

First Regular Session
Seventy-third General Assembly
STATE OF COLORADO

REREVISED

*This Version Includes All Amendments
Adopted in the Second House*

LLS NO. 21-0989.01 Thomas Morris x4218

SENATE BILL 21-264

SENATE SPONSORSHIP

Hansen, Jaquez Lewis, Priola

HOUSE SPONSORSHIP

Valdez A. and Burnett, Amabile, Bird, Boesenecker, Cutter, Exum, Froelich, Gonzales-Gutierrez, Gray, Hooton, Jackson, Kennedy, Kipp, Lontine, McCluskie, McCormick, Michaelson Jenet, Mullica, Ortiz, Ricks, Titone, Woodrow

Senate Committees

Transportation & Energy
Appropriations

House Committees

Energy & Environment
Appropriations

A BILL FOR AN ACT

101 **CONCERNING THE ADOPTION OF PROGRAMS BY GAS UTILITIES TO**
102 **REDUCE GREENHOUSE GAS EMISSIONS, AND, IN CONNECTION**
103 **THEREWITH, MAKING AN APPROPRIATION.**

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

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.

HOUSE
3rd Reading Unamended
June 8, 2021

HOUSE
Amended 2nd Reading
June 7, 2021

SENATE
Amended 3rd Reading
June 3, 2021

SENATE
Amended 2nd Reading
June 2, 2021

bill. The targets are a 5% reduction below 2015 greenhouse gas (GHG) 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:**

1 (a) FINDS THAT:

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

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

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

17 (IV) REDUCING THE CARBON INTENSITY OF GAS DELIVERED BY
18 UTILITIES AND SWITCHING FROM GAS SPACE AND WATER HEATING TO
19 HIGH-EFFICIENCY ELECTRIC HEATING WILL REDUCE GREENHOUSE GAS
20 POLLUTION 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, COST-EFFECTIVE LEAK
16 REDUCTIONS ON THE UTILITY'S DISTRIBUTION SYSTEM AS DETERMINED BY
17 THE COMMISSION THAT EXCEEDS STATE AND FEDERAL REQUIREMENTS,
18 AND OTHER MEASURES TO ACHIEVE GREENHOUSE GAS EMISSION
19 REDUCTIONS, COST-EFFECTIVENESS, AND EQUITY;

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

26 (III) THE COMMISSION MUST MAXIMIZE GREENHOUSE GAS
27 EMISSION REDUCTIONS AND BENEFITS TO CUSTOMERS, WITH PARTICULAR

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

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

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

10 (a) "BIOMETHANE":

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

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

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

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

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

- 1 (II) RECOVERED METHANE;
2 (III) GREEN HYDROGEN;
3 (IV) BENEFICIAL ELECTRIFICATION AS DEFINED IN SECTION
4 40-3.2-106 (6)(a);
5 (V) PYROLYSIS OF TIRES IF THE PYROLYSIS MEETS A RECOVERED
6 METHANE PROTOCOL; AND
7 (VI) ANY TECHNOLOGY THAT THE COMMISSION FINDS IS
8 COST-EFFECTIVE AND THAT THE DIVISION FINDS RESULTS IN A REDUCTION
9 IN CARBON EMISSIONS FROM THE COMBUSTION OF GAS IN CUSTOMER END
10 USES OR MEETS A RECOVERED METHANE PROTOCOL APPROVED BY THE AIR
11 QUALITY CONTROL COMMISSION. TO QUALIFY AS A CLEAN HEAT
12 RESOURCE, ALL CREDITS OR SEVERABLE, TRADABLE MECHANISMS
13 REPRESENTING THE EMISSION REDUCTION ATTRIBUTES OF THE CLEAN HEAT
14 RESOURCE MUST BE RETIRED IN THE YEAR GENERATED AND MAY NOT BE
15 SOLD.
- 16 (d) "COST CAP" MEANS A MAXIMUM COST IMPACT ESTABLISHED
17 PURSUANT TO SUBSECTION (6)(a)(I) OF THIS SECTION FOR COMPLIANCE
18 WITH A CLEAN HEAT TARGET.
- 19 (e) "DIVISION" MEANS THE DIVISION OF ADMINISTRATION CREATED
20 BY SECTION 25-1-102 (2)(a) IN THE DEPARTMENT OF PUBLIC HEALTH AND
21 ENVIRONMENT.
- 22 (f) "GAS" MEANS GEOLOGICAL GAS, HYDROGEN, AND RECOVERED
23 METHANE.
- 24 (g) "GAS DISTRIBUTION UTILITY" MEANS A PUBLIC UTILITY
25 PROVIDING GAS SERVICE TO MORE THAN NINETY THOUSAND RETAIL
26 CUSTOMERS. "GAS DISTRIBUTION UTILITY" DOES NOT INCLUDE A
27 MUNICIPAL GAS DISTRIBUTION UTILITY.

