

SB264_L.002

SENATE COMMITTEE OF REFERENCE AMENDMENT

Committee on Transportation & Energy.

SB21-264 be amended as follows:

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

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

28 (b) DETERMINES THAT:

29 (I) THERE IS SIGNIFICANT POTENTIAL TO REDUCE EMISSIONS OF
30 METHANE FROM ACTIVE AND INACTIVE COAL MINES, LANDFILLS,
31 WASTEWATER TREATMENT PLANTS, AGRICULTURAL OPERATIONS, AND
32 OTHER SOURCES OF METHANE POLLUTION THROUGH DEVELOPMENT OF
33 METHANE RECOVERY AND BIOMETHANE PROJECTS, AND THERE ARE ALSO
34 SIGNIFICANT ECONOMIC DEVELOPMENT OPPORTUNITIES, ESPECIALLY IN
35 RURAL COLORADO, FROM DEVELOPMENT OF THIS RESOURCE;

36 (II) GREEN AND BLUE HYDROGEN HAVE THE POTENTIAL TO BE
37 ZERO- OR VERY LOW-CARBON SOURCES OF ENERGY FOR USE IN A VARIETY
38 OF SECTORS, INCLUDING HIGH-HEAT INDUSTRIAL APPLICATIONS,
39 ZERO-CARBON ELECTRICITY GENERATION, AND THE GAS DISTRIBUTION
40 SYSTEM; AND

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

4 (c) DECLARES THAT:

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

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

20 (III) THE COMMISSION MUST MAXIMIZE GREENHOUSE GAS
21 EMISSION REDUCTIONS AND BENEFITS TO CUSTOMERS, WITH PARTICULAR
22 ATTENTION TO RESIDENTIAL CUSTOMERS WHO PARTICIPATE IN
23 INCOME-QUALIFIED PROGRAMS, WHILE MANAGING COSTS AND RISKS TO
24 CUSTOMERS, INCLUDING STRANDED-ASSET COST RISKS, AND IN A MANNER
25 THAT SUPPORTS FAMILY-SUSTAINING JOBS; AND

26 (IV) DECARBONIZING COLORADO'S HOMES AND BUSINESSES WILL
27 REQUIRE INVESTMENTS IN BUILDING AND EQUIPMENT UPGRADES, CLEAN
28 FUEL PROJECTS, AND INFRASTRUCTURE UPGRADES.

29 (2) **Definitions.** AS USED IN THIS SECTION, UNLESS THE CONTEXT
30 OTHERWISE REQUIRES:

31 (a) "BIOMETHANE":

32 (I) MEANS A MIXTURE OF CARBON DIOXIDE AND HYDROCARBONS
33 RELEASED FROM THE BIOLOGICAL DECOMPOSITION OF ORGANIC
34 MATERIALS THAT IS PRIMARILY METHANE AND PROVIDES A NET
35 REDUCTION IN GREENHOUSE GAS EMISSIONS; AND

36 (II) INCLUDES BIOMETHANE RECOVERED FROM MANURE
37 MANAGEMENT SYSTEMS OR ANAEROBIC DIGESTERS THAT HAS BEEN
38 PROCESSED TO MEET PIPELINE QUALITY.

39 (b) "BLUE HYDROGEN" MEANS HYDROGEN DERIVED FROM
40 BIOMETHANE OR GEOLOGICAL GAS PAIRED WITH A PROCESS TO CAPTURE
41 AND SEQUESTER ASSOCIATED CARBON DIOXIDE EMISSIONS.

42 (c) "CLEAN HEAT PLAN" MEANS A COMPREHENSIVE PLAN
43 SUBMITTED BY A GAS DISTRIBUTION UTILITY OR MUNICIPAL GAS

1 DISTRIBUTION UTILITY THAT DEMONSTRATES PROJECTED REDUCTIONS IN
2 METHANE AND CARBON DIOXIDE EMISSIONS THAT, TOGETHER, MEET THE
3 REDUCTIONS REQUIRED IN THIS SECTION AT THE LOWEST REASONABLE
4 COST.

