

SENATE COMMITTEE OF REFERENCE REPORT

May 26, 2021

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Chair of Committee

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Date

Committee on Transportation & Energy.

After consideration on the merits, the Committee recommends the following:

SB21-264 be amended as follows, and as so amended, be referred to the Committee on Appropriations with favorable recommendation:

1 Amend printed bill, strike everything below the enacting clause and  
2 substitute:

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

5 **40-3.2-107. Clean heat targets - legislative declaration -**  
6 **definitions - plans - rules - reports. (1) Legislative declaration.** THE  
7 GENERAL ASSEMBLY HEREBY:

8 (a) FINDS THAT:

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

14 (II) A SIGNIFICANT SOURCE OF GREENHOUSE GAS POLLUTION FROM  
15 THE BUILT ENVIRONMENT COMES FROM THE USE OF GAS TO HEAT  
16 COLORADO'S HOMES AND BUSINESSES AND TO HEAT WATER IN THOSE  
17 BUILDINGS, FROM THE USE OF GAS IN COMMERCIAL AND INDUSTRIAL  
18 PROCESSES, AND FROM GAS LEAKS IN THE SUPPLY CHAIN;

19 (III) IMPROVING THE ENERGY EFFICIENCY OF COLORADO'S  
20 BUILDINGS WILL REDUCE POLLUTION, IMPROVE COMFORT AND SAFETY,  
21 PROVIDE MORE RESILIENCE DURING WEATHER EXTREMES, AND REDUCE  
22 CONSUMER COSTS FOR HEATING AND COOLING HOMES AND BUSINESSES;  
23 AND

1 (IV) REDUCING THE CARBON INTENSITY OF GAS DELIVERED BY  
2 UTILITIES AND SWITCHING FROM GAS SPACE AND WATER HEATING TO  
3 HIGH-EFFICIENCY ELECTRIC HEATING WILL REDUCE GREENHOUSE GAS  
4 POLLUTION AND LEAD TO IMPROVED INDOOR AIR QUALITY;

5 (b) DETERMINES THAT:

6 (I) THERE IS SIGNIFICANT POTENTIAL TO REDUCE EMISSIONS OF  
7 METHANE FROM ACTIVE AND INACTIVE COAL MINES, LANDFILLS,  
8 WASTEWATER TREATMENT PLANTS, AGRICULTURAL OPERATIONS, AND  
9 OTHER SOURCES OF METHANE POLLUTION THROUGH DEVELOPMENT OF  
10 METHANE RECOVERY AND BIOMETHANE PROJECTS, AND THERE ARE ALSO  
11 SIGNIFICANT ECONOMIC DEVELOPMENT OPPORTUNITIES, ESPECIALLY IN  
12 RURAL COLORADO, FROM DEVELOPMENT OF THIS RESOURCE;

13 (II) GREEN AND BLUE HYDROGEN HAVE THE POTENTIAL TO BE  
14 ZERO- OR VERY LOW-CARBON SOURCES OF ENERGY FOR USE IN A VARIETY  
15 OF SECTORS, INCLUDING HIGH-HEAT INDUSTRIAL APPLICATIONS,  
16 ZERO-CARBON ELECTRICITY GENERATION, AND THE GAS DISTRIBUTION  
17 SYSTEM; AND

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

21 (c) DECLARES THAT:

22 (I) THE GENERAL ASSEMBLY'S INTENT IN ENACTING THIS SECTION  
23 IS TO IMPLEMENT A PERFORMANCE STANDARD THAT WILL ALLOW  
24 COLORADO GAS UTILITIES TO USE AVAILABLE TOOLS, INCLUDING ENERGY  
25 EFFICIENCY, BIOMETHANE, HYDROGEN, RECOVERED METHANE, BENEFICIAL  
26 ELECTRIFICATION OF CUSTOMER END USES, COST-EFFECTIVE LEAK  
27 REDUCTIONS ON THE UTILITY'S DISTRIBUTION SYSTEM AS DETERMINED BY  
28 THE COMMISSION THAT EXCEEDS STATE AND FEDERAL REQUIREMENTS,  
29 AND OTHER MEASURES TO ACHIEVE GREENHOUSE GAS EMISSION  
30 REDUCTIONS, COST-EFFECTIVENESS, AND EQUITY;

31 (II) COLORADO IS FOCUSED ON A TRANSITION TO A DECARBONIZED  
32 ECONOMY THAT RECOGNIZES THE HISTORIC INJUSTICES THAT IMPACT  
33 LOWER-INCOME COLORADANS AND BLACK, INDIGENOUS, AND OTHER  
34 PEOPLE OF COLOR WHO HAVE BORNE A DISPROPORTIONATE SHARE OF  
35 ENVIRONMENTAL RISKS WHILE ALSO ENJOYING FEWER ENVIRONMENTAL  
36 BENEFITS;

37 (III) THE COMMISSION MUST MAXIMIZE GREENHOUSE GAS  
38 EMISSION REDUCTIONS AND BENEFITS TO CUSTOMERS, WITH PARTICULAR  
39 ATTENTION TO RESIDENTIAL CUSTOMERS WHO PARTICIPATE IN  
40 INCOME-QUALIFIED PROGRAMS, WHILE MANAGING COSTS AND RISKS TO  
41 CUSTOMERS, INCLUDING STRANDED-ASSET COST RISKS, AND IN A MANNER

