

An Act

SENATE BILL 21-264

BY SENATOR(S) Hansen, Jaquez Lewis, Priola, Story;
also REPRESENTATIVE(S) Valdez A. and Bernett, Amabile, Bird,
Boesenecker, Cutter, Exum, Froelich, Gonzales-Gutierrez, Gray, Hooton,
Jackson, Kennedy, Kipp, Lontine, McCluskie, McCormick,
Michaelson Jenet, Mullica, Ortiz, Ricks, Titone, Woodrow.

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

Be it enacted by the General Assembly of the State of Colorado:

SECTION 1. In Colorado Revised Statutes, **add** 40-3.2-108 as follows:

40-3.2-108. Clean heat targets - legislative declaration - definitions - plans - rules - reports. (1) **Legislative declaration.** THE GENERAL ASSEMBLY HEREBY:

(a) FINDS THAT:

(I) IN ORDER TO ACHIEVE COLORADO'S SCIENCE-BASED GREENHOUSE

Capital letters or bold & italic numbers indicate new material added to existing law; dashes through words or numbers indicate deletions from existing law and such material is not part of the act.

GAS EMISSION REDUCTION GOALS AND MAINTAIN A HEALTHY, LIVABLE CLIMATE FOR COLORADANS, COLORADO MUST REDUCE GREENHOUSE GAS POLLUTION FROM ALL SECTORS OF THE ECONOMY, INCLUDING THE BUILT ENVIRONMENT;

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

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

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

(b) DETERMINES THAT:

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

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

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

(c) DECLARES THAT:

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

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

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

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

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

(a) "BIOMETHANE":

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

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

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

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

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

(II) RECOVERED METHANE;

(III) GREEN HYDROGEN;

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

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

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

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

(e) "DIVISION" MEANS THE DIVISION OF ADMINISTRATION CREATED

BY SECTION 25-1-102 (2)(a) IN THE DEPARTMENT OF PUBLIC HEALTH AND ENVIRONMENT.

(f) "GAS" MEANS GEOLOGICAL GAS, HYDROGEN, AND RECOVERED METHANE.

(g) "GAS DISTRIBUTION UTILITY" MEANS A PUBLIC UTILITY PROVIDING GAS SERVICE TO MORE THAN NINETY THOUSAND RETAIL CUSTOMERS. "GAS DISTRIBUTION UTILITY" DOES NOT INCLUDE A MUNICIPAL GAS DISTRIBUTION UTILITY.

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

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

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

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

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

(m) "PYROLYSIS" HAS THE MEANING SET FORTH IN SECTION 40-2-124

(1)(a)(V).

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

(I) BIOMETHANE; AND

(II) METHANE DERIVED FROM:

(A) MUNICIPAL SOLID WASTE;

(B) THE PYROLYSIS OF MUNICIPAL SOLID WASTE;

(C) BIOMASS PYROLYSIS OR ENZYMATIC BIOMASS; OR

(D) WASTEWATER TREATMENT;

(III) COAL MINE METHANE, AS DEFINED IN SECTION 40-2-124 (1)(a)(II), THE CAPTURE OF WHICH IS NOT OTHERWISE REQUIRED BY STATE OR FEDERAL LAW; OR

(IV) METHANE THAT WOULD HAVE LEAKED WITHOUT REPAIRS OF THE GAS DISTRIBUTION AND SERVICE PIPELINES FROM THE CITY GATE TO CUSTOMER END USE.