1 (h) "GEOLOGICAL GAS" MEANS METHANE AND OTHER
2 HYDROCARBONS THAT OCCUR UNDERGROUND WITHOUT HUMAN
3 INTERVENTION AND ARE USED AS FUEL.

4 (i) "GREENHOUSE GAS" HAS THE MEANING SET FORTH IN SECTION
5 25-7-140 (6), MEASURED IN TERMS OF CARBON DIOXIDE EQUIVALENT.

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

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

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

24 (m) "PYROLYSIS" HAS THE MEANING SET FORTH IN SECTION
25 40-2-124 (1)(a)(V).

26 (n) "RECOVERED METHANE" MEANS ANY OF THE FOLLOWING THAT
27 ARE LOCATED IN COLORADO AND MEET A RECOVERED METHANE

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

1 EMISSION REDUCTIONS OR GREENHOUSE GAS REMOVAL ENHANCEMENTS
2 ACHIEVED BY A RECOVERED METHANE PROJECT AND TO CALCULATE THE
3 PROJECT BASELINE. A RECOVERED METHANE PROTOCOL MUST:

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

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

9 (III) DETERMINE DATA VERIFICATION REQUIREMENTS; AND

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

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

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

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

26 (II) A GAS DISTRIBUTION UTILITY SHALL DEMONSTRATE
27 COMPLIANCE WITH SUBSECTION (3)(b)(I) OF THIS SECTION BY FILING AND

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

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

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

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

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

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

1 PROTECTION AGENCY.

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

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

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

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

27 (4) Submission of clean heat plans. (a) NO LATER THAN AUGUST

1 1, 2023, THE LARGEST GAS DISTRIBUTION UTILITY IN COLORADO, AS
2 DETERMINED BY THE VOLUME OF GAS SOLD IN COLORADO, SHALL FILE
3 WITH THE COMMISSION AN APPLICATION FOR APPROVAL OF A CLEAN HEAT
4 PLAN THAT DEMONSTRATES THAT THE GAS DISTRIBUTION UTILITY WILL
5 ACHIEVE THE CLEAN HEAT TARGET ESTABLISHED FOR 2025 IN SUBSECTION
6 (3)(b)(II) OF THIS SECTION BY 2025. ALL OTHER GAS DISTRIBUTION
7 UTILITIES SHALL FILE APPLICATIONS FOR APPROVAL OF CLEAN HEAT PLANS
8 NO LATER THAN JANUARY 1, 2024, THAT DEMONSTRATE, FOR EACH SUCH
9 GAS DISTRIBUTION UTILITY, THAT IT WILL ACHIEVE THE CLEAN HEAT
10 TARGET ESTABLISHED FOR 2025 IN SUBSECTION (3)(b)(II) OF THIS SECTION
11 BY 2025.