5 (d) "CLEAN HEAT RESOURCE" MEANS ANY ONE OR A COMBINATION
6 OF:

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

9 (II) RECOVERED METHANE;

10 (III) GREEN OR BLUE HYDROGEN;

11 (IV) BENEFICIAL ELECTRIFICATION AS DEFINED IN SECTION
12 40-3.2-106 (6)(a);

13 (V) PYROLYSIS OF TIRES IF THE PYROLYSIS MEETS A RECOVERED
14 METHANE PROTOCOL; AND

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

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

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

30 (g) "GAS" MEANS GEOLOGICAL GAS, HYDROGEN, AND RECOVERED
31 METHANE.

32 (h) "GAS DISTRIBUTION UTILITY" MEANS A PUBLIC UTILITY
33 PROVIDING GAS SERVICE TO MORE THAN NINETY THOUSAND RETAIL
34 CUSTOMERS. "GAS DISTRIBUTION UTILITY" DOES NOT INCLUDE A
35 MUNICIPAL GAS DISTRIBUTION UTILITY.

36 (i) "GEOLOGICAL GAS" MEANS METHANE AND OTHER
37 HYDROCARBONS THAT OCCUR UNDERGROUND WITHOUT HUMAN
38 INTERVENTION AND ARE USED AS FUEL.

39 (j) "GREENHOUSE GAS" HAS THE MEANING SET FORTH IN SECTION
40 25-7-140 (6), MEASURED IN TERMS OF CARBON DIOXIDE EQUIVALENT.

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

1 (l) "LOWEST REASONABLE COST" MEANS A REASONABLE-COST MIX
2 OF CLEAN HEAT RESOURCES THAT MEET CLEAN HEAT TARGETS
3 ESTABLISHED PURSUANT TO THIS SECTION AS DETERMINED THROUGH A
4 DETAILED ANALYSIS OF AVAILABLE TECHNOLOGIES AND INCLUDES
5 RESOURCE COSTS, MARKET VOLATILITY RISKS, RISKS TO RATEPAYERS,
6 SYSTEMS OPERATIONS COSTS, INFRASTRUCTURE COSTS, ENVIRONMENTAL
7 JUSTICE GOALS, THE SOCIAL COST OF CARBON, AND THE SOCIAL COST OF
8 METHANE IN COMPARING THE COSTS AND BENEFITS OF ALTERNATIVES,
9 AND OTHER COSTS AND BENEFITS AS DETERMINED BY THE COMMISSION.

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

13 (n) "PYROLYSIS" HAS THE MEANING SET FORTH IN SECTION
14 40-2-124 (1)(a)(V).

15 (o) "RECOVERED METHANE" MEANS ANY OF THE FOLLOWING THAT
16 ARE LOCATED IN COLORADO AND ARE PROCESSED TO MEET PIPELINE
17 QUALITY STANDARDS AND MEET A RECOVERED METHANE PROTOCOL
18 APPROVED BY THE AIR QUALITY CONTROL COMMISSION:

19 (I) BIOMETHANE; AND
20 (II) METHANE DERIVED FROM:
21 (A) MUNICIPAL SOLID WASTE;
22 (B) THE PYROLYSIS OF MUNICIPAL SOLID WASTE;
23 (C) BIOMASS PYROLYSIS OR ENZYMATIC BIOMASS; OR
24 (D) WASTEWATER TREATMENT;
25 (III) COAL MINE METHANE, AS DEFINED IN SECTION 40-2-124
26 (1)(a)(II), THE CAPTURE OF WHICH IS NOT OTHERWISE REQUIRED BY STATE
27 OR FEDERAL LAW; OR
28 (IV) METHANE THAT WOULD HAVE LEAKED WITHOUT REPAIRS OF
29 THE GAS DISTRIBUTION AND SERVICE PIPELINES FROM THE CITY GATE TO
30 CUSTOMER END USE.

31 (p) "RECOVERED METHANE CREDIT" MEANS A TRADABLE
32 INSTRUMENT THAT REPRESENTS A GREENHOUSE GAS EMISSION REDUCTION
33 OR GREENHOUSE GAS REMOVAL ENHANCEMENT OF ONE METRIC TON OF
34 CARBON DIOXIDE EQUIVALENT. THE GREENHOUSE GAS EMISSION
35 REDUCTION OR GREENHOUSE GAS REMOVAL ENHANCEMENT MUST BE
36 REAL, ADDITIONAL, QUANTIFIABLE, PERMANENT, VERIFIABLE, AND
37 ENFORCEABLE. NO RECOVERED METHANE CREDIT MAY BE ISSUED IF THE
38 GREENHOUSE GAS EMISSION REDUCTION OR GREENHOUSE GAS REMOVAL
39 ENHANCEMENT THAT THE CREDIT WOULD REPRESENT IS REQUIRED OR
40 ACCOUNTED FOR BY A PROPOSED OR FINAL FEDERAL, STATE, OR LOCAL
41 RULE OR REGULATION.