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

(p) "RECOVERED METHANE PROTOCOL" MEANS A DOCUMENTED SET OF PROCEDURES AND REQUIREMENTS ESTABLISHED BY THE AIR QUALITY CONTROL COMMISSION TO QUANTIFY ONGOING GREENHOUSE GAS EMISSION

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

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

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

(III) DETERMINE DATA VERIFICATION REQUIREMENTS; AND

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

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

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

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

(II) A GAS DISTRIBUTION UTILITY SHALL DEMONSTRATE COMPLIANCE WITH SUBSECTION (3)(b)(I) OF THIS SECTION BY FILING AND OBTAINING COMMISSION APPROVAL OF CLEAN HEAT PLANS THAT MEET CLEAN HEAT TARGETS CALCULATED AS FOLLOWS: CONSISTENT WITH SUBSECTION (3)(c) OF THIS SECTION AND AS COMPARED TO A 2015 BASELINE, A FOUR PERCENT REDUCTION IN GREENHOUSE GAS EMISSIONS IN 2025, OF WHICH NOT MORE THAN ONE PERCENT CAN BE FROM RECOVERED METHANE; AND A

TWENTY-TWO PERCENT REDUCTION IN GREENHOUSE GAS EMISSIONS IN 2030, OF WHICH NOT MORE THAN FIVE PERCENT CAN BE FROM RECOVERED METHANE.

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

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

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

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

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

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

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

APPROVED RECOVERED METHANE PROTOCOL, AND DELIVERED:

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

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

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

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

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

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

(I) DEMONSTRATE THAT THE GAS DISTRIBUTION UTILITY WILL MEET THE APPLICABLE CLEAN HEAT TARGETS SPECIFIED IN THIS SECTION FOR THE

APPLICABLE PLAN PERIOD;

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

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

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

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

(D) OTHER PORTFOLIOS AS DIRECTED BY THE COMMISSION;

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

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

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

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

(VII) FORECAST CARBON DIOXIDE AND METHANE EMISSION

REDUCTIONS THAT ARE CONSISTENT WITH THE RECOVERED METHANE PROTOCOL RULES ADOPTED BY THE AIR QUALITY CONTROL COMMISSION PURSUANT TO SECTION 25-7-105 (1)(e)(X.4);

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(II) THE DIVISION MAY PARTICIPATE AS A PARTY IN ANY PROCEEDING

BEFORE THE COMMISSION IN WHICH A GAS DISTRIBUTION UTILITY IS SEEKING APPROVAL OF A CLEAN HEAT PLAN THE GAS DISTRIBUTION UTILITY DEVELOPED PURSUANT TO THIS SECTION.

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

(5) **Commission rules.** (a) NO LATER THAN OCTOBER 1, 2021, THE COMMISSION SHALL UNDERTAKE A RULE-MAKING PROCEEDING TO UPDATE ELECTRIC AND GAS DEMAND-SIDE MANAGEMENT RULES CONSISTENT WITH THE CLEAN HEAT TARGETS ESTABLISHED IN THIS SECTION. IN THE RULE-MAKING, THE COMMISSION SHALL REMOVE ANY PROHIBITION ON CUSTOMER INCENTIVES TO HELP CUSTOMERS REPLACE GAS APPLIANCES WITH HIGHLY EFFICIENT ELECTRIC ALTERNATIVES. AS PART OF THIS RULE-MAKING PROCESS, THE COMMISSION SHALL CONVENE AT LEAST FOUR WORKSHOPS OR PUBLIC MEETINGS TO SOLICIT INPUT ON THE CONTENTS AND EVALUATION OF GAS DISTRIBUTION UTILITIES' CLEAN HEAT PLANS, TWO OF WHICH MUST BE LOCATED IN DISPROPORTIONATELY IMPACTED COMMUNITIES SERVED BY THE UTILITY THAT IS REQUIRED TO SUBMIT A CLEAN HEAT PLAN. PARTICIPATION MUST BE OPEN TO THE PUBLIC AND SHALL NOT BE LIMITED TO PARTIES REPRESENTED BY AN ATTORNEY.

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

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

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

CAP NET OF THE UTILITY'S APPROVED BENEFICIAL ELECTRIFICATION PLAN PROGRAM BUDGET.