1 THAT SUPPORTS FAMILY-SUSTAINING JOBS; AND  
2 (IV) DECARBONIZING COLORADO'S HOMES AND BUSINESSES WILL  
3 REQUIRE INVESTMENTS IN BUILDING AND EQUIPMENT UPGRADES, CLEAN  
4 FUEL PROJECTS, AND INFRASTRUCTURE UPGRADES.  
5 (2) **Definitions.** AS USED IN THIS SECTION, UNLESS THE CONTEXT  
6 OTHERWISE REQUIRES:  
7 (a) "BIOMETHANE":  
8 (I) MEANS A MIXTURE OF CARBON DIOXIDE AND HYDROCARBONS  
9 RELEASED FROM THE BIOLOGICAL DECOMPOSITION OF ORGANIC  
10 MATERIALS THAT IS PRIMARILY METHANE AND PROVIDES A NET  
11 REDUCTION IN GREENHOUSE GAS EMISSIONS; AND  
12 (II) INCLUDES BIOMETHANE RECOVERED FROM MANURE  
13 MANAGEMENT SYSTEMS OR ANAEROBIC DIGESTERS THAT HAS BEEN  
14 PROCESSED TO MEET PIPELINE QUALITY.  
15 (b) "BLUE HYDROGEN" MEANS HYDROGEN DERIVED FROM  
16 BIOMETHANE OR GEOLOGICAL GAS PAIRED WITH A PROCESS TO CAPTURE  
17 AND SEQUESTER ASSOCIATED CARBON DIOXIDE EMISSIONS.  
18 (c) "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 (d) "CLEANHEAT 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);  
28 (II) RECOVERED METHANE;  
29 (III) GREEN OR BLUE HYDROGEN;  
30 (IV) BENEFICIAL ELECTRIFICATION AS DEFINED IN SECTION  
31 40-3.2-106 (6)(a);  
32 (V) PYROLYSIS OF TIRES IF THE PYROLYSIS MEETS A RECOVERED  
33 METHANE PROTOCOL; AND  
34 (VI) ANY TECHNOLOGY THAT THE COMMISSION FINDS IS  
35 COST-EFFECTIVE AND THAT THE DIVISION FINDS RESULTS IN A REDUCTION  
36 IN CARBON EMISSIONS FROM THE COMBUSTION OF GAS IN CUSTOMER END  
37 USES OR MEETS A RECOVERED METHANE PROTOCOL APPROVED BY THE AIR  
38 QUALITY CONTROL COMMISSION. TO QUALIFY AS A CLEAN HEAT  
39 RESOURCE, ALL CREDITS OR SEVERABLE, TRADABLE MECHANISMS  
40 REPRESENTING THE EMISSION REDUCTION ATTRIBUTES OF THE CLEAN HEAT  
41 RESOURCE MUST BE RETIRED IN THE YEAR GENERATED AND MAY NOT BE



1 SOLD.

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

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

8 (g) "GAS" MEANS GEOLOGICAL GAS, HYDROGEN, AND RECOVERED  
9 METHANE.

10 (h) "GAS DISTRIBUTION UTILITY" MEANS A PUBLIC UTILITY  
11 PROVIDING GAS SERVICE TO MORE THAN NINETY THOUSAND RETAIL  
12 CUSTOMERS. "GAS DISTRIBUTION UTILITY" DOES NOT INCLUDE A  
13 MUNICIPAL GAS DISTRIBUTION UTILITY.

14 (i) "GEOLOGICAL GAS" MEANS METHANE AND OTHER  
15 HYDROCARBONS THAT OCCUR UNDERGROUND WITHOUT HUMAN  
16 INTERVENTION AND ARE USED AS FUEL.

17 (j) "GREENHOUSE GAS" HAS THE MEANING SET FORTH IN SECTION  
18 25-7-140 (6), MEASURED IN TERMS OF CARBON DIOXIDE EQUIVALENT.

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

22 (l) "LOWEST REASONABLE COST" MEANS A REASONABLE-COST MIX  
23 OF CLEAN HEAT RESOURCES THAT MEET CLEAN HEAT TARGETS  
24 ESTABLISHED PURSUANT TO THIS SECTION AS DETERMINED THROUGH A  
25 DETAILED ANALYSIS OF AVAILABLE TECHNOLOGIES AND INCLUDES  
26 RESOURCE COSTS, MARKET VOLATILITY RISKS, RISKS TO RATEPAYERS,  
27 SYSTEMS OPERATIONS COSTS, INFRASTRUCTURE COSTS, ENVIRONMENTAL  
28 JUSTICE GOALS, THE SOCIAL COST OF CARBON, AND THE SOCIAL COST OF  
29 METHANE IN COMPARING THE COSTS AND BENEFITS OF ALTERNATIVES,  
30 AND OTHER COSTS AND BENEFITS AS DETERMINED BY THE COMMISSION.

31 (m) "MUNICIPAL GAS DISTRIBUTION UTILITY" MEANS A  
32 MUNICIPALLY OWNED UTILITY THAT PROVIDES GAS SERVICE TO MORE  
33 THAN NINETY THOUSAND CUSTOMERS.