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

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

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

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

27 (A) A PORTFOLIO OF RESOURCES THAT USES CLEAN HEAT

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

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

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

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

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

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

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

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

23 (VII) FORECAST CARBON DIOXIDE AND METHANE EMISSION
24 REDUCTIONS THAT ARE CONSISTENT WITH THE RECOVERED METHANE
25 PROTOCOL RULES ADOPTED BY THE AIR QUALITY CONTROL COMMISSION
26 PURSUANT TO SECTION 25-7-105 (1)(e)(X.4);

27 (VIII) QUANTIFY ADDITIONAL AIR QUALITY, ENVIRONMENTAL,

1 AND HEALTH BENEFITS OF THE PLAN IN ADDITION TO THE GREENHOUSE GAS
2 EMISSION REDUCTIONS;

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

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

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

20 (XIII) 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 IN THE COST-BENEFIT CALCULATIONS;

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

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

1 (d) (I) To demonstrate compliance with the applicable
2 clean heat 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. For compliance with
6 the 2030 target, a utility shall not propose and the commission
7 shall not approve recovered methane resources achieving more
8 than five percent of the target of twenty-two percent.

9 (II) Notwithstanding any other provision of this section,
10 and unless the commission finds that a clean heat plan is not
11 cost-effective in meeting the following targets, of the emission
12 reductions required in a clean heat plan that a gas distribution
13 utility must achieve, reductions from recovered methane
14 projects may be in the following maximum amounts:

15 (A) Five percent of the total reduction for the period 2026
16 through 2030; and

17 (B) An amount specified by the commission by rule for
18 clean heat plans covering years after 2030 if the commission
19 determines that the requirements further investment in
20 Colorado communities, reduce greenhouse gas emissions, are
21 cost-effective, and are in the public interest.

22 (e) A clean heat plan may be filed as part of a demand-side
23 management plan or any other plan as determined by the
24 commission.

25 (f) A gas distribution utility may include proposals to
26 make investments in green or blue hydrogen projects that will
27 reduce greenhouse gas emissions. If a gas distribution utility

1 PROPOSES TO MAKE AN INVESTMENT PURSUANT TO THIS SUBSECTION
2 (4)(f), IT MUST ALSO INCLUDE A PROPOSAL FOR COMPETITIVE
3 SOLICITATION.

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

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

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

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

1 SUBMIT A CLEAN HEAT PLAN. PARTICIPATION MUST BE OPEN TO THE
2 PUBLIC AND SHALL NOT BE LIMITED TO PARTIES REPRESENTED BY AN
3 ATTORNEY.

4 (b) THE COMMISSION SHALL ADOPT RULES NECESSARY FOR GAS
5 DISTRIBUTION UTILITIES TO IMPLEMENT CLEAN HEAT PLANS BY DECEMBER
6 1, 2022.

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

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

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

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

1 AND THE SOCIAL COST OF METHANE.

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

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

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

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

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

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

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

26 (II) IN APPROVING A CLEAN HEAT PLAN:

27 (A) IF THE COMMISSION DETERMINES THAT IT IS POSSIBLE TO

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

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

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

24 (IV) NOTWITHSTANDING SUBSECTION (6)(a)(I) OF THIS SECTION,
25 THE COMMISSION SHALL NOT REQUIRE A UTILITY WITH FEWER THAN TWO
26 HUNDRED FIFTY THOUSAND METERS TO SPEND MORE THAN AN AMOUNT
27 EQUAL TO TWO PERCENT OF THE UTILITY'S TOTAL ANNUAL REVENUES

1 FROM FULL-SERVICE CUSTOMERS TO COMPLY WITH THE 2025 EMISSION
2 REDUCTIONS REQUIREMENTS OF SUBSECTION (3)(b)(II) OF THIS SECTION,
3 NET OF COSTS ASSOCIATED WITH A COMMISSION-APPROVED DEMAND-SIDE
4 MANAGEMENT PLAN, AVOIDED FUEL COSTS, AND AVOIDED CAPITAL
5 INFRASTRUCTURE COSTS. NOTWITHSTANDING SUBSECTION (6)(d)(III) OF
6 THIS SECTION, A UTILITY SUBJECT TO THIS SUBSECTION (6)(d)(IV) MAY
7 VOLUNTARILY REQUEST TO SPEND A HIGHER AMOUNT TO COMPLY WITH
8 THE 2025 CLEAN HEAT TARGETS, AND THE COMMISSION MAY APPROVE THE
9 REQUESTED AMOUNT IF THE COMMISSION FINDS THAT THE SPENDING
10 COMES AT A REASONABLE COST AND RATE IMPACT AND IS IN THE PUBLIC
11 INTEREST.