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

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

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

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

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

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

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

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

FROM INVESTMENTS MADE PURSUANT TO THE PLAN; AND

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

(II) IN APPROVING A CLEAN HEAT PLAN:

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

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

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

(IV) NOTWITHSTANDING SUBSECTION (6)(a)(I) OF THIS SECTION, THE COMMISSION SHALL NOT REQUIRE A UTILITY WITH FEWER THAN TWO HUNDRED FIFTY THOUSAND METERS TO SPEND MORE THAN AN AMOUNT EQUAL TO TWO PERCENT OF THE UTILITY'S TOTAL ANNUAL REVENUES FROM FULL-SERVICE CUSTOMERS TO COMPLY WITH THE 2025 EMISSION REDUCTIONS REQUIREMENTS OF SUBSECTION (3)(b)(II) OF THIS SECTION, NET OF COSTS ASSOCIATED WITH A COMMISSION-APPROVED DEMAND-SIDE MANAGEMENT PLAN, AVOIDED FUEL COSTS, AND AVOIDED CAPITAL

INFRASTRUCTURE COSTS. NOTWITHSTANDING SUBSECTION (6)(d)(III) OF THIS SECTION, A UTILITY SUBJECT TO THIS SUBSECTION (6)(d)(IV) MAY VOLUNTARILY REQUEST TO SPEND A HIGHER AMOUNT TO COMPLY WITH THE 2025 CLEAN HEAT TARGETS, AND THE COMMISSION MAY APPROVE THE REQUESTED AMOUNT IF THE COMMISSION FINDS THAT THE SPENDING COMES AT A REASONABLE COST AND RATE IMPACT AND IS IN THE PUBLIC INTEREST.

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

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

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

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

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

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

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

(II) EMPLOYMENT OF COLORADO-BASED LABOR; AND

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

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

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

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

(II) IS SUBJECT TO THE COST CAP;

(III) MUST IDENTIFY THE CLEAN HEAT RESOURCES THE SMALL GAS

DISTRIBUTION UTILITY WILL USE TO REDUCE EMISSIONS ON ITS SYSTEM AND QUANTIFY THE ANNUAL EMISSION REDUCTIONS EXPECTED DURING THE PLAN PERIOD;

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

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

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

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

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

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

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

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

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

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

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

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

(e) (X.4) NO LATER THAN SEPTEMBER 1, 2022, THE COMMISSION SHALL PROPOSE RULES ESTABLISHING RECOVERED METHANE PROTOCOLS, AS THAT TERM IS DEFINED IN SECTION 40-3.2-108 (2)(q), FOR AT LEAST INACTIVE COAL MINES, BIOMETHANE AS THAT TERM IS DEFINED IN SECTION

40-3.2-108 (2)(a), AND GAS SYSTEM LEAKS, AND A CREDITING AND TRACKING SYSTEM FOR RECOVERED METHANE AS THAT TERM IS DEFINED IN SECTION 40-3.2-108 (2)(o). THE COMMISSION SHALL ADOPT THE RULES NO LATER THAN FEBRUARY 1, 2023. THE RULE-MAKING PROCEEDING IS SUBJECT TO THE PROCEDURAL REQUIREMENTS OF THIS SUBSECTION (1)(e).

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

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

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

(X.8) (A) THE DEFINITIONS IN SECTION 40-3.2-108 (2) APPLY TO THIS SUBSECTION (1)(e)(X.8) AND SUBSECTION (1)(e)(X.7) OF THIS SECTION.

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

(C) A MUNICIPAL GAS DISTRIBUTION UTILITY SHALL SUBMIT ITS CLEAN HEAT PLAN TO THE DIVISION NO LATER THAN AUGUST 1, 2023, FOR THE DIVISION TO VERIFY THAT THE PLAN DEMONSTRATES THAT, BY 2025, THE UTILITY WILL ACHIEVE AT LEAST A FOUR PERCENT TOTAL REDUCTION IN