34 (n) "PYROLYSIS" HAS THE MEANING SET FORTH IN SECTION  
35 40-2-124 (1)(a)(V).

36 (o) "RECOVERED METHANE" MEANS ANY OF THE FOLLOWING THAT  
37 ARE LOCATED IN COLORADO AND MEET A RECOVERED METHANE  
38 PROTOCOL APPROVED BY THE AIR QUALITY CONTROL COMMISSION:

39 (I) BIOMETHANE; AND

40 (II) METHANE DERIVED FROM:

41 (A) MUNICIPAL SOLID WASTE;



1 (B) THE PYROLYSIS OF MUNICIPAL SOLID WASTE;  
2 (C) BIOMASS PYROLYSIS OR ENZYMATIC BIOMASS; OR  
3 (D) WASTEWATER TREATMENT;  
4 (III) COAL MINE METHANE, AS DEFINED IN SECTION 40-2-124  
5 (1)(a)(II), THE CAPTURE OF WHICH IS NOT OTHERWISE REQUIRED BY STATE  
6 OR FEDERAL LAW; OR  
7 (IV) METHANE THAT WOULD HAVE LEAKED WITHOUT REPAIRS OF  
8 THE GAS DISTRIBUTION AND SERVICE PIPELINES FROM THE CITY GATE TO  
9 CUSTOMER END USE.

10 (p) "RECOVERED METHANE CREDIT" MEANS A TRADABLE  
11 INSTRUMENT THAT REPRESENTS A GREENHOUSE GAS EMISSION REDUCTION  
12 OR GREENHOUSE GAS REMOVAL ENHANCEMENT OF ONE METRIC TON OF  
13 CARBON DIOXIDE EQUIVALENT. THE GREENHOUSE GAS EMISSION  
14 REDUCTION OR GREENHOUSE GAS REMOVAL ENHANCEMENT MUST BE  
15 REAL, ADDITIONAL, QUANTIFIABLE, PERMANENT, VERIFIABLE, AND  
16 ENFORCEABLE. NO RECOVERED METHANE CREDIT MAY BE ISSUED IF THE  
17 GREENHOUSE GAS EMISSION REDUCTION OR GREENHOUSE GAS REMOVAL  
18 ENHANCEMENT THAT THE CREDIT WOULD REPRESENT IS REQUIRED OR  
19 ACCOUNTED FOR BY A PROPOSED OR FINAL FEDERAL, STATE, OR LOCAL  
20 RULE OR REGULATION.

21 (q) "RECOVERED METHANE PROTOCOL" MEANS A DOCUMENTED  
22 SET OF PROCEDURES AND REQUIREMENTS ESTABLISHED BY THE AIR  
23 QUALITY CONTROL COMMISSION TO QUANTIFY ONGOING GREENHOUSE GAS  
24 EMISSION REDUCTIONS OR GREENHOUSE GAS REMOVAL ENHANCEMENTS  
25 ACHIEVED BY A RECOVERED METHANE PROJECT AND TO CALCULATE THE  
26 PROJECT BASELINE. A RECOVERED METHANE PROTOCOL MUST:

27 (I) SPECIFY RELEVANT DATA COLLECTION AND MONITORING  
28 PROCEDURES AND EMISSION FACTORS;  
29 (II) CONSERVATIVELY ACCOUNT FOR UNCERTAINTY,  
30 ACTIVITY-SHIFTING LEAKAGE RISKS, AND MARKET-SHIFTING LEAKAGE  
31 RISKS ASSOCIATED WITH A TYPE OF RECOVERED METHANE PROJECT;  
32 (III) DETERMINE DATA VERIFICATION REQUIREMENTS; AND  
33 (IV) SPECIFY PROCEDURES PURSUANT TO WHICH THE AIR QUALITY  
34 CONTROL COMMISSION MUST APPROVE AN ENTITY THAT THE DIVISION  
35 PROPOSES TO ACCREDIT FOR VERIFICATION OF ONGOING GREENHOUSE GAS  
36 EMISSION REDUCTIONS OR GREENHOUSE GAS REMOVAL ENHANCEMENTS.

37 (r) "SMALL GAS DISTRIBUTION UTILITY" MEANS A PUBLIC UTILITY  
38 PROVIDING GAS SERVICE TO NINETY THOUSAND RETAIL CUSTOMERS OR  
39 FEWER. "SMALL GAS DISTRIBUTION UTILITY" DOES NOT INCLUDE A  
40 MUNICIPAL GAS DISTRIBUTION UTILITY.

41 (3) **Clean heat targets.** (a) THE PURPOSE OF A CLEAN HEAT PLAN



1 IS TO ACHIEVE CLEAN HEAT TARGETS BY REDUCING CARBON DIOXIDE AND  
2 METHANE EMISSIONS FROM GAS DISTRIBUTION UTILITIES.

3 (b) (I) A CLEAN HEAT PLAN UNDER THIS SECTION MUST  
4 DEMONSTRATE THAT THE GAS DISTRIBUTION UTILITY SUBMITTING THE  
5 CLEAN HEAT PLAN WILL ACHIEVE A REDUCTION OF CARBON DIOXIDE AND  
6 METHANE EMISSIONS FROM THE DISTRIBUTION AND END-USE COMBUSTION  
7 OF GAS.