42 (q) "RECOVERED METHANE PROTOCOL" MEANS A DOCUMENTED
43 SET OF PROCEDURES AND REQUIREMENTS ESTABLISHED BY THE AIR

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

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

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

10 (III) DETERMINE DATA VERIFICATION REQUIREMENTS; AND

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

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

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

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

27 (II) A GAS DISTRIBUTION UTILITY SHALL DEMONSTRATE
28 COMPLIANCE WITH SUBSECTION (3)(b)(I) OF THIS SECTION BY FILING AND
29 OBTAINING COMMISSION APPROVAL OF CLEAN HEAT PLANS THAT MEET
30 CLEAN HEAT TARGETS CALCULATED AS FOLLOWS: CONSISTENT WITH
31 SUBSECTION (3)(c) OF THIS SECTION AND AS COMPARED TO A 2015
32 BASELINE, A SEVEN AND ONE-HALF PERCENT REDUCTION IN GREENHOUSE
33 GAS EMISSIONS IN 2025, OF WHICH NOT MORE THAN ONE PERCENT CAN BE
34 FROM RECOVERED METHANE; AND A TWENTY-TWO PERCENT REDUCTION
35 IN GREENHOUSE GAS EMISSIONS IN 2030, OF WHICH NOT MORE THAN FIVE
36 PERCENT CAN BE FROM RECOVERED METHANE.

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

40 (A) METHANE LEAKED FROM THE TRANSPORTATION AND
41 DELIVERY OF GAS FROM THE GAS DISTRIBUTION AND SERVICE PIPELINES
42 FROM THE CITY GATE TO CUSTOMER END USE;

43 (B) CARBON DIOXIDE EMISSIONS RESULTING FROM THE

1 COMBUSTION OF GAS BY RESIDENTIAL, COMMERCIAL, AND INDUSTRIAL
2 CUSTOMERS NOT OTHERWISE SUBJECT TO FEDERAL GREENHOUSE GAS
3 EMISSION REPORTING AND EXCLUDING ALL TRANSPORT CUSTOMERS; AND

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

6 (II) ALL EMISSIONS ARE METRIC TONS OF CARBON DIOXIDE
7 EQUIVALENT AS REPORTED TO THE FEDERAL ENVIRONMENTAL PROTECTION
8 AGENCY PURSUANT TO 40 CFR 98, EITHER SUBPART W (METHANE) OR
9 SUBPART NN (CARBON DIOXIDE), OR SUCCESSOR REPORTING
10 REQUIREMENTS; EXCEPT THAT THE DIVISION SHALL USE THE AR-4
11 ONE-HUNDRED-YEAR GLOBAL WARMING POTENTIAL OR ANY GREATER
12 SUCCESSOR VALUE DETERMINED BY THE FEDERAL ENVIRONMENTAL
13 PROTECTION AGENCY.

14 (d) IN CALCULATING ITS CLEAN HEAT TARGET, A UTILITY MUST
15 SHOW ITS BASELINE CARBON DIOXIDE EMISSIONS AND METHANE EMISSIONS
16 SEPARATELY AND MUST SHOW THAT THE TOTAL EMISSION REDUCTIONS
17 ARE PROJECTED TO ACHIEVE THE CLEAN HEAT TARGET. THE FINAL
18 CALCULATION DEMONSTRATING THAT THE PLAN MEETS THE CLEAN HEAT
19 TARGET MUST BE PRESENTED ON A CARBON DIOXIDE EQUIVALENT BASIS.

20 (e) IT IS THE POLICY OF THE STATE OF COLORADO TO REDUCE THE
21 STATE'S GREENHOUSE GAS EMISSIONS, AND THEREFORE TO COUNT TOWARD
22 A GAS DISTRIBUTION UTILITY'S COMPLIANCE WITH THE EMISSION
23 REDUCTION GOALS, RECOVERED METHANE UNDER A CLEAN HEAT PLAN
24 MUST BE REPRESENTED BY A RECOVERED METHANE CREDIT, ISSUED
25 SUBJECT TO AN APPROVED RECOVERED METHANE PROTOCOL, AND
26 DELIVERED:

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

28 (II) THROUGH A COMMON CARRIER PIPELINE IF THE SOURCE OF THE
29 RECOVERED METHANE INJECTS THE RECOVERED METHANE INTO A
30 COMMON CARRIER PIPELINE THAT PHYSICALLY FLOWS WITHIN COLORADO
31 OR TOWARD THE END USER IN COLORADO FOR WHICH THE RECOVERED
32 METHANE WAS PRODUCED.

