

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

**PREAMENDED**

*This Unofficial Version Includes Committee  
Amendments Not Yet Adopted on Second Reading*

LLS NO. 21-0989.01 Thomas Morris x4218

**SENATE BILL 21-264**

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**SENATE SPONSORSHIP**

**Hansen and Coram,**

**HOUSE SPONSORSHIP**

**(None),**

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**Senate Committees**

Transportation & Energy  
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.

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) "BLUE HYDROGEN" MEANS HYDROGEN DERIVED FROM  
18 BIOMETHANE OR GEOLOGICAL GAS PAIRED WITH A PROCESS TO CAPTURE  
19 AND SEQUESTER ASSOCIATED CARBON DIOXIDE EMISSIONS.

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

26 (d) "CLEAN HEAT RESOURCE" MEANS ANY ONE OR A COMBINATION  
27 OF:

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

3           (II) RECOVERED METHANE;

4           (III) GREEN OR BLUE HYDROGEN;

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

7           (V) PYROLYSIS OF TIRES IF THE PYROLYSIS MEETS A RECOVERED  
8 METHANE PROTOCOL; AND

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

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

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

24           (g) "GAS" MEANS GEOLOGICAL GAS, HYDROGEN, AND RECOVERED  
25 METHANE.

26           (h) "GAS DISTRIBUTION UTILITY" MEANS A PUBLIC UTILITY  
27 PROVIDING GAS SERVICE TO MORE THAN NINETY THOUSAND RETAIL

1 CUSTOMERS. "GAS DISTRIBUTION UTILITY" DOES NOT INCLUDE A  
2 MUNICIPAL GAS DISTRIBUTION UTILITY.

3 (i) "GEOLOGICAL GAS" MEANS METHANE AND OTHER  
4 HYDROCARBONS THAT OCCUR UNDERGROUND WITHOUT HUMAN  
5 INTERVENTION AND ARE USED AS FUEL.

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

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

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

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

25 (o) "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           (p) "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           (q) "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 (r) "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 SIX PERCENT REDUCTION IN GREENHOUSE GAS EMISSIONS IN  
4 2025, OF WHICH NOT MORE THAN TWO PERCENT CAN BE FROM RECOVERED  
5 METHANE; AND A TWENTY-TWO PERCENT REDUCTION IN GREENHOUSE GAS  
6 EMISSIONS IN 2030, OF WHICH NOT MORE THAN SIX PERCENT CAN BE FROM  
7 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 DOES NOT INCLUDE RECOVERED METHANE AND THAT NEED NOT MEET THE  
8 COST CAP;

9 (C) A PORTFOLIO THAT MEETS THE CLEAN HEAT TARGETS IN THE  
10 APPLICABLE PLAN PERIOD USING ONLY CLEAN HEAT RESOURCES BUT THAT  
11 NEED NOT MEET THE COST CAP;

12 (D) OTHER PORTFOLIOS AT THE UTILITY'S DISCRETION; AND

13 (E) OTHER PORTFOLIOS AS DIRECTED BY THE COMMISSION;

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

17 (IV) PROPOSE PROGRAM BUDGETS TO MEET THE EMISSION  
18 REDUCTION TARGETS;

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

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

26 (VII) FORECAST CARBON DIOXIDE AND METHANE EMISSION  
27 REDUCTIONS THAT ARE CONSISTENT WITH THE RECOVERED METHANE

1 PROTOCOL RULES ADOPTED BY THE AIR QUALITY CONTROL COMMISSION  
2 PURSUANT TO SECTION 25-7-105 (1)(e)(X.5):

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

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

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

13 (XI) QUANTIFY THE COST OF IMPLEMENTING THE PREFERRED  
14 PORTFOLIO OF CLEAN HEAT RESOURCES USED TO MEET THE CLEAN HEAT  
15 TARGETS THROUGH THE CLEAN HEAT PLAN, NET OF THE AVOIDED COST OF  
16 ANY NEW DELIVERY INFRASTRUCTURE AVOIDED THROUGH IMPLEMENTING  
17 THE PLAN;