8 (II) A GAS DISTRIBUTION UTILITY SHALL DEMONSTRATE  
9 COMPLIANCE WITH SUBSECTION (3)(b)(I) OF THIS SECTION BY FILING AND  
10 OBTAINING COMMISSION APPROVAL OF CLEAN HEAT PLANS THAT MEET  
11 CLEAN HEAT TARGETS CALCULATED AS FOLLOWS: CONSISTENT WITH  
12 SUBSECTION (3)(c) OF THIS SECTION AND AS COMPARED TO A 2015  
13 BASELINE, A SIX PERCENT REDUCTION IN GREENHOUSE GAS EMISSIONS IN  
14 2025, OF WHICH NOT MORE THAN TWO PERCENT CAN BE FROM RECOVERED  
15 METHANE; AND A TWENTY-TWO PERCENT REDUCTION IN GREENHOUSE GAS  
16 EMISSIONS IN 2030, OF WHICH NOT MORE THAN SIX PERCENT CAN BE FROM  
17 RECOVERED METHANE.

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

21 (A) METHANE LEAKED FROM THE TRANSPORTATION AND  
22 DELIVERY OF GAS FROM THE GAS DISTRIBUTION AND SERVICE PIPELINES  
23 FROM THE CITY GATE TO CUSTOMER END USE;

24 (B) CARBON DIOXIDE EMISSIONS RESULTING FROM THE  
25 COMBUSTION OF GAS BY RESIDENTIAL, COMMERCIAL, AND INDUSTRIAL  
26 CUSTOMERS NOT OTHERWISE SUBJECT TO FEDERAL GREENHOUSE GAS  
27 EMISSION REPORTING AND EXCLUDING ALL TRANSPORT CUSTOMERS; AND

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

30 (II) ALL EMISSIONS ARE METRIC TONS OF CARBON DIOXIDE  
31 EQUIVALENT AS REPORTED TO THE FEDERAL ENVIRONMENTAL PROTECTION  
32 AGENCY PURSUANT TO 40 CFR 98, EITHER SUBPART W (METHANE) OR  
33 SUBPART NN (CARBON DIOXIDE), OR SUCCESSOR REPORTING  
34 REQUIREMENTS; EXCEPT THAT THE DIVISION SHALL USE THE AR-4  
35 ONE-HUNDRED-YEAR GLOBAL WARMING POTENTIAL OR ANY GREATER  
36 SUCCESSOR VALUE DETERMINED BY THE FEDERAL ENVIRONMENTAL  
37 PROTECTION AGENCY.

38 (d) IN CALCULATING ITS CLEAN HEAT TARGET, A UTILITY MUST  
39 SHOW ITS BASELINE CARBON DIOXIDE EMISSIONS AND METHANE EMISSIONS  
40 SEPARATELY AND MUST SHOW THAT THE TOTAL EMISSION REDUCTIONS  
41 ARE PROJECTED TO ACHIEVE THE CLEAN HEAT TARGET. THE FINAL

1 CALCULATION DEMONSTRATING THAT THE PLAN MEETS THE CLEAN HEAT  
2 TARGET MUST BE PRESENTED ON A CARBON DIOXIDE EQUIVALENT BASIS.

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

10 (I) TO OR WITHIN COLORADO THROUGH A DEDICATED PIPELINE; OR

11 (II) THROUGH A COMMON CARRIER PIPELINE IF THE SOURCE OF THE  
12 RECOVERED METHANE INJECTS THE RECOVERED METHANE INTO A  
13 COMMON CARRIER PIPELINE THAT PHYSICALLY FLOWS WITHIN COLORADO  
14 OR TOWARD THE END USER IN COLORADO FOR WHICH THE RECOVERED  
15 METHANE WAS PRODUCED.

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

22 (4) **Submission of clean heat plans.** (a) NO LATER THAN AUGUST  
23 1, 2023, THE LARGEST GAS DISTRIBUTION UTILITY IN COLORADO, AS  
24 DETERMINED BY THE VOLUME OF GAS SOLD IN COLORADO, SHALL FILE  
25 WITH THE COMMISSION AN APPLICATION FOR APPROVAL OF A CLEAN HEAT  
26 PLAN THAT DEMONSTRATES THAT THE GAS DISTRIBUTION UTILITY WILL  
27 ACHIEVE THE CLEAN HEAT TARGET ESTABLISHED FOR 2025 IN SUBSECTION  
28 (3)(b)(II) OF THIS SECTION BY 2025. ALL OTHER GAS DISTRIBUTION  
29 UTILITIES SHALL FILE APPLICATIONS FOR APPROVAL OF CLEAN HEAT PLANS  
30 NO LATER THAN JANUARY 1, 2024, THAT DEMONSTRATE, FOR EACH SUCH  
31 GAS DISTRIBUTION UTILITY, THAT IT WILL ACHIEVE THE CLEAN HEAT  
32 TARGET ESTABLISHED FOR 2025 IN SUBSECTION (3)(b)(II) OF THIS SECTION  
33 BY 2025.

