

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

**REENGROSSED**

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

LLS NO. 21-0989.01 Thomas Morris x4218

**SENATE BILL 21-264**

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**SENATE SPONSORSHIP**

**Hansen,** Jaquez Lewis, Priola

**HOUSE SPONSORSHIP**

**Valdez A. and Bennett,**

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**Senate Committees**

Transportation & Energy  
Appropriations

**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.*

SENATE  
Amended 3rd Reading  
June 3, 2021

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.

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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 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)(X.7).

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 (IV) NOTWITHSTANDING SUBSECTION (6)(a)(I) OF THIS SECTION,  
24 THE COMMISSION SHALL NOT REQUIRE A UTILITY WITH FEWER THAN TWO  
25 HUNDRED FIFTY THOUSAND METERS TO SPEND MORE THAN AN AMOUNT  
26 EQUAL TO TWO PERCENT OF THE UTILITY'S TOTAL ANNUAL REVENUES  
27 FROM FULL-SERVICE CUSTOMERS TO COMPLY WITH THE 2025 EMISSION

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

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

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

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

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

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

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

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

1 A PROJECT THAT INCLUDES:

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

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

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

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

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

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

19 (II) IS SUBJECT TO THE COST CAP;

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

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

27 (V) MUST FORECAST CARBON DIOXIDE AND METHANE EMISSION

1 REDUCTIONS REASONABLY EXPECTED TO BE ACHIEVED THROUGH THE  
2 ACTIONS TAKEN IN THE PREFERRED PLAN;

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

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

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

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

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

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

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

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

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

26           **25-7-105. Duties of commission - rules - legislative declaration**  
27           **- definitions.** (1) Except as provided in sections 25-7-130 and 25-7-131,



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

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

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

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

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

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

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

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

1 GAS CUSTOMERS IN ACHIEVING THE 2030 TARGET. IF THE DIVISION'S  
2 CALCULATIONS SHOW THAT A CLEAN HEAT PLAN SUBMITTED BY A  
3 MUNICIPAL GAS DISTRIBUTION UTILITY DOES NOT ACHIEVE THE RELEVANT  
4 CLEAN HEAT TARGETS, THE UTILITY SHALL REVISE ITS PLAN TO STRIVE TO  
5 MAXIMIZE EMISSION REDUCTIONS WITHOUT EXCEEDING THE COST CAP.

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

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

12 **34-60-106. Additional powers of commission - rules -**  
13 **definition - repeal.** (9) (a) ~~Notwithstanding the provisions of section~~  
14 ~~34-60-120 or any other provision of law, the commission, as to class II~~  
15 ~~injection wells defined in 40 CFR 144.6b, shall also have the power to~~  
16 ~~CLASSIFIED IN 40 CFR 144.6, MAY perform all acts for the purpose of~~  
17 ~~protecting underground sources of drinking water in accordance with~~  
18 ~~state programs authorized by 42 U.S.C. sec. 300f et seq., and regulations~~  
19 ~~thereunder in effect or~~ UNDER THOSE SECTIONS, as **may be** amended.

20 (b) THE COMMISSION SHALL:

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

26 (II) REPORT ITS FINDINGS TO THE GOVERNOR AND THE GENERAL  
27 ASSEMBLY BY DECEMBER 1, 2021.

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

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