12 (7) **Annual reporting.** (a) EACH GAS DISTRIBUTION UTILITY
13 SHALL SUBMIT TO THE COMMISSION AN ANNUAL REPORT THAT SHOWS THE
14 AMOUNT OF MONEY THAT IT HAS SPENT UNDER EACH PROGRAM IN THE
15 CLEAN HEAT PLAN, THE AMOUNT SPENT ON INCOME-QUALIFIED PROGRAMS
16 OR PROGRAMS THAT SERVE COMMUNITIES HISTORICALLY IMPACTED BY AIR
17 POLLUTION AND OTHER ENERGY-RELATED POLLUTION, A CALCULATION OF
18 EMISSIONS REDUCED OR AVOIDED PURSUANT TO ITS APPROVED CLEAN
19 HEAT PLAN, AND ANY OTHER INFORMATION REQUIRED BY THE
20 COMMISSION.

21 (b) IN ADDITION TO ANY OTHER GREENHOUSE GAS REPORTING
22 REQUIREMENTS, EACH GAS DISTRIBUTION UTILITY SHALL SUBMIT AN
23 ANNUAL REPORT TO THE COMMISSION PROVIDING A CALCULATION OF
24 EMISSIONS REDUCED OR AVOIDED PURSUANT TO ITS APPROVED CLEAN
25 HEAT PLAN. THE REPORT MUST INCLUDE SEPARATE QUANTIFICATIONS OF
26 THE REDUCTIONS IN CARBON DIOXIDE AND METHANE EMISSIONS. CARBON
27 DIOXIDE EMISSION REDUCTIONS MUST BE CALCULATED BASED ON

1 EMISSIONS REPORTED PURSUANT TO THE AIR QUALITY CONTROL
2 COMMISSION'S RULES. IF A UTILITY INCLUDES RECOVERED METHANE, THE
3 UTILITY SHALL QUANTIFY ACTUAL EMISSION REDUCTIONS ACHIEVED ON A
4 PROJECT BASIS FOR EACH PROJECT FOR WHICH IT CLAIMS REDUCTIONS IN
5 THAT YEAR, BASED ON ANY RECOVERED METHANE CREDITS GENERATED.

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

10 (b) FOR A UTILITY PROJECT THAT IS PART OF A COMPETITIVE
11 SOLICITATION AND WITH A COST OF MORE THAN ONE MILLION DOLLARS,
12 THE GAS DISTRIBUTION UTILITY SHALL REQUIRE ALL BIDDERS TO PROVIDE
13 DETAILED INFORMATION ABOUT THE USE OF COLORADO-BASED LABOR
14 AND OUT-OF-STATE LABOR. THE UTILITY SHALL PROVIDE THIS
15 INFORMATION TO THE COMMISSION.

16 (c) IF A CLEAN HEAT PLAN INCLUDES GAS DEMAND-SIDE
17 MANAGEMENT PROGRAMS AS DEFINED IN SECTION 40-1-102 (6), ALL
18 REQUIREMENTS SPECIFIED IN THIS ARTICLE 3.2 RELATING TO LABOR
19 STANDARDS FOR GAS DEMAND-SIDE MANAGEMENT PROGRAMS OR
20 PROJECTS APPLY. IF A CLEAN HEAT PLAN INCLUDES BENEFICIAL
21 ELECTRIFICATION, ALL REQUIREMENTS SPECIFIED IN THIS ARTICLE 3.2
22 RELATING TO BENEFICIAL ELECTRIFICATION LABOR STANDARDS,
23 BENEFICIAL ELECTRIFICATION PLANS, RECOVERY OF COSTS, AND
24 REPORTING APPLY.