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

39 (c) A CLEAN HEAT PLAN FILED PURSUANT TO THIS SUBSECTION (4)  
40 MUST:

41 (I) DEMONSTRATE THAT THE GAS DISTRIBUTION UTILITY WILL

1 MEET THE APPLICABLE CLEAN HEAT TARGETS SPECIFIED IN THIS SECTION  
2 FOR THE APPLICABLE PLAN PERIOD;

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

8 (A) A PORTFOLIO OF RESOURCES THAT USES CLEAN HEAT  
9 RESOURCES TO THE MAXIMUM PRACTICABLE EXTENT, THAT COMPLIES  
10 WITH THE COST CAP, THAT MAY INCLUDE LEAK REDUCTIONS APPROVED BY  
11 THE COMMISSION, AND THAT MAY OR MAY NOT MEET THE CLEAN HEAT  
12 TARGET IN THE APPLICABLE PLAN PERIOD BUT THAT DEMONSTRATES  
13 REDUCTIONS IN METHANE EMISSIONS;

14 (B) A PORTFOLIO THAT MEETS THE CLEAN HEAT TARGETS IN THE  
15 APPLICABLE PLAN PERIOD USING ONLY CLEAN HEAT RESOURCES BUT THAT  
16 DOES NOT INCLUDE RECOVERED METHANE AND THAT NEED NOT MEET THE  
17 COST CAP;

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

21 (D) OTHER PORTFOLIOS AT THE UTILITY'S DISCRETION; AND  
22 (E) OTHER PORTFOLIOS AS DIRECTED BY THE COMMISSION;

23 (III) QUANTIFY ANNUAL PROJECTED GREENHOUSE GAS EMISSION  
24 REDUCTIONS DURING THE APPLICABLE PLAN PERIOD RESULTING FROM  
25 EACH PORTFOLIO;

26 (IV) PROPOSE PROGRAM BUDGETS TO MEET THE EMISSION  
27 REDUCTION TARGETS;

28 (V) PRIORITIZE INVESTMENTS THAT ENSURE THAT  
29 DISPROPORTIONATELY IMPACTED COMMUNITIES OR CUSTOMERS WHO MEET  
30 REQUIREMENTS FOR INCOME-QUALIFIED PROGRAMS BENEFIT FROM THE  
31 INVESTMENTS MADE TO IMPLEMENT THE CLEAN HEAT PLAN;

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

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

39 (VIII) QUANTIFY ADDITIONAL AIR QUALITY, ENVIRONMENTAL,  
40 AND HEALTH BENEFITS OF THE PLAN IN ADDITION TO THE GREENHOUSE GAS  
41 EMISSION REDUCTIONS;





1 (IX) INCLUDE A FORECAST OF POTENTIAL NEW CUSTOMERS AND  
2 SYSTEMGROWTHOR EXPANSION OF THE GAS SYSTEMFOR THE APPLICABLE  
3 PLAN PERIOD, INCLUDING PROJECTED GREENHOUSE GAS EMISSIONS  
4 RELATED TO THAT GROWTH;

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

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

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

18 (XIII) EXPLAIN THE GAS DISTRIBUTION UTILITY'S ANALYSIS OF THE  
19 COSTS AND BENEFITS OF AN ARRAY OF COMPLIANCE ALTERNATIVES,  
20 INCLUDING THE SOCIAL COST OF CARBON AND THE SOCIAL COST OF  
21 METHANE IN THE COST-BENEFIT CALCULATIONS;

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

24 (XV) INCLUDE A MAP OF THE GAS UTILITY SYSTEM THAT  
25 IDENTIFIES INFRASTRUCTURE, CUSTOMER TYPE, GAS THROUGHPUT, AND  
26 RATED PRESSURE. THE UTILITY SHALL DESCRIBE LEAK RATES AND  
27 DEPRECIATION SCHEDULES AND SHALL PROVIDE ANY OTHER INFORMATION  
28 DEEMED RELEVANT BY THE COMMISSION.

29 (XVI) INCLUDE ANY OTHER INFORMATION REQUIRED BY THE  
30 COMMISSION.

31 (d) (I) TO DEMONSTRATE COMPLIANCE WITH THE APPLICABLE  
32 CLEAN HEAT TARGET IN A CLEAN HEAT PLAN, A GAS DISTRIBUTION UTILITY  
33 MUST UTILIZE CLEAN HEAT RESOURCES TO THE MAXIMUM EXTENT  
34 PRACTICABLE AND COUNT GREENHOUSE GAS EMISSION REDUCTIONS  
35 RESULTING FROM ITS USE OF THOSE RESOURCES. FOR COMPLIANCE WITH  
36 THE 2030 TARGET, A UTILITY SHALL NOT PROPOSE AND THE COMMISSION  
37 SHALL NOT APPROVE RECOVERED METHANE RESOURCES ACHIEVING MORE  
38 THAN FIVE PERCENT OF THE TARGET OF TWENTY-TWO PERCENT.

