMMISSION SHALL TAKE INTO ACCOUNT THE FACTORS SET FORTH IN
27 SUBSECTION (6)(d)(I) OF THIS SECTION. IN APPROVING A CLEAN HEAT PLAN

1 UNDER THIS SUBSECTION (9), THE COMMISSION SHALL CARRY OUT THE
2 DUTIES SET FORTH IN SUBSECTION (6)(d)(II) OF THIS SECTION. THE
3 COMMISSION MAY APPROVE A CLEAN HEAT PLAN THAT EXCEEDS THE COST
4 CAP UNDER THIS SUBSECTION (9) ONLY PURSUANT TO SUBSECTION
5 (6)(d)(III) OF THIS SECTION.

6 (d) SMALL GAS DISTRIBUTION UTILITIES WITH APPROVED CLEAN
7 HEAT PLANS ARE SUBJECT TO THE REPORTING PROVISIONS OF SUBSECTION
8 (7) OF THIS SECTION.

9 (10) NO LATER THAN DECEMBER 1, 2024, THE COMMISSION, IN
10 CONSULTATION WITH THE DIVISION, SHALL DETERMINE MASS-BASED
11 GREENHOUSE GAS EMISSION REDUCTION TARGETS FOR CLEAN HEAT PLANS
12 FOR 2035. IN ESTABLISHING THESE TARGETS, THE COMMISSION SHALL:

13 (a) ENSURE THAT GAS DISTRIBUTION UTILITIES' GREENHOUSE GAS
14 EMISSIONS WILL BE IN LINE WITH THE RESIDENTIAL, COMMERCIAL, AND
15 INDUSTRIAL SECTORS' CONTRIBUTION TO STATEWIDE GREENHOUSE GAS
16 POLLUTION; AND

17 (b) DETERMINE WHETHER RECOVERED METHANE MAY BE USED TO
18 MEET THE MASS-BASED GREENHOUSE GAS EMISSIONS REDUCTION TARGETS
19 ESTABLISHED PURSUANT TO THIS SUBSECTION (10).

20 (11) NO LATER THAN DECEMBER 1, 2032, THE COMMISSION, IN
21 CONSULTATION WITH THE DIVISION, SHALL DETERMINE THE MASS-BASED
22 GREENHOUSE GAS EMISSION REDUCTION GOALS FOR CLEAN HEAT PLANS
23 FOR 2040, 2045, AND 2050 USING A 2015 BASELINE THAT, AT MINIMUM,
24 ENSURE THAT GAS DISTRIBUTION UTILITIES' GREENHOUSE GAS EMISSION
25 REDUCTIONS WILL BE PROPORTIONATE TO THE RESIDENTIAL, COMMERCIAL,
26 AND INDUSTRIAL SECTORS' CONTRIBUTION TO THE GREENHOUSE GAS
27 EMISSION REDUCTION GOALS, EXCLUDING TRANSPORTATION GAS SERVICE

1 CUSTOMERS OR CUSTOMERS THAT REPORT THEIR OWN GREENHOUSE GAS
2 EMISSIONS TO THE FEDERAL ENVIRONMENTAL PROTECTION AGENCY UNDER
3 APPLICABLE FEDERAL LAW, INCLUDING 40 CFR 98, SUBPART NN. IN
4 DETERMINING THESE GOALS, THE COMMISSION SHALL CONSIDER SAVINGS
5 ACHIEVED OR PROJECTED TO BE ACHIEVED IN OTHER SECTORS OF THE
6 STATE'S ECONOMY, AS WELL AS THE COMMERCIAL AVAILABILITY OF
7 TECHNOLOGIES TO ACHIEVE EMISSION REDUCTIONS IN THIS SECTOR.