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

23 (XIII) EXPLAIN THE GAS DISTRIBUTION UTILITY'S ANALYSIS OF THE  
24 COSTS AND BENEFITS OF AN ARRAY OF COMPLIANCE ALTERNATIVES,  
25 INCLUDING THE SOCIAL COST OF CARBON AND THE SOCIAL COST OF  
26 METHANE IN THE COST-BENEFIT CALCULATIONS;

27 (XIV) DESCRIBE THE MONITORING AND VERIFICATION

1 METHODOLOGY TO BE USED IN ANNUAL REPORTING;

2 (XV) INCLUDE A MAP OF THE GAS UTILITY SYSTEM THAT  
3 IDENTIFIES INFRASTRUCTURE, CUSTOMER TYPE, GAS THROUGHPUT, AND  
4 RATED PRESSURE. THE UTILITY SHALL DESCRIBE LEAK RATES AND  
5 DEPRECIATION SCHEDULES AND SHALL PROVIDE ANY OTHER INFORMATION  
6 DEEMED RELEVANT BY THE COMMISSION.

7 (XVI) INCLUDE ANY OTHER INFORMATION REQUIRED BY THE  
8 COMMISSION.

9 (d) (I) TO DEMONSTRATE COMPLIANCE WITH THE APPLICABLE  
10 CLEAN HEAT TARGET IN A CLEAN HEAT PLAN, A GAS DISTRIBUTION UTILITY  
11 MUST UTILIZE CLEAN HEAT RESOURCES TO THE MAXIMUM EXTENT  
12 PRACTICABLE AND COUNT GREENHOUSE GAS EMISSION REDUCTIONS  
13 RESULTING FROM ITS USE OF THOSE RESOURCES. FOR COMPLIANCE WITH  
14 THE 2030 TARGET, A UTILITY SHALL NOT PROPOSE AND THE COMMISSION  
15 SHALL NOT APPROVE RECOVERED METHANE RESOURCES ACHIEVING MORE  
16 THAN FIVE PERCENT OF THE TARGET OF TWENTY-TWO PERCENT.

17 (II) NOTWITHSTANDING ANY OTHER PROVISION OF THIS SECTION,  
18 AND UNLESS THE COMMISSION FINDS THAT A CLEAN HEAT PLAN IS NOT  
19 COST-EFFECTIVE IN MEETING THE FOLLOWING TARGETS, OF THE EMISSION  
20 REDUCTIONS REQUIRED IN A CLEAN HEAT PLAN THAT A GAS DISTRIBUTION  
21 UTILITY MUST ACHIEVE, REDUCTIONS FROM RECOVERED METHANE  
22 PROJECTS MAY BE IN THE FOLLOWING MAXIMUM AMOUNTS:

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

25 (B) AN AMOUNT SPECIFIED BY THE COMMISSION BY RULE FOR  
26 CLEAN HEAT PLANS COVERING YEARS AFTER 2030 IF THE COMMISSION  
27 DETERMINES THAT THE REQUIREMENTS FURTHER INVESTMENT IN

1 COLORADO COMMUNITIES, REDUCE GREENHOUSE GAS EMISSIONS, ARE  
2 COST-EFFECTIVE, AND ARE IN THE PUBLIC INTEREST.

3 (e) A CLEAN HEAT PLAN MAY BE FILED AS PART OF A DEMAND-SIDE  
4 MANAGEMENT PLAN OR ANY OTHER PLAN AS DETERMINED BY THE  
5 COMMISSION.

6 (f) A GAS DISTRIBUTION UTILITY MAY INCLUDE PROPOSALS TO  
7 MAKE INVESTMENTS IN GREEN OR BLUE HYDROGEN PROJECTS THAT WILL  
8 REDUCE GREENHOUSE GAS EMISSIONS. IF A GAS DISTRIBUTION UTILITY  
9 PROPOSES TO MAKE AN INVESTMENT PURSUANT TO THIS SUBSECTION  
10 (4)(f), IT MUST ALSO INCLUDE A PROPOSAL FOR COMPETITIVE  
11 SOLICITATION.