33 (f) TO COUNT TOWARD A GAS DISTRIBUTION UTILITY'S
34 COMPLIANCE WITH THE CLEAN HEAT TARGETS, THE UTILITY MUST
35 QUANTIFY THE ACTUAL METHANE REDUCTIONS ACHIEVED BY ANY LEAK
36 REPAIRS AND THE COMMISSION MUST FIND THAT THE LEAK REDUCTIONS
37 ARE COST-EFFECTIVE. THE COMMISSION MAY REQUIRE THE UTILITY TO
38 EVALUATE NONPIPELINE ALTERNATIVES.

39 (4) **Submission of clean heat plans.** (a) NO LATER THAN AUGUST
40 1, 2023, THE LARGEST GAS DISTRIBUTION UTILITY IN COLORADO, AS
41 DETERMINED BY THE VOLUME OF GAS SOLD IN COLORADO, SHALL FILE
42 WITH THE COMMISSION AN APPLICATION FOR APPROVAL OF A CLEAN HEAT
43 PLAN THAT DEMONSTRATES THAT THE GAS DISTRIBUTION UTILITY WILL

1 ACHIEVE THE CLEAN HEAT TARGET ESTABLISHED FOR 2025 IN SUBSECTION
2 (3)(b)(II) OF THIS SECTION BY 2025. ALL OTHER GAS DISTRIBUTION
3 UTILITIES SHALL FILE APPLICATIONS FOR APPROVAL OF CLEAN HEAT PLANS
4 NO LATER THAN JANUARY 1, 2024, THAT DEMONSTRATE, FOR EACH SUCH
5 GAS DISTRIBUTION UTILITY, THAT IT WILL ACHIEVE THE CLEAN HEAT
6 TARGET ESTABLISHED FOR 2025 IN SUBSECTION (3)(b)(II) OF THIS SECTION
7 BY 2025.

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

13 (c) A CLEAN HEAT PLAN FILED PURSUANT TO THIS SUBSECTION (4)
14 MUST:

15 (I) DEMONSTRATE THAT THE GAS DISTRIBUTION UTILITY WILL
16 MEET THE APPLICABLE CLEAN HEAT TARGETS SPECIFIED IN THIS SECTION
17 FOR THE APPLICABLE PLAN PERIOD;

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

23 (A) A PORTFOLIO OF RESOURCES THAT USES CLEAN HEAT
24 RESOURCES TO THE MAXIMUM PRACTICABLE EXTENT, THAT COMPLIES
25 WITH THE COST CAP, THAT MAY INCLUDE LEAK REDUCTIONS APPROVED BY
26 THE COMMISSION, AND THAT MAY OR MAY NOT MEET THE CLEAN HEAT
27 TARGET IN THE APPLICABLE PLAN PERIOD BUT THAT DEMONSTRATES
28 REDUCTIONS IN METHANE EMISSIONS;

29 (B) A PORTFOLIO THAT MEETS THE CLEAN HEAT TARGETS IN THE
30 APPLICABLE PLAN PERIOD USING ONLY CLEAN HEAT RESOURCES BUT THAT
31 DOES NOT INCLUDE RECOVERED METHANE AND THAT NEED NOT MEET THE
32 COST CAP;

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

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

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

38 (III) QUANTIFY ANNUAL PROJECTED GREENHOUSE GAS EMISSION
39 REDUCTIONS DURING THE APPLICABLE PLAN PERIOD RESULTING FROM
40 EACH PORTFOLIO;

41 (IV) PROPOSE PROGRAM BUDGETS TO MEET THE EMISSION
42 REDUCTION TARGETS;