25 (d) IN ALL DECISIONS APPROVING CLEAN HEAT RESOURCES TO BE
26 ACQUIRED AS PART OF A CLEAN HEAT PLAN, THE COMMISSION SHALL
27 CONSIDER THE LONG-TERM IMPACTS ON COLORADO'S UTILITY WORKFORCE

1 AS PART OF A JUST TRANSITION AND SHALL GIVE ADDITIONAL WEIGHT TO
2 A PROJECT THAT INCLUDES:

3 (I) TRAINING PROGRAMS, INCLUDING TRAINING THROUGH THE
4 DIVISION OF EMPLOYMENT AND TRAINING IN THE DEPARTMENT OF LABOR
5 AND EMPLOYMENT CREATED IN SECTION 8-83-102 OR A STATE
6 APPRENTICESHIP COUNCIL REGISTERED WITH THE UNITED STATES
7 DEPARTMENT OF LABOR;

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

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

11 (9) **Small gas distribution utilities.** (a) A SMALL GAS
12 DISTRIBUTION UTILITY MAY FILE A CLEAN HEAT PLAN WITH THE
13 COMMISSION PURSUANT TO SUBSECTIONS (3) TO (7) OF THIS SECTION OR IT
14 MAY SUBMIT A SMALL UTILITY EMISSION REDUCTION PLAN PURSUANT TO
15 THIS SUBSECTION (9).

16 (b) THE SMALL GAS DISTRIBUTION UTILITY, AS PART OF ITS SMALL
17 UTILITY EMISSION REDUCTION PLAN:

18 (I) MUST PROPOSE GREENHOUSE GAS EMISSION REDUCTION
19 TARGETS FOR 2025 AND 2030;

20 (II) IS SUBJECT TO THE COST CAP;

21 (III) MUST IDENTIFY THE CLEAN HEAT RESOURCES THE SMALL GAS
22 DISTRIBUTION UTILITY WILL USE TO REDUCE EMISSIONS ON ITS SYSTEM
23 AND QUANTIFY THE ANNUAL EMISSION REDUCTIONS EXPECTED DURING
24 THE PLAN PERIOD;

25 (IV) MUST PROPOSE PROGRAM BUDGETS TO MEET THE EMISSION
26 REDUCTION TARGETS PROPOSED BY THE SMALL GAS DISTRIBUTION
27 UTILITY;

1 (V) MUST FORECAST CARBON DIOXIDE AND METHANE EMISSION
2 REDUCTIONS REASONABLY EXPECTED TO BE ACHIEVED THROUGH THE
3 ACTIONS TAKEN IN THE PREFERRED PLAN;

4 (VI) MUST QUANTIFY THE COST OF IMPLEMENTATION OF THE
5 PREFERRED PORTFOLIO OF RESOURCES USED IN THE PLAN; AND

6 (VII) MUST INCLUDE AN IMPLEMENTATION PLAN OF AT LEAST
7 THREE YEARS DURING WHICH THE SMALL GAS DISTRIBUTION UTILITY
8 PROPOSES TO ACQUIRE CLEAN HEAT RESOURCES TO REDUCE EMISSIONS.

9 (c) THE COMMISSION SHALL APPROVE A CLEAN HEAT PLAN FILED
10 UNDER THIS SUBSECTION (9) IF THE COMMISSION FINDS IT TO BE IN THE
11 PUBLIC INTEREST. THE COMMISSION MAY MODIFY THE CLEAN HEAT PLAN
12 IF THE MODIFICATIONS ARE NECESSARY TO ENSURE THAT THE PLAN IS IN
13 THE PUBLIC INTEREST. IN EVALUATING WHETHER THE CLEAN HEAT PLAN
14 SUBMITTED TO THE COMMISSION IS IN THE PUBLIC INTEREST, THE
15 COMMISSION SHALL TAKE INTO ACCOUNT THE FACTORS SET FORTH IN
16 SUBSECTION (6)(d)(I) OF THIS SECTION. IN APPROVING A CLEAN HEAT PLAN
17 UNDER THIS SUBSECTION (9), THE COMMISSION SHALL CARRY OUT THE
18 DUTIES SET FORTH IN SUBSECTION (6)(d)(II) OF THIS SECTION. THE
19 COMMISSION MAY APPROVE A CLEAN HEAT PLAN THAT EXCEEDS THE COST
20 CAP UNDER THIS SUBSECTION (9) ONLY PURSUANT TO SUBSECTION
21 (6)(d)(III) OF THIS SECTION.