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

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

19 (h) A GAS DISTRIBUTION UTILITY'S FIRST CLEAN HEAT PLAN MUST  
20 USE A PLANNING PERIOD THAT EXTENDS THROUGH 2025. THE SECOND  
21 CLEAN HEAT PLAN MUST USE A PLANNING PERIOD THAT EXTENDS  
22 THROUGH 2030. SUBSEQUENT CLEAN HEAT PLANS MUST USE A PLANNING  
23 PERIOD AS DETERMINED BY THE COMMISSION.

24 (5) **Commission rules.** (a) No LATER THAN OCTOBER 1, 2021,  
25 THE COMMISSION SHALL UNDERTAKE A RULE-MAKING PROCEEDING TO  
26 UPDATE ELECTRIC AND GAS DEMAND-SIDE MANAGEMENT RULES  
27 CONSISTENT WITH THE CLEAN HEAT TARGETS ESTABLISHED IN THIS



1 SECTION. IN THE RULE-MAKING, THE COMMISSION SHALL REMOVE ANY  
2 PROHIBITION ON CUSTOMER INCENTIVES TO HELP CUSTOMERS REPLACE  
3 GAS APPLIANCES WITH HIGHLY EFFICIENT ELECTRIC ALTERNATIVES. AS  
4 PART OF THIS RULE-MAKING PROCESS, THE COMMISSION SHALL CONVENE  
5 AT LEAST FOUR WORKSHOPS OR PUBLIC MEETINGS TO SOLICIT INPUT ON  
6 THE CONTENTS AND EVALUATION OF GAS DISTRIBUTION UTILITIES' CLEAN  
7 HEAT PLANS, TWO OF WHICH MUST BE LOCATED IN DISPROPORTIONATELY  
8 IMPACTED COMMUNITIES SERVED BY THE UTILITY THAT IS REQUIRED TO  
9 SUBMIT A CLEAN HEAT PLAN. PARTICIPATION MUST BE OPEN TO THE  
10 PUBLIC AND SHALL NOT BE LIMITED TO PARTIES REPRESENTED BY AN  
11 ATTORNEY.

12 (b) THE COMMISSION SHALL ADOPT RULES NECESSARY FOR GAS  
13 DISTRIBUTION UTILITIES TO IMPLEMENT CLEAN HEAT PLANS BY DECEMBER  
14 1, 2022.

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

19 (II) THE COMMISSION SHALL CALCULATE THE ANNUAL RETAIL  
20 COST IMPACT NET OF THE UTILITY'S APPROVED GAS DEMAND-SIDE  
21 MANAGEMENT PROGRAM BUDGETS BUT SHALL INCLUDE ANY INCENTIVE  
22 ADOPTED OR APPROVED BY THE COMMISSION. IF A GAS DISTRIBUTION  
23 UTILITY INCLUDES A BENEFICIAL ELECTRIFICATION PLAN AS PART OF A  
24 FILING WITH A CLEAN HEAT PLAN, THE COMMISSION SHALL CALCULATE  
25 THE RETAIL COST IMPACT CAP NET OF THE UTILITY'S APPROVED BENEFICIAL  
26 ELECTRIFICATION PLAN PROGRAM BUDGET.

27 (b) THE COMMISSION SHALL CONSIDER ALLOWING CURRENT

1 RECOVERY FOR CLEAN HEAT PLAN COSTS THROUGH A RATE ADJUSTMENT  
2 CLAUSE OR CLAUSE THAT ALLOWS FOR CURRENT RECOVERY.

3 (c) (I) IN APPROVING A CLEAN HEAT PLAN, THE COMMISSION SHALL  
4 CONSIDER BOTH A LEAST-COST, BEST-FIT ANALYSIS AND A COST TEST THAT  
5 INCLUDES BOTH THE SOCIAL COST OF CARBON AND THE SOCIAL COST OF  
6 METHANE.