GREENHOUSE GAS EMISSIONS CAUSED BY THE UTILITY'S RETAIL GAS SALES BELOW 2015 LEVELS, OF WHICH NOT MORE THAN ONE PERCENT CAN COME FROM RECOVERED METHANE. THE UTILITY MAY PROPOSE A COST CAP OF TWO PERCENT OF TOTAL ANNUAL REVENUE FROM FULL-SERVICE GAS CUSTOMERS IN ACHIEVING THE 2025 TARGET. THE PLAN SUBMITTED TO THE DIVISION MUST ALSO SHOW THAT, BY 2030, THE UTILITY WILL ACHIEVE AT LEAST A TWENTY-TWO PERCENT REDUCTION IN GREENHOUSE GAS EMISSIONS CAUSED BY THE UTILITY'S RETAIL GAS SALES BELOW 2015 LEVELS BY 2030, OF WHICH NOT MORE THAN FIVE PERCENT CAN BE FROM RECOVERED METHANE. THE UTILITY MAY PROPOSE A COST CAP OF TWO AND ONE-HALF PERCENT OF TOTAL ANNUAL REVENUE FROM FULL-SERVICE GAS CUSTOMERS IN ACHIEVING THE 2030 TARGET. IF THE DIVISION'S CALCULATIONS SHOW THAT A CLEAN HEAT PLAN SUBMITTED BY A MUNICIPAL GAS DISTRIBUTION UTILITY DOES NOT ACHIEVE THE RELEVANT CLEAN HEAT TARGETS, THE UTILITY SHALL REVISE ITS PLAN TO STRIVE TO MAXIMIZE EMISSION REDUCTIONS WITHOUT EXCEEDING THE COST CAP.

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

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

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

(b) THE COMMISSION SHALL:

(I) CONDUCT A STUDY TO EVALUATE WHAT RESOURCES ARE NEEDED TO ENSURE THE SAFE AND EFFECTIVE REGULATION OF THE SEQUESTRATION OF GREENHOUSE GASES, AS THAT TERM IS DEFINED IN SECTION 25-7-140 (6), AND TO IDENTIFY AND ASSESS THE APPLICABLE RESOURCES THAT THE

COMMISSION OR OTHER STATE AGENCIES HAVE; AND

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

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

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

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

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

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

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

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

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

(4) For the 2021-22 state fiscal year, \$21,268 is appropriated to the department of law. This appropriation is from reappropriated funds received


from the department of public health and environment under subsection (2)(c) of this section and is based on an assumption that the department of law will require an additional 0.1 FTE. To implement this act, the department of law may use this appropriation to provide legal services for the department of public health and environment.


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


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

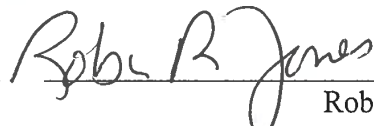
SECTION 6. Safety clause. The general assembly hereby finds,

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

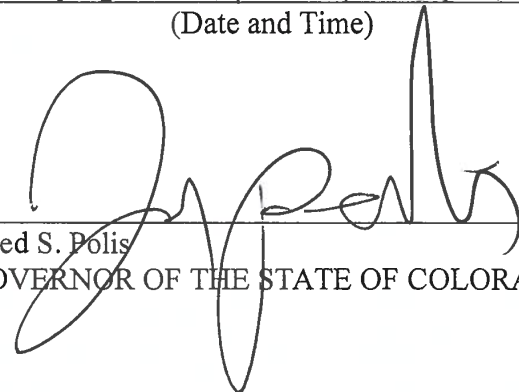

Leroy M. Garcia
PRESIDENT OF
THE SENATE


Alec Garnett
SPEAKER OF THE HOUSE
OF REPRESENTATIVES


Cindi L. Markwell
SECRETARY OF
THE SENATE


Robin Jones
CHIEF CLERK OF THE HOUSE
OF REPRESENTATIVES

APPROVED June 24, 2021 at 12:50 pm
(Date and Time)


Jared S. Polis
GOVERNOR OF THE STATE OF COLORADO

An Act

SENATE BILL 23-291

BY SENATOR(S) Fenberg and Cutter, Buckner, Exum, Hansen, Jaquez Lewis, Marchman, Moreno, Priola, Winter F.;
also REPRESENTATIVE(S) deGruy Kennedy and Martinez, Amabile, Bacon, Bird, Boesenecker, Brown, Dickson, Duran, Froelich, Garcia, Gonzales-Gutierrez, Jodeh, Joseph, Kipp, Lieder, Lindsay, Lindstedt, Mabrey, McCormick, Parenti, Ricks, Sirota, Snyder, Story, Titone, Valdez, Velasco, Vigil, Willford, McCluskie.