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

25 (10) NO LATER THAN DECEMBER 1, 2024, THE COMMISSION, IN
26 CONSULTATION WITH THE DIVISION, SHALL DETERMINE MASS-BASED
27 GREENHOUSE GAS EMISSION REDUCTION TARGETS FOR CLEAN HEAT PLANS

1 FOR 2035. IN ESTABLISHING THESE TARGETS, THE COMMISSION SHALL:

2 (a) ENSURE THAT GAS DISTRIBUTION UTILITIES' GREENHOUSE GAS
3 EMISSIONS WILL BE IN LINE WITH THE RESIDENTIAL, COMMERCIAL, AND
4 INDUSTRIAL SECTORS' CONTRIBUTION TO STATEWIDE GREENHOUSE GAS
5 POLLUTION; AND

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

9 (11) NO LATER THAN DECEMBER 1, 2032, THE COMMISSION, IN
10 CONSULTATION WITH THE DIVISION, SHALL DETERMINE THE MASS-BASED
11 GREENHOUSE GAS EMISSION REDUCTION GOALS FOR CLEAN HEAT PLANS
12 FOR 2040, 2045, AND 2050 USING A 2015 BASELINE THAT, AT MINIMUM,
13 ENSURE THAT GAS DISTRIBUTION UTILITIES' GREENHOUSE GAS EMISSION
14 REDUCTIONS WILL BE PROPORTIONATE TO THE RESIDENTIAL, COMMERCIAL,
15 AND INDUSTRIAL SECTORS' CONTRIBUTION TO THE GREENHOUSE GAS
16 EMISSION REDUCTION GOALS, EXCLUDING TRANSPORTATION GAS SERVICE
17 CUSTOMERS OR CUSTOMERS THAT REPORT THEIR OWN GREENHOUSE GAS
18 EMISSIONS TO THE FEDERAL ENVIRONMENTAL PROTECTION AGENCY UNDER
19 APPLICABLE FEDERAL LAW, INCLUDING 40 CFR 98, SUBPART NN. IN
20 DETERMINING THESE GOALS, THE COMMISSION SHALL CONSIDER SAVINGS
21 ACHIEVED OR PROJECTED TO BE ACHIEVED IN OTHER SECTORS OF THE
22 STATE'S ECONOMY, AS WELL AS THE COMMERCIAL AVAILABILITY OF
23 TECHNOLOGIES TO ACHIEVE EMISSION REDUCTIONS IN THIS SECTOR.

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

27 **25-7-105. Duties of commission - rules - legislative declaration**

1 - definitions. (1) Except as provided in sections 25-7-130 and 25-7-131,
2 the commission shall promulgate such rules and regulations as THAT are
3 consistent with the legislative declaration set forth in section 25-7-102
4 and necessary for the proper implementation and administration of this
5 article 7, including: but not limited to:

6 (e) (X.4) NO LATER THAN SEPTEMBER 1, 2022, THE COMMISSION
7 SHALL PROPOSE RULES ESTABLISHING RECOVERED METHANE PROTOCOLS,
8 AS THAT TERM IS DEFINED IN SECTION 40-3.2-107 (2)(q), FOR AT LEAST
9 INACTIVE COAL MINES, BIOMETHANE AS THAT TERM IS DEFINED IN SECTION
10 40-3.2-107 (2)(a), AND GAS SYSTEM LEAKS, AND A CREDITING AND
11 TRACKING SYSTEM FOR RECOVERED METHANE AS THAT TERM IS DEFINED
12 IN SECTION 40-3.2-107 (2)(o). THE COMMISSION SHALL ADOPT THE RULES
13 NO LATER THAN FEBRUARY 1, 2023. THE RULE-MAKING PROCEEDING IS
14 SUBJECT TO THE PROCEDURAL REQUIREMENTS OF THIS SUBSECTION (1)(e).