39 (II) NOTWITHSTANDING ANY OTHER PROVISION OF THIS SECTION,  
40 AND UNLESS THE COMMISSION FINDS THAT A CLEAN HEAT PLAN IS NOT  
41 COST-EFFECTIVE IN MEETING THE FOLLOWING TARGETS, OF THE EMISSION

1 REDUCTIONS REQUIRED IN A CLEAN HEAT PLAN THAT A GAS DISTRIBUTION  
2 UTILITY MUST ACHIEVE, REDUCTIONS FROM RECOVERED METHANE  
3 PROJECTS MAY BE IN THE FOLLOWING MAXIMUM AMOUNTS:

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

6 (B) AN AMOUNT SPECIFIED BY THE COMMISSION BY RULE FOR  
7 CLEAN HEAT PLANS COVERING YEARS AFTER 2030 IF THE COMMISSION  
8 DETERMINES THAT THE REQUIREMENTS FURTHER INVESTMENT IN  
9 COLORADO COMMUNITIES, REDUCE GREENHOUSE GAS EMISSIONS, ARE  
10 COST-EFFECTIVE, AND ARE IN THE PUBLIC INTEREST.

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

14 (f) A GAS DISTRIBUTION UTILITY MAY INCLUDE PROPOSALS TO  
15 MAKE INVESTMENTS IN GREEN OR BLUE HYDROGEN PROJECTS THAT WILL  
16 REDUCE GREENHOUSE GAS EMISSIONS. IF A GAS DISTRIBUTION UTILITY  
17 PROPOSES TO MAKE AN INVESTMENT PURSUANT TO THIS SUBSECTION  
18 (4)(f), IT MUST ALSO INCLUDE A PROPOSAL FOR COMPETITIVE  
19 SOLICITATION.

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

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

27 (h) A GAS DISTRIBUTION UTILITY'S FIRST CLEAN HEAT PLAN MUST  
28 USE A PLANNING PERIOD THAT EXTENDS THROUGH 2025. THE SECOND  
29 CLEAN HEAT PLAN MUST USE A PLANNING PERIOD THAT EXTENDS  
30 THROUGH 2030. SUBSEQUENT CLEAN HEAT PLANS MUST USE A PLANNING  
31 PERIOD AS DETERMINED BY THE COMMISSION.

32 (5) **Commission rules.** (a) NO LATER THAN OCTOBER 1, 2021,  
33 THE COMMISSION SHALL UNDERTAKE A RULE-MAKING PROCEEDING TO  
34 UPDATE ELECTRIC AND GAS DEMAND-SIDE MANAGEMENT RULES  
35 CONSISTENT WITH THE CLEAN HEAT TARGETS ESTABLISHED IN THIS  
36 SECTION. IN THE RULE-MAKING, THE COMMISSION SHALL REMOVE ANY  
37 PROHIBITION ON CUSTOMER INCENTIVES TO HELP CUSTOMERS REPLACE  
38 GAS APPLIANCES WITH HIGHLY EFFICIENT ELECTRIC ALTERNATIVES. AS  
39 PART OF THIS RULE-MAKING PROCESS, THE COMMISSION SHALL CONVENE  
40 AT LEAST FOUR WORKSHOPS OR PUBLIC MEETINGS TO SOLICIT INPUT ON  
41 THE CONTENTS AND EVALUATION OF GAS DISTRIBUTION UTILITIES' CLEAN



1 HEAT PLANS, TWO OF WHICH MUST BE LOCATED IN DISPROPORTIONATELY  
2 IMPACTED COMMUNITIES SERVED BY THE UTILITY THAT IS REQUIRED TO  
3 SUBMIT A CLEAN HEAT PLAN. PARTICIPATION MUST BE OPEN TO THE  
4 PUBLIC AND SHALL NOT BE LIMITED TO PARTIES REPRESENTED BY AN  
5 ATTORNEY.

6 (b) THE COMMISSION SHALL ADOPT RULES NECESSARY FOR GAS  
7 DISTRIBUTION UTILITIES TO IMPLEMENT CLEAN HEAT PLANS BY DECEMBER  
8 1, 2022.

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

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

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

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

28 (II) IN EVALUATING A CLEAN HEAT PLAN, THE COMMISSION SHALL  
29 CONSIDER WHETHER THE PLAN WILL ACHIEVE THE APPLICABLE CLEAN  
30 HEAT TARGETS.

31 (d) (I) THE COMMISSION SHALL APPROVE A CLEAN HEAT PLAN IF  
32 THE COMMISSION FINDS IT TO BE IN THE PUBLIC INTEREST. THE  
33 COMMISSION MAY MODIFY THE PLAN IF THE MODIFICATIONS ARE  
34 NECESSARY TO ENSURE THAT THE PLAN IS IN THE PUBLIC INTEREST. IN  
35 EVALUATING WHETHER THE CLEAN HEAT PLAN SUBMITTED TO THE  
36 COMMISSION IS IN THE PUBLIC INTEREST, THE COMMISSION SHALL TAKE  
37 INTO ACCOUNT THE FOLLOWING FACTORS:

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

40 (B) THE ADDITIONAL AIR QUALITY, ENVIRONMENTAL, AND HEALTH  
41 BENEFITS OF THE PLAN IN ADDITION TO THE GREENHOUSE GAS EMISSION

1 REDUCTIONS;

2 (C) WHETHER INVESTMENTS IN A CLEAN HEAT PLAN PRIORITIZE  
3 SERVING CUSTOMERS PARTICIPATING IN INCOME-QUALIFIED PROGRAMS  
4 AND COMMUNITIES HISTORICALLY IMPACTED BY AIR POLLUTION AND  
5 OTHER ENERGY-RELATED POLLUTION;

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

9 (E) WHETHER THE CLEAN HEAT PLAN ENSURES SYSTEM  
10 RELIABILITY.