CONCERNING THE PUBLIC UTILITIES COMMISSION'S REGULATION OF ENERGY UTILITIES, AND, IN CONNECTION THEREWITH, MAKING AN APPROPRIATION.

Be it enacted by the General Assembly of the State of Colorado:

SECTION 1. In Colorado Revised Statutes, **add 40-2-139** as follows:

40-2-139. Investor-owned utility electric resource planning - maximum discount rate authorized. IF THE COMMISSION RELIES ON THE USE OF A DISCOUNT RATE WHEN CALCULATING NET PRESENT VALUE OF FUTURE CARBON-BASED FUEL COSTS IN AN ELECTRIC RESOURCE PLAN, THE DISCOUNT RATE MUST NOT EXCEED THE LONG-TERM RATE OF INFLATION, AS

Capital letters or bold & italic numbers indicate new material added to existing law; dashes through words or numbers indicate deletions from existing law and such material is not part of the act.

DETERMINED BY THE COMMISSION. IN DETERMINING THE LONG-TERM RATE OF INFLATION, THE COMMISSION SHALL DETERMINE AN APPROPRIATE RATE OF INFLATION SPECIFICALLY FOR FUEL COSTS.

SECTION 2. In Colorado Revised Statutes, **add** 40-3-102.5 as follows:

40-3-102.5. Limiting rate case expenses for investor-owned utilities - information included in rate case filings - gas cost or electric commodity adjustment filings - rules - definitions. (1) **Limiting recovery of rate case expenses.** (a) THE COMMISSION SHALL ESTABLISH RULES TO LIMIT THE AMOUNT OF RATE CASE EXPENSES THAT A UTILITY MAY RECOVER FROM RATEPAYERS. IN ESTABLISHING THE RULES, THE COMMISSION MAY CONSIDER:

(I) IMPLEMENTING A SYMMETRICAL INCENTIVE TO MOTIVATE THE UTILITY TO LIMIT EXPENSES;

(II) LIMITING THE AMOUNT OF EXPENSES FOR OUTSIDE EXPERTS, CONSULTANTS, AND LEGAL RESOURCES THAT ARE RECOVERABLE;

(III) SETTING AN OVERALL PERCENTAGE OF THE UTILITY'S EXPENSES IN A RATE CASE THAT ARE NOT RECOVERABLE;

(IV) ESTABLISHING DISCOVERY PARAMETERS AND WHAT INFORMATION IN A COMMISSION PROCEEDING MUST BE DISCLOSED TO INTERVENERS OR TO THE COMMISSION TO REDUCE TIME AND COSTS ASSOCIATED WITH A LENGTHY DISCOVERY PROCESS, WHICH INFORMATION MAY INCLUDE:

(A) A SOURCE MODEL SHOWING ALL RATE ADJUSTMENTS;

(B) EXECUTABLE SPREADSHEETS, ALSO REFERRED TO AS WORKPAPERS, WITH LINKS AND FORMULAS INTACT;

(C) A TEST YEAR BASED ON A RECENTLY COMPLETED TWELVE-MONTH PERIOD AND FOR WHICH ACTUAL COSTS AND INVESTMENTS ARE ANALYZED; AND

(D) ANY OTHER INFORMATION OR DOCUMENTATION, AS DETERMINED

BY THE COMMISSION; OR

(V) REQUIRING A TECHNICAL CONFERENCE WITH INTERVENING PARTIES TO ADDRESS INTERVENING PARTIES' QUESTIONS AND TO PROVIDE THE ABILITY FOR INTERVENERS TO ANALYZE THE UTILITY'S ASSUMPTIONS AND CALCULATIONS SUPPORTING A RATE CASE FILING.

(b) BEFORE THE COMMISSION MAY