43 (V) PRIORITIZE INVESTMENTS THAT ENSURE THAT

- 1 DISPROPORTIONATELY IMPACTED COMMUNITIES OR CUSTOMERS WHO MEET
2 REQUIREMENTS FOR INCOME-QUALIFIED PROGRAMS BENEFIT FROM THE
3 INVESTMENTS MADE TO IMPLEMENT THE CLEAN HEAT PLAN;
- 4 (VI) PROJECT GREENHOUSE GAS EMISSIONS FROM THE GAS
5 DISTRIBUTION UTILITY'S OPERATIONS, INCLUDING END-USE CONSUMER
6 COMBUSTION OF GAS, THROUGH 2050;
- 7 (VII) FORECAST CARBON DIOXIDE AND METHANE EMISSION
8 REDUCTIONS THAT ARE CONSISTENT WITH THE RECOVERED METHANE
9 PROTOCOL RULES ADOPTED BY THE AIR QUALITY CONTROL COMMISSION
10 PURSUANT TO SECTION 25-7-105 (1)(e)(X.5);
- 11 (VIII) QUANTIFY ADDITIONAL AIR QUALITY, ENVIRONMENTAL,
12 AND HEALTH BENEFITS OF THE PLAN IN ADDITION TO THE GREENHOUSE GAS
13 EMISSION REDUCTIONS;
- 14 (IX) INCLUDE A FORECAST OF POTENTIAL NEW CUSTOMERS AND
15 SYSTEM GROWTH OR EXPANSION OF THE GAS SYSTEM FOR THE APPLICABLE
16 PLAN PERIOD, INCLUDING PROJECTED GREENHOUSE GAS EMISSIONS
17 RELATED TO THAT GROWTH;
- 18 (X) DESCRIBE THE EFFECTS OF THE ACTIONS AND INVESTMENTS IN
19 THE CLEAN HEAT PLAN ON THE SAFETY, RELIABILITY, AND RESILIENCE OF
20 THE GAS DISTRIBUTION UTILITY'S GAS SERVICE;
- 21 (XI) QUANTIFY THE COST OF IMPLEMENTING THE PREFERRED
22 PORTFOLIO OF CLEAN HEAT RESOURCES USED TO MEET THE CLEAN HEAT
23 TARGETS THROUGH THE CLEAN HEAT PLAN, NET OF THE AVOIDED COST OF
24 ANY NEW DELIVERY INFRASTRUCTURE AVOIDED THROUGH IMPLEMENTING
25 THE PLAN;
- 26 (XII) IDENTIFY POTENTIAL CHANGES TO DEPRECIATION SCHEDULES
27 OR OTHER ACTIONS TO ALIGN THE GAS DISTRIBUTION UTILITY'S COST
28 RECOVERY WITH STATEWIDE POLICY GOALS, INCLUDING REDUCING
29 CARBON DIOXIDE AND METHANE EMISSIONS, MINIMIZING COSTS, AND
30 MINIMIZING RISKS TO CUSTOMERS;
- 31 (XIII) EXPLAIN THE GAS DISTRIBUTION UTILITY'S ANALYSIS OF THE
32 COSTS AND BENEFITS OF AN ARRAY OF COMPLIANCE ALTERNATIVES,
33 INCLUDING THE SOCIAL COST OF CARBON AND THE SOCIAL COST OF
34 METHANE IN THE COST-BENEFIT CALCULATIONS;
- 35 (XIV) DESCRIBE THE MONITORING AND VERIFICATION
36 METHODOLOGY TO BE USED IN ANNUAL REPORTING;
- 37 (XV) INCLUDE A MAP OF THE GAS UTILITY SYSTEM THAT
38 IDENTIFIES INFRASTRUCTURE, CUSTOMER TYPE, GAS THROUGHPUT, AND
39 RATED PRESSURE. THE UTILITY SHALL DESCRIBE LEAK RATES AND
40 DEPRECIATION SCHEDULES AND SHALL PROVIDE ANY OTHER INFORMATION
41 DEEMED RELEVANT BY THE COMMISSION.
- 42 (XVI) INCLUDE ANY OTHER INFORMATION REQUIRED BY THE
43 COMMISSION.

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

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

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

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

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

25 (f) A GAS DISTRIBUTION UTILITY MAY INCLUDE PROPOSALS TO
26 MAKE INVESTMENTS IN GREEN OR BLUE HYDROGEN PROJECTS THAT WILL
27 REDUCE GREENHOUSE GAS EMISSIONS. IF A GAS DISTRIBUTION UTILITY
28 PROPOSES TO MAKE AN INVESTMENT PURSUANT TO THIS SUBSECTION
29 (4)(f), IT MUST ALSO INCLUDE A PROPOSAL FOR COMPETITIVE
30 SOLICITATION.