8 **SECTION 2.** In Colorado Revised Statutes, 25-7-105, **amend** (1)
9 **introductory portion; and add** (1)(e)(X.4) and (1)(e)(X.7) as follows:

10 **25-7-105. Duties of commission - rules - legislative declaration**
11 **- definitions.** (1) Except as provided in sections 25-7-130 and 25-7-131,
12 the commission shall promulgate such rules and regulations as THAT are
13 consistent with the legislative declaration set forth in section 25-7-102
14 and necessary for the proper implementation and administration of this
15 article 7, including: but not limited to:

16 (e) (X.4) NO LATER THAN SEPTEMBER 1, 2022, THE COMMISSION
17 SHALL PROPOSE RULES ESTABLISHING RECOVERED METHANE PROTOCOLS,
18 AS THAT TERM IS DEFINED IN SECTION 40-3.2-107 (2)(q), FOR AT LEAST
19 INACTIVE COAL MINES, BIOMETHANE AS THAT TERM IS DEFINED IN SECTION
20 40-3.2-107 (2)(a), AND GAS SYSTEM LEAKS, AND A CREDITING AND
21 TRACKING SYSTEM FOR RECOVERED METHANE AS THAT TERM IS DEFINED
22 IN SECTION 40-3.2-107 (2)(o). THE COMMISSION SHALL ADOPT THE RULES
23 NO LATER THAN FEBRUARY 1, 2023. THE RULE-MAKING PROCEEDING IS
24 SUBJECT TO THE PROCEDURAL REQUIREMENTS OF THIS SUBSECTION (1)(e).

25 (X.7) INDESIGNING GREENHOUSE GAS EMISSION REDUCTION RULES
26 THAT APPLY TO GAS DISTRIBUTION UTILITIES WITH CLEAN HEAT PLANS
27 APPROVED BY THE PUBLIC UTILITIES COMMISSION, THE COMMISSION SHALL

1 HARMONIZE ITS REGULATORY REQUIREMENTS WITH THE ACTIVITIES
2 CONTEMPLATED UNDER AN APPROVED CLEAN HEAT PLAN. IN ADOPTING
3 ANY ADDITIONAL EMISSION REDUCTION REQUIREMENTS ON GAS
4 DISTRIBUTION UTILITIES SUBJECT TO A CLEAN HEAT PLAN DIFFERENT FROM
5 THE REQUIREMENTS OF AN APPROVED CLEAN HEAT PLAN AND CONSISTENT
6 WITH THE CLEAN HEAT TARGETS, THE COMMISSION SHALL:

7 (A) CONSULT WITH THE PUBLIC UTILITIES COMMISSION REGARDING
8 THE COST-EFFECTIVENESS OF ANY ADDITIONAL EMISSION REDUCTION
9 REQUIREMENTS AND THEIR IMPACT ON CUSTOMER COSTS; AND

10 (B) DESIGN RULES TO MAXIMIZE COST-EFFECTIVENESS OF
11 ADDITIONAL EMISSION REDUCTION REQUIREMENTS TO PROTECT
12 LOW-INCOME CUSTOMERS.

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

15 **34-60-106. Additional powers of commission - rules -**
16 **definition - repeal.** (9) (a) ~~Notwithstanding the provisions of section~~
17 ~~34-60-120 or any other provision of law, the commission, as to class II~~
18 ~~injection wells defined in 40 CFR 144.6b, shall also have the power to~~
19 ~~CLASSIFIED IN 40 CFR 144.6, MAY perform all acts for the purpose of~~
20 ~~protecting underground sources of drinking water in accordance with~~
21 ~~state programs authorized by 42 U.S.C. sec. 300f et seq., and regulations~~
22 ~~thereunder in effect or~~ UNDER THOSE SECTIONS, as ~~may be~~ amended.

23 (b) THE COMMISSION SHALL:

24 (I) CONDUCT A STUDY TO EVALUATE WHAT RESOURCES ARE
25 NEEDED TO ENSURE THE SAFE AND EFFECTIVE REGULATION OF THE
26 SEQUESTRATION OF GREENHOUSE GASES, AS THAT TERM IS DEFINED IN
27 SECTION 25-7-140 (6), AND TO IDENTIFY AND ASSESS THE APPLICABLE

1 RESOURCES THAT THE COMMISSION OR OTHER STATE AGENCIES HAVE; AND

2 (II) REPORT ITS FINDINGS TO THE GOVERNOR AND THE GENERAL

3 ASSEMBLY BY DECEMBER 1, 2021.

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

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