7 (II) IN EVALUATING A CLEAN HEAT PLAN, THE COMMISSION SHALL  
8 CONSIDER WHETHER THE PLAN WILL ACHIEVE THE APPLICABLE CLEAN  
9 HEAT TARGETS.

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

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

19 (B) THE ADDITIONAL AIR QUALITY, ENVIRONMENTAL, AND HEALTH  
20 BENEFITS OF THE PLAN IN ADDITION TO THE GREENHOUSE GAS EMISSION  
21 REDUCTIONS;

22 (C) WHETHER INVESTMENTS IN A CLEAN HEAT PLAN PRIORITIZE  
23 SERVING CUSTOMERS PARTICIPATING IN INCOME-QUALIFIED PROGRAMS  
24 AND COMMUNITIES HISTORICALLY IMPACTED BY AIR POLLUTION AND  
25 OTHER ENERGY-RELATED POLLUTION;

26 (D) WHETHER THE CLEAN HEAT PLAN RESULTS IN A REASONABLE  
27 COST TO CUSTOMERS, INCLUDING SAVINGS TO CUSTOMER BILLS RESULTING

1 FROM INVESTMENTS MADE PURSUANT TO THE PLAN; AND

2 (E) WHETHER THE CLEAN HEAT PLAN ENSURES SYSTEM  
3 RELIABILITY.

4 (II) IN APPROVING A CLEAN HEAT PLAN:

5 (A) IF THE COMMISSION DETERMINES THAT IT IS POSSIBLE TO  
6 ACHIEVE LARGER GREENHOUSE GAS EMISSION REDUCTIONS THAN THE  
7 REQUIRED CLEAN HEAT TARGETS USING CLEAN HEAT RESOURCES AT OR  
8 BELOW THE COST CAP, THE COMMISSION SHALL REQUIRE THE MAXIMUM  
9 LEVEL OF EMISSION REDUCTIONS ABOVE THE CLEAN HEAT TARGETS THAT  
10 CAN BE ACHIEVED AT OR BELOW THE COST CAP USING CLEAN HEAT  
11 RESOURCES, WITH THE PROPORTION OF GREENHOUSE GAS EMISSION  
12 REDUCTIONS FROM RECOVERED METHANE NOT EXCEEDING THE  
13 PROPORTION ALLOWED IN MEETING THE CLEAN HEAT TARGET FOR THE  
14 APPLICABLE PLAN PERIOD.

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

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

1 EXCEED THE COSTS.

2 (7) Annual reporting. (a) EACH GAS DISTRIBUTION UTILITY  
3 SHALL SUBMIT TO THE COMMISSION AN ANNUAL REPORT THAT SHOWS THE  
4 AMOUNT OF MONEY THAT IT HAS SPENT UNDER EACH PROGRAM IN THE  
5 CLEAN HEAT PLAN, THE AMOUNT SPENT ON INCOME-QUALIFIED PROGRAMS  
6 OR PROGRAMS THAT SERVE COMMUNITIES HISTORICALLY IMPACTED BY AIR  
7 POLLUTION AND OTHER ENERGY-RELATED POLLUTION, A CALCULATION OF  
8 EMISSIONS REDUCED OR AVOIDED PURSUANT TO ITS APPROVED CLEAN  
9 HEAT PLAN, AND ANY OTHER INFORMATION REQUIRED BY THE  
10 COMMISSION.

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

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

27 (b) FOR A UTILITY PROJECT THAT IS PART OF A COMPETITIVE

1 SOLICITATION AND WITH A COST OF MORE THAN ONE MILLION DOLLARS,  
2 THE GAS DISTRIBUTION UTILITY SHALL REQUIRE ALL BIDDERS TO PROVIDE  
3 DETAILED INFORMATION ABOUT THE USE OF COLORADO-BASED LABOR  
4 AND OUT-OF-STATE LABOR. THE UTILITY SHALL PROVIDE THIS  
5 INFORMATION TO THE COMMISSION.