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

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

38 (h) A GAS DISTRIBUTION UTILITY'S FIRST CLEAN HEAT PLAN MUST
39 USE A PLANNING PERIOD THAT EXTENDS THROUGH 2025. THE SECOND
40 CLEAN HEAT PLAN MUST USE A PLANNING PERIOD THAT EXTENDS
41 THROUGH 2030. SUBSEQUENT CLEAN HEAT PLANS MUST USE A PLANNING
42 PERIOD AS DETERMINED BY THE COMMISSION.

43 (5) **Commission rules.** (a) NO LATER THAN OCTOBER 1, 2021,

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

15 (b) THE COMMISSION SHALL ADOPT RULES NECESSARY FOR GAS
16 DISTRIBUTION UTILITIES TO IMPLEMENT CLEAN HEAT PLANS BY DECEMBER
17 1, 2022.

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

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

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

33 (c) (I) IN APPROVING A CLEAN HEAT PLAN, THE COMMISSION SHALL
34 CONSIDER BOTH A LEAST-COST, BEST-FIT ANALYSIS AND A COST TEST THAT
35 INCLUDES BOTH THE SOCIAL COST OF CARBON AND THE SOCIAL COST OF
36 METHANE.

37 (II) IN EVALUATING A CLEAN HEAT PLAN, THE COMMISSION SHALL
38 CONSIDER WHETHER THE PLAN WILL ACHIEVE THE APPLICABLE CLEAN
39 HEAT TARGETS.

40 (d) (I) THE COMMISSION SHALL APPROVE A CLEAN HEAT PLAN IF
41 THE COMMISSION FINDS IT TO BE IN THE PUBLIC INTEREST. THE
42 COMMISSION MAY MODIFY THE PLAN IF THE MODIFICATIONS ARE
43 NECESSARY TO ENSURE THAT THE PLAN IS IN THE PUBLIC INTEREST. IN

1 EVALUATING WHETHER THE CLEAN HEAT PLAN SUBMITTED TO THE
2 COMMISSION IS IN THE PUBLIC INTEREST, THE COMMISSION SHALL TAKE
3 INTO ACCOUNT THE FOLLOWING FACTORS:

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

6 (B) THE ADDITIONAL AIR QUALITY, ENVIRONMENTAL, AND HEALTH
7 BENEFITS OF THE PLAN IN ADDITION TO THE GREENHOUSE GAS EMISSION
8 REDUCTIONS;

9 (C) WHETHER INVESTMENTS IN A CLEAN HEAT PLAN PRIORITIZE
10 SERVING CUSTOMERS PARTICIPATING IN INCOME-QUALIFIED PROGRAMS
11 AND COMMUNITIES HISTORICALLY IMPACTED BY AIR POLLUTION AND
12 OTHER ENERGY-RELATED POLLUTION;

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

16 (E) WHETHER THE CLEAN HEAT PLAN ENSURES SYSTEM
17 RELIABILITY.

18 (II) IN APPROVING A CLEAN HEAT PLAN:

19 (A) IF THE COMMISSION DETERMINES THAT IT IS POSSIBLE TO
20 ACHIEVE LARGER GREENHOUSE GAS EMISSION REDUCTIONS THAN THE
21 REQUIRED CLEAN HEAT TARGETS USING CLEAN HEAT RESOURCES AT OR
22 BELOW THE COST CAP, THE COMMISSION SHALL REQUIRE THE MAXIMUM
23 LEVEL OF EMISSION REDUCTIONS ABOVE THE CLEAN HEAT TARGETS THAT
24 CAN BE ACHIEVED AT OR BELOW THE COST CAP USING CLEAN HEAT
25 RESOURCES, 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 (B) THE COMMISSION MUST REQUIRE THE GAS DISTRIBUTION
30 UTILITY TO ACHIEVE THE MAXIMUM LEVEL OF GREENHOUSE GAS EMISSION
31 REDUCTIONS PRACTICABLE USING CLEAN HEAT RESOURCES AT OR BELOW
32 THE COST CAP, WITH THE PROPORTION OF GREENHOUSE GAS EMISSION
33 REDUCTIONS FROM RECOVERED METHANE NOT EXCEEDING THE
34 PROPORTION ALLOWED IN MEETING THE CLEAN HEAT TARGET FOR THE
35 APPLICABLE PLAN PERIOD.