15 (X.7) INDESIGNING GREENHOUSE GAS EMISSION REDUCTION RULES
16 THAT APPLY TO GAS DISTRIBUTION UTILITIES WITH CLEAN HEAT PLANS
17 APPROVED BY THE PUBLIC UTILITIES COMMISSION, THE COMMISSION SHALL
18 HARMONIZE ITS REGULATORY REQUIREMENTS WITH THE ACTIVITIES
19 CONTEMPLATED UNDER AN APPROVED CLEAN HEAT PLAN. IN ADOPTING
20 ANY ADDITIONAL EMISSION REDUCTION REQUIREMENTS ON GAS
21 DISTRIBUTION UTILITIES SUBJECT TO A CLEAN HEAT PLAN DIFFERENT FROM
22 THE REQUIREMENTS OF AN APPROVED CLEAN HEAT PLAN, THE COMMISSION
23 SHALL:

24 (A) CONSULT WITH THE PUBLIC UTILITIES COMMISSION REGARDING
25 THE EMISSION REDUCTIONS UNDER ANY APPROVED CLEAN HEAT PLAN, THE
26 CLEAN HEAT TARGETS, AND THE COST-EFFECTIVENESS OF ANY ADDITIONAL
27 EMISSION REDUCTION REQUIREMENTS AND THEIR IMPACT ON CUSTOMER

1 COSTS; AND

2 (B) DESIGN RULES TO MAXIMIZE COST-EFFECTIVENESS OF
3 ADDITIONAL EMISSION REDUCTION REQUIREMENTS TO PROTECT
4 LOW-INCOME CUSTOMERS.

5 (X.8) (A) THE DEFINITIONS IN SECTION 40-3.2-107 (2) APPLY TO
6 THIS SUBSECTION (1)(e)(X.8) AND SUBSECTION (1)(e)(X.7) OF THIS
7 SECTION.

8 (B) A MUNICIPAL GAS DISTRIBUTION UTILITY SHALL IMPLEMENT A
9 CLEAN HEAT PLAN PROGRAM. THE PURPOSE OF A CLEAN HEAT PLAN IS TO
10 REDUCE CARBON DIOXIDE AND METHANE EMISSIONS TO MEET THE STATE'S
11 GREENHOUSE GAS POLLUTION REDUCTION GOALS IN SECTION 25-7-102
12 (2)(g). THE CLEAN HEAT PLAN MUST INCLUDE A PROJECTION OF THE
13 UTILITY'S GREENHOUSE GAS EMISSIONS THROUGH 2050.

14 (C) A MUNICIPAL GAS DISTRIBUTION UTILITY SHALL SUBMIT ITS
15 CLEAN HEAT PLAN TO THE DIVISION NO LATER THAN AUGUST 1, 2023, FOR
16 THE DIVISION TO VERIFY THAT THE PLAN DEMONSTRATES THAT, BY 2025,
17 THE UTILITY WILL ACHIEVE AT LEAST A FOUR PERCENT TOTAL REDUCTION
18 IN GREENHOUSE GAS EMISSIONS CAUSED BY THE UTILITY'S RETAIL GAS
19 SALES BELOW 2015 LEVELS, OF WHICH NOT MORE THAN ONE PERCENT CAN
20 COME FROM RECOVERED METHANE. THE UTILITY MAY PROPOSE A COST
21 CAP OF TWO PERCENT OF TOTAL ANNUAL REVENUE FROM FULL-SERVICE
22 GAS CUSTOMERS IN ACHIEVING THE 2025 TARGET. THE PLAN SUBMITTED
23 TO THE DIVISION MUST ALSO SHOW THAT, BY 2030, THE UTILITY WILL
24 ACHIEVE AT LEAST A TWENTY-TWO PERCENT REDUCTION IN GREENHOUSE
25 GAS EMISSIONS CAUSED BY THE UTILITY'S RETAIL GAS SALES BELOW 2015
26 LEVELS BY 2030, OF WHICH NOT MORE THAN FIVE PERCENT CAN BE FROM
27 RECOVERED METHANE. THE UTILITY MAY PROPOSE A COST CAP OF TWO