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

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

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

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

19 **(9) Municipal gas distribution utilities.** (a) A MUNICIPAL GAS  
20 DISTRIBUTION UTILITY SHALL IMPLEMENT A CLEAN HEAT PLAN THAT USES  
21 CLEAN HEAT RESOURCES TO THE MAXIMUM COST-EFFECTIVE EXTENT AND  
22 MAY COUNT REDUCTIONS IN METHANE FROM LEAK MITIGATION ON ITS  
23 DISTRIBUTION SYSTEM. THE CLEAN HEAT PLAN MUST INCLUDE A  
24 PROJECTION OF THE UTILITY'S GREENHOUSE GAS EMISSIONS THROUGH  
25 2050.

26 (b) A CLEAN HEAT PLAN FILED BY A MUNICIPAL GAS DISTRIBUTION  
27 UTILITY SHALL BE DEEMED APPROVED BY THE COMMISSION AS FILED IF:

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

2           (II) THE COMMISSION, IN CONSULTATION WITH THE DIVISION, FINDS  
3 THAT THE PLAN DEMONSTRATES, CONSISTENT WITH SUBSECTION (3)(c) OF  
4 THIS SECTION AND AS COMPARED TO A 2015 BASELINE:

5           (A) A SEVEN AND ONE-HALF PERCENT REDUCTION IN GREENHOUSE  
6 GAS EMISSIONS IN 2025, OF WHICH NOT MORE THAN ONE PERCENT CAN BE  
7 FROM RECOVERED METHANE; AND

8           (B) A TWENTY-TWO PERCENT REDUCTION IN GREENHOUSE GAS  
9 EMISSIONS IN 2030, OF WHICH NOT MORE THAN FIVE PERCENT CAN BE  
10 FROM RECOVERED METHANE; AND

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

13           (c) SUBMISSION OF A CLEAN HEAT PLAN BY A MUNICIPAL GAS  
14 DISTRIBUTION UTILITY DOES NOT ALTER THE UTILITY'S REGULATORY  
15 STATUS WITH RESPECT TO THE COMMISSION.

16           (10) **Small gas distribution utilities.** (a) A SMALL GAS  
17 DISTRIBUTION UTILITY MAY FILE A CLEAN HEAT PLAN WITH THE  
18 COMMISSION PURSUANT TO SUBSECTIONS (3) TO (7) OF THIS SECTION OR IT  
19 MAY SUBMIT A SMALL UTILITY EMISSION REDUCTION PLAN PURSUANT TO  
20 THIS SUBSECTION (10).

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

23           (I) MUST PROPOSE GREENHOUSE GAS EMISSION REDUCTION  
24 TARGETS FOR 2025 AND 2030;

25           (II) IS SUBJECT TO THE COST CAP;

26           (III) MUST IDENTIFY THE CLEAN HEAT RESOURCES THE SMALL GAS  
27 DISTRIBUTION UTILITY WILL USE TO REDUCE EMISSIONS ON ITS SYSTEM

1 AND QUANTIFY THE ANNUAL EMISSION REDUCTIONS EXPECTED DURING  
2 THE PLAN PERIOD;

3 (IV) MUST PROPOSE PROGRAM BUDGETS TO MEET THE EMISSION  
4 REDUCTION TARGETS PROPOSED BY THE SMALL GAS DISTRIBUTION  
5 UTILITY;

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

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

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

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

27 (d) SMALL GAS DISTRIBUTION UTILITIES WITH APPROVED CLEAN

1 HEAT PLANS ARE SUBJECT TO THE REPORTING PROVISIONS OF SUBSECTION  
2 (7) OF THIS SECTION.

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

7 (a) ENSURE THAT GAS DISTRIBUTION UTILITIES' GREENHOUSE GAS  
8 EMISSIONS WILL BE IN LINE WITH THE RESIDENTIAL, COMMERCIAL, AND  
9 INDUSTRIAL SECTORS' CONTRIBUTION TO STATEWIDE GREENHOUSE GAS  
10 POLLUTION; AND

11 (b) DETERMINE WHETHER RECOVERED METHANE MAY BE USED TO  
12 MEET THE MASS-BASED GREENHOUSE GAS EMISSIONS REDUCTION TARGETS  
13 ESTABLISHED PURSUANT TO THIS SUBSECTION (11).