36 (III) THE COMMISSION MAY APPROVE, OR AMEND AND APPROVE,
37 A CLEAN HEAT PLAN WITH COSTS GREATER THAN THE COST CAP ONLY IF IT
38 FINDS THAT THE PLAN IS IN THE PUBLIC INTEREST, COSTS TO CUSTOMERS
39 ARE REASONABLE, THE PLAN INCLUDES MITIGATION OF RATE INCREASES
40 FOR INCOME-QUALIFIED CUSTOMERS, AND THE BENEFITS OF THE PLAN,
41 INCLUDING THE SOCIAL COSTS OF METHANE AND CARBON DIOXIDE,
42 EXCEED THE COSTS.

43 (7) **Annual reporting.** (a) EACH GAS DISTRIBUTION UTILITY

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

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

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

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

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

36 (I) TRAINING PROGRAMS, INCLUDING TRAINING THROUGH THE
37 DIVISION OF EMPLOYMENT AND TRAINING IN THE DEPARTMENT OF LABOR
38 AND EMPLOYMENT CREATED IN SECTION 8-83-102 OR A STATE
39 APPRENTICESHIP COUNCIL REGISTERED WITH THE UNITED STATES
40 DEPARTMENT OF LABOR;

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

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

1 **(9) Municipal gas distribution utilities.** (a) A MUNICIPAL GAS
2 DISTRIBUTION UTILITY SHALL IMPLEMENT A CLEAN HEAT PLAN THAT USES
3 CLEAN HEAT RESOURCES TO THE MAXIMUM COST-EFFECTIVE EXTENT AND
4 MAY COUNT REDUCTIONS IN METHANE FROM LEAK MITIGATION ON ITS
5 DISTRIBUTION SYSTEM. THE CLEAN HEAT PLAN MUST INCLUDE A
6 PROJECTION OF THE UTILITY'S GREENHOUSE GAS EMISSIONS THROUGH
7 2050.

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

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

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

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

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

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

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

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

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

32 (I) MUST PROPOSE GREENHOUSE GAS EMISSION REDUCTION
33 TARGETS FOR 2025 AND 2030;

34 (II) IS SUBJECT TO THE COST CAP;

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

39 (IV) MUST PROPOSE PROGRAM BUDGETS TO MEET THE EMISSION
40 REDUCTION TARGETS PROPOSED BY THE SMALL GAS DISTRIBUTION
41 UTILITY;