1 AND ONE-HALF PERCENT OF TOTAL ANNUAL REVENUE FROM FULL-SERVICE
2 GAS CUSTOMERS IN ACHIEVING THE 2030 TARGET. IF THE DIVISION'S
3 CALCULATIONS SHOW THAT A CLEAN HEAT PLAN SUBMITTED BY A
4 MUNICIPAL GAS DISTRIBUTION UTILITY DOES NOT ACHIEVE THE RELEVANT
5 CLEAN HEAT TARGETS, THE UTILITY SHALL REVISE ITS PLAN TO STRIVE TO
6 MAXIMIZE EMISSION REDUCTIONS WITHOUT EXCEEDING THE COST CAP.

7 (D) THE UTILITY SHALL PROVIDE TO THE DIVISION AN ANNUAL
8 REPORT OF CARBON DIOXIDE EMISSIONS ASSOCIATED WITH CUSTOMER
9 END-USES AND, SEPARATELY, METHANE EMISSIONS ASSOCIATED WITH THE
10 UTILITY'S DISTRIBUTION SYSTEM.

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

13 **34-60-106. Additional powers of commission - rules -**
14 **definition - repeal.** (9) (a) ~~Notwithstanding the provisions of section~~
15 ~~34-60-120 or any other provision of law, the commission, as to class II~~
16 ~~injection wells defined in 40 CFR 144.6b, shall also have the power to~~
17 ~~CLASSIFIED IN 40 CFR 144.6, MAY perform all acts for the purpose of~~
18 ~~protecting underground sources of drinking water in accordance with~~
19 ~~state programs authorized by 42 U.S.C. sec. 300f et seq., and regulations~~
20 ~~thereunder in effect or~~ UNDER THOSE SECTIONS, as ~~may be~~ amended.

21 (b) THE COMMISSION SHALL:

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

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

1 ASSEMBLY BY DECEMBER 1, 2021.

2 **SECTION 4. Appropriation.** (1) For the 2021-22 state fiscal
3 year, \$92,482 is appropriated to the department of regulatory agencies for
4 use by the public utilities commission. This appropriation is from the
5 public utilities commission fixed utility fund created in section 40-2-114
6 (1)(b)(II), C.R.S. To implement this act, the department may use this
7 appropriation as follows:

8 (a) \$84,797 for personal services, which amount is based on an
9 assumption that the commission will require an additional 1.0 FTE; and

10 (b) \$7,685 for operating expenses.

11 (2) For the 2021-22 state fiscal year, \$199,111 is appropriated to
12 the department of public health and environment. This appropriation is
13 from the general fund. To implement this act, the department may use the
14 appropriation as follows:

15 (a) \$140,843 for use by the air pollution control division for
16 program costs related to administration, which amount is based on an
17 assumption that the division will require an additional 1.6 FTE;

18 (b) \$37,000 for the purchase of information technology services;
19 and

20 (c) \$21,268 for the purchase of legal services.

21 (3) For the 2021-22 state fiscal year, \$37,000 is appropriated to
22 the office of the governor for use by the office of information technology.
23 This appropriation is from reappropriated funds received from the
24 department of public health and environment under subsection (2)(b) of
25 this section. To implement this act, the office may use this appropriation
26 to provide information technology services for the department of public
27 health and environment.

1 (4) For the 2021-22 state fiscal year, \$21,268 is appropriated to
2 the department of law. This appropriation is from reappropriated funds
3 received from the department of public health and environment under
4 subsection (2)(c) of this section and is based on an assumption that the
5 department of law will require an additional 0.1 FTE. To implement this
6 act, the department of law may use this appropriation to provide legal
7 services for the department of public health and environment.

8 (5) For the 2021-22 state fiscal year, \$49,362 is appropriated to
9 the department of natural resources for use by the oil and gas
10 conservation commission. This appropriation is from the oil and gas
11 conservation and environmental response fund created in section
12 34-60-122 (5)(a), C.R.S., and is based on an assumption that the
13 commission will require an additional 0.5 FTE. To implement this act, the
14 commission may use this appropriation for program costs.

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

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