11 (II) IN APPROVING A CLEAN HEAT PLAN:

12 (A) IF THE COMMISSION DETERMINES THAT IT IS POSSIBLE TO  
13 ACHIEVE LARGER GREENHOUSE GAS EMISSION REDUCTIONS THAN THE  
14 REQUIRED CLEAN HEAT TARGETS USING CLEAN HEAT RESOURCES AT OR  
15 BELOW THE COST CAP, THE COMMISSION SHALL REQUIRE THE MAXIMUM  
16 LEVEL OF EMISSION REDUCTIONS ABOVE THE CLEAN HEAT TARGETS THAT  
17 CAN BE ACHIEVED AT OR BELOW THE COST CAP USING CLEAN HEAT  
18 RESOURCES, 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 (B) THE COMMISSION MUST REQUIRE THE GAS DISTRIBUTION  
23 UTILITY TO ACHIEVE THE MAXIMUM LEVEL OF GREENHOUSE GAS EMISSION  
24 REDUCTIONS PRACTICABLE USING CLEAN HEAT RESOURCES AT OR BELOW  
25 THE COST CAP, WITH THE PROPORTION OF GREENHOUSE GAS EMISSION  
26 REDUCTIONS FROM RECOVERED METHANE NOT EXCEEDING THE  
27 PROPORTION ALLOWED IN MEETING THE CLEAN HEAT TARGET FOR THE  
28 APPLICABLE PLAN PERIOD.

29 (III) THE COMMISSION MAY APPROVE, OR AMEND AND APPROVE,  
30 A CLEAN HEAT PLAN WITH COSTS GREATER THAN THE COST CAP ONLY IF IT  
31 FINDS THAT THE PLAN IS IN THE PUBLIC INTEREST, COSTS TO CUSTOMERS  
32 ARE REASONABLE, THE PLAN INCLUDES MITIGATION OF RATE INCREASES  
33 FOR INCOME-QUALIFIED CUSTOMERS, AND THE BENEFITS OF THE PLAN,  
34 INCLUDING THE SOCIAL COSTS OF METHANE AND CARBON DIOXIDE,  
35 EXCEED THE COSTS.

36 (7) **Annual reporting.** (a) EACH GAS DISTRIBUTION UTILITY  
37 SHALL SUBMIT TO THE COMMISSION AN ANNUAL REPORT THAT SHOWS THE  
38 AMOUNT OF MONEY THAT IT HAS SPENT UNDER EACH PROGRAM IN THE  
39 CLEAN HEAT PLAN, THE AMOUNT SPENT ON INCOME-QUALIFIED PROGRAMS  
40 OR PROGRAMS THAT SERVE COMMUNITIES HISTORICALLY IMPACTED BY AIR  
41 POLLUTION AND OTHER ENERGY-RELATED POLLUTION, A CALCULATION OF

1 EMISSIONS REDUCED OR AVOIDED PURSUANT TO ITS APPROVED CLEAN  
2 HEAT PLAN, AND ANY OTHER INFORMATION REQUIRED BY THE  
3 COMMISSION.

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

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

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

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

31 (I) TRAINING PROGRAMS, INCLUDING TRAINING THROUGH THE  
32 DIVISION OF EMPLOYMENT AND TRAINING IN THE DEPARTMENT OF LABOR  
33 AND EMPLOYMENT CREATED IN SECTION 8-83-102 OR A STATE  
34 APPRENTICESHIP COUNCIL REGISTERED WITH THE UNITED STATES  
35 DEPARTMENT OF LABOR;

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

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

39 (9) **Municipal gas distribution utilities.** (a) A MUNICIPAL GAS  
40 DISTRIBUTION UTILITY SHALL IMPLEMENT A CLEAN HEAT PLAN THAT USES  
41 CLEAN HEAT RESOURCES TO THE MAXIMUM COST-EFFECTIVE EXTENT AND



1 MAY COUNT REDUCTIONS IN METHANE FROM LEAK MITIGATION ON ITS  
2 DISTRIBUTION SYSTEM. THE CLEAN HEAT PLAN MUST INCLUDE A  
3 PROJECTION OF THE UTILITY'S GREENHOUSE GAS EMISSIONS THROUGH  
4 2050.

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

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

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

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

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

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

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

22 (10) **Small gas distribution utilities.** (a) A SMALL GAS  
23 DISTRIBUTION UTILITY MAY FILE A CLEAN HEAT PLAN WITH THE  
24 COMMISSION PURSUANT TO SUBSECTIONS (3) TO (7) OF THIS SECTION OR IT  
25 MAY SUBMIT A SMALL UTILITY EMISSION REDUCTION PLAN PURSUANT TO  
26 THIS SUBSECTION (10).