42 (V) MUST FORECAST CARBON DIOXIDE AND METHANE EMISSION
43 REDUCTIONS REASONABLY EXPECTED TO BE ACHIEVED THROUGH THE

1 ACTIONS TAKEN IN THE PREFERRED PLAN;
2 (VI) MUST QUANTIFY THE COST OF IMPLEMENTATION OF THE
3 PREFERRED PORTFOLIO OF RESOURCES USED IN THE PLAN; AND
4 (VII) MUST INCLUDE AN IMPLEMENTATION PLAN OF AT LEAST
5 THREE YEARS DURING WHICH THE SMALL GAS DISTRIBUTION UTILITY
6 PROPOSES TO ACQUIRE CLEAN HEAT RESOURCES TO REDUCE EMISSIONS.
7 (c) THE COMMISSION SHALL APPROVE A CLEAN HEAT PLAN FILED
8 UNDER THIS SUBSECTION (10) IF THE COMMISSION FINDS IT TO BE IN THE
9 PUBLIC INTEREST. THE COMMISSION MAY MODIFY THE CLEAN HEAT PLAN
10 IF THE MODIFICATIONS ARE NECESSARY TO ENSURE THAT THE PLAN IS IN
11 THE PUBLIC INTEREST. IN EVALUATING WHETHER THE CLEAN HEAT PLAN
12 SUBMITTED TO THE COMMISSION IS IN THE PUBLIC INTEREST, THE
13 COMMISSION SHALL TAKE INTO ACCOUNT THE FACTORS SET FORTH IN
14 SUBSECTION (6)(d)(I) OF THIS SECTION. IN APPROVING A CLEAN HEAT PLAN
15 UNDER THIS SUBSECTION (10), THE COMMISSION SHALL CARRY OUT THE
16 DUTIES SET FORTH IN SUBSECTION (6)(d)(II) OF THIS SECTION. THE
17 COMMISSION MAY APPROVE A CLEAN HEAT PLAN THAT EXCEEDS THE COST
18 CAP UNDER THIS SUBSECTION (10) ONLY PURSUANT TO SUBSECTION
19 (6)(d)(III) OF THIS SECTION.
20 (d) SMALL GAS DISTRIBUTION UTILITIES WITH APPROVED CLEAN
21 HEAT PLANS ARE SUBJECT TO THE REPORTING PROVISIONS OF SUBSECTION
22 (7) OF THIS SECTION.
23 (11) NO LATER THAN DECEMBER 1, 2024, THE COMMISSION, IN
24 CONSULTATION WITH THE DIVISION, SHALL DETERMINE MASS-BASED
25 GREENHOUSE GAS EMISSION REDUCTION TARGETS FOR CLEAN HEAT PLANS
26 FOR 2035. IN ESTABLISHING THESE TARGETS, THE COMMISSION SHALL:
27 (a) ENSURE THAT GAS DISTRIBUTION UTILITIES' GREENHOUSE GAS
28 EMISSIONS WILL BE IN LINE WITH THE RESIDENTIAL, COMMERCIAL, AND
29 INDUSTRIAL SECTORS' CONTRIBUTION TO STATEWIDE GREENHOUSE GAS
30 POLLUTION; AND
31 (b) DETERMINE WHETHER RECOVERED METHANE MAY BE USED TO
32 MEET THE MASS-BASED GREENHOUSE GAS EMISSIONS REDUCTION TARGETS
33 ESTABLISHED PURSUANT TO THIS SUBSECTION (11).
34 (12) NO LATER THAN DECEMBER 1, 2032, THE COMMISSION, IN
35 CONSULTATION WITH THE DIVISION, SHALL DETERMINE THE MASS-BASED
36 GREENHOUSE GAS EMISSION REDUCTION GOALS FOR CLEAN HEAT PLANS
37 FOR 2040, 2045, AND 2050 USING A 2015 BASELINE THAT, AT MINIMUM,
38 ENSURE THAT GAS DISTRIBUTION UTILITIES' GREENHOUSE GAS EMISSION
39 REDUCTIONS WILL BE PROPORTIONATE TO THE RESIDENTIAL, COMMERCIAL,
40 AND INDUSTRIAL SECTORS' CONTRIBUTION TO THE GREENHOUSE GAS
41 EMISSION REDUCTION GOALS, EXCLUDING TRANSPORTATION GAS SERVICE
42 CUSTOMERS OR CUSTOMERS THAT REPORT THEIR OWN GREENHOUSE GAS
43 EMISSIONS TO THE FEDERAL ENVIRONMENTAL PROTECTION AGENCY UNDER

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

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

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

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

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

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

40 **34-60-106. Additional powers of commission - rules -**
41 **definition - repeal.** (9) (a) Notwithstanding ~~the provisions of~~ section
42 34-60-120 or any other provision of law, the commission, as to class II
43 injection wells ~~defined in 40 CFR 144.6b,~~ shall also have the power to

1 CLASSIFIED IN 40 CFR 144.6, MAY perform all acts for the purpose of
2 protecting underground sources of drinking water in accordance with
3 state programs authorized by 42 U.S.C. sec. 300f et seq., and regulations
4 ~~thereunder in effect or~~ UNDER THOSE SECTIONS, as ~~may be~~ amended.
5 (b) THE COMMISSION SHALL:
6 (I) CONDUCT A STUDY TO EVALUATE WHAT RESOURCES ARE
7 NEEDED TO ENSURE THE SAFE AND EFFECTIVE REGULATION OF THE
8 SEQUESTRATION OF GREENHOUSE GASES, AS THAT TERM IS DEFINED IN
9 SECTION 25-7-140 (6), AND TO IDENTIFY AND ASSESS THE APPLICABLE
10 RESOURCES THAT THE COMMISSION OR OTHER STATE AGENCIES HAVE; AND
11 (II) REPORT ITS FINDINGS TO THE GOVERNOR AND THE GENERAL
12 ASSEMBLY BY DECEMBER 1, 2021.
13 **SECTION 4. Applicability.** This act applies to conduct occurring
14 on or after the effective date of this act.
15 **SECTION 5. Safety clause.** The general assembly hereby finds,
16 determines, and declares that this act is necessary for the immediate
17 preservation of the public peace, health, or safety."

** *** ** *** **