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



1 TECHNOLOGIES TO ACHIEVE EMISSION REDUCTIONS IN THIS SECTOR.  
2 (13) Coordination of state policies. NO LATER THAN DECEMBER  
3 2022, THE COMMISSION SHALL INITIATE AN INVESTIGATION INTO  
4 COORDINATION OF STATE POLICIES IMPACTING NATURAL GAS UTILITIES IN  
5 THE STATE, INCLUDING THOSE THAT INCENTIVIZE GAS SYSTEM EXPANSION,  
6 AS WELL AS ANY RATES, SURCHARGES, RIDERS, TARIFFS, OR SIMILAR  
7 MECHANISMS THAT INCENTIVIZE OR OTHERWISE SUBSIDIZE EXPANSION.  
8 THE INVESTIGATION MUST INCLUDE STAKEHOLDER PARTICIPATION  
9 THROUGH A WORKSHOP OR OTHER INFORMAL PROCESS. FOLLOWING  
10 CONCLUSION OF THE PROCESS, STAFF OF THE COMMISSION SHALL ISSUE TO  
11 THE GENERAL ASSEMBLY A REPORT DETAILING POLICIES RELATED TO  
12 NATURAL GAS DISTRIBUTION SYSTEM PLANNING, EXPANSION, AND COST  
13 RECOVERY, INCLUDING RECOMMENDATIONS OF STATUTORY OR POLICY  
14 CHANGES TO FACILITATE COST-EFFECTIVELY MEETING THE STATE'S  
15 GREENHOUSE GAS EMISSION REDUCTION GOALS ESTABLISHED IN SECTION  
16 25-7-102 (2)(g).

17 **SECTION 2.** In Colorado Revised Statutes, 25-7-105, **amend** (1)  
18 introductory portion; and **add** (1)(e)(X.5) as follows:

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

25 (e) (X.5) NO LATER THAN SEPTEMBER 1, 2022, THE COMMISSION  
26 SHALL PROPOSE RULES ESTABLISHING RECOVERED METHANE PROTOCOLS,  
27 AS THAT TERM IS DEFINED IN SECTION 40-3.2-107 (2)(q), FOR AT LEAST

1 INACTIVE COAL MINES, BIOMETHANE AS THAT TERM IS DEFINED IN SECTION  
2 40-3.2-107 (2)(a), AND GAS SYSTEM LEAKS, AND A CREDITING AND  
3 TRACKING SYSTEM FOR RECOVERED METHANE AS THAT TERM IS DEFINED  
4 IN SECTION 40-3.2-107 (2)(o). THE COMMISSION SHALL ADOPT THE RULES  
5 NO LATER THAN FEBRUARY 1, 2023. THE RULE-MAKING PROCEEDING IS  
6 SUBJECT TO THE PROCEDURAL REQUIREMENTS OF THIS SUBSECTION (1)(e).

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

9 **34-60-106. Additional powers of commission - rules -**  
10 **definition - repeal.** (9) (a) Notwithstanding the provisions of section  
11 34-60-120 or any other provision of law, the commission, as to class II  
12 injection wells defined in 40 CFR 144.6b, shall also have the power to  
13 CLASSIFIED IN 40 CFR 144.6, MAY perform all acts for the purpose of  
14 protecting underground sources of drinking water in accordance with  
15 state programs authorized by 42 U.S.C. sec. 300f et seq., and regulations  
16 thereunder in effect or UNDER THOSE SECTIONS, as may be amended.

17 (b) THE COMMISSION SHALL:

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

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

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

27 **SECTION 5. Safety clause.** The general assembly hereby finds,

- 1 determines, and declares that this act is necessary for the immediate
- 2 preservation of the public peace, health, or safety.