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

29 (I) MUST PROPOSE GREENHOUSE GAS EMISSION REDUCTION  
30 TARGETS FOR 2025 AND 2030;

31 (II) IS SUBJECT TO THE COST CAP;

32 (III) MUST IDENTIFY THE CLEAN HEAT RESOURCES THE SMALL GAS  
33 DISTRIBUTION UTILITY WILL USE TO REDUCE EMISSIONS ON ITS SYSTEM  
34 AND QUANTIFY THE ANNUAL EMISSION REDUCTIONS EXPECTED DURING  
35 THE PLAN PERIOD;

36 (IV) MUST PROPOSE PROGRAM BUDGETS TO MEET THE EMISSION  
37 REDUCTION TARGETS PROPOSED BY THE SMALL GAS DISTRIBUTION  
38 UTILITY;

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

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

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

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

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

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

26 (a) ENSURE THAT GAS DISTRIBUTION UTILITIES' GREENHOUSE GAS  
27 EMISSIONS WILL BE IN LINE WITH THE RESIDENTIAL, COMMERCIAL, AND  
28 INDUSTRIAL SECTORS' CONTRIBUTION TO STATEWIDE GREENHOUSE GAS  
29 POLLUTION; AND

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

33 (12) NO LATER THAN DECEMBER 1, 2032, THE COMMISSION, IN  
34 CONSULTATION WITH THE DIVISION, SHALL DETERMINE THE MASS-BASED  
35 GREENHOUSE GAS EMISSION REDUCTION GOALS FOR CLEAN HEAT PLANS  
36 FOR 2040, 2045, AND 2050 USING A 2015 BASELINE THAT, AT MINIMUM,  
37 ENSURE THAT GAS DISTRIBUTION UTILITIES' GREENHOUSE GAS EMISSION  
38 REDUCTIONS WILL BE PROPORTIONATE TO THE RESIDENTIAL, COMMERCIAL,  
39 AND INDUSTRIAL SECTORS' CONTRIBUTION TO THE GREENHOUSE GAS  
40 EMISSION REDUCTION GOALS, EXCLUDING TRANSPORTATION GAS SERVICE  
41 CUSTOMERS OR CUSTOMERS THAT REPORT THEIR OWN GREENHOUSE GAS

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

7 (13) **Coordination of state policies.** NO LATER THAN DECEMBER  
8 2022, THE COMMISSION SHALL INITIATE AN INVESTIGATION INTO  
9 COORDINATION OF STATE POLICIES IMPACTING NATURAL GAS UTILITIES IN  
10 THE STATE, INCLUDING THOSE THAT INCENTIVIZE GAS SYSTEM EXPANSION,  
11 AS WELL AS ANY RATES, SURCHARGES, RIDERS, TARIFFS, OR SIMILAR  
12 MECHANISMS THAT INCENTIVIZE OR OTHERWISE SUBSIDIZE EXPANSION.  
13 THE INVESTIGATION MUST INCLUDE STAKEHOLDER PARTICIPATION  
14 THROUGH A WORKSHOP OR OTHER INFORMAL PROCESS. FOLLOWING  
15 CONCLUSION OF THE PROCESS, STAFF OF THE COMMISSION SHALL ISSUE TO  
16 THE GENERAL ASSEMBLY A REPORT DETAILING POLICIES RELATED TO  
17 NATURAL GAS DISTRIBUTION SYSTEM PLANNING, EXPANSION, AND COST  
18 RECOVERY, INCLUDING RECOMMENDATIONS OF STATUTORY OR POLICY  
19 CHANGES TO FACILITATE COST-EFFECTIVELY MEETING THE STATE'S  
20 GREENHOUSE GAS EMISSION REDUCTION GOALS ESTABLISHED IN SECTION  
21 25-7-102 (2)(g).

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

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

30 (e) (X.5) NO LATER THAN SEPTEMBER 1, 2022, THE COMMISSION  
31 SHALL PROPOSE RULES ESTABLISHING RECOVERED METHANE PROTOCOLS,  
32 AS THAT TERM IS DEFINED IN SECTION 40-3.2-107 (2)(q), FOR AT LEAST  
33 INACTIVE COAL MINES, BIOMETHANE AS THAT TERM IS DEFINED IN SECTION  
34 40-3.2-107 (2)(a), AND GAS SYSTEM LEAKS, AND A CREDITING AND  
35 TRACKING SYSTEM FOR RECOVERED METHANE AS THAT TERM IS DEFINED  
36 IN SECTION 40-3.2-107 (2)(o). THE COMMISSION SHALL ADOPT THE RULES  
37 NO LATER THAN FEBRUARY 1, 2023. THE RULE-MAKING PROCEEDING IS  
38 SUBJECT TO THE PROCEDURAL REQUIREMENTS OF THIS SUBSECTION (1)(e).

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

41 **34-60-106. Additional powers of commission - rules -**



1 **definition - repeal.** (9) (a) Notwithstanding ~~the provisions of section~~  
2 34-60-120 or any other provision of law, the commission, as to class II  
3 injection wells ~~defined in 40 CFR 144.6b, shall also have the power to~~  
4 CLASSIFIED IN 40 CFR 144.6, MAY perform all acts for the purpose of  
5 protecting underground sources of drinking water in accordance with  
6 state programs authorized by 42 U.S.C. sec. 300f et seq., and regulations  
7 ~~thereunder in effect or~~ UNDER THOSE SECTIONS, as ~~may be~~ amended.

8 (b) THE COMMISSION SHALL:

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

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

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

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

\*\* \*\*\* \*\* \*\*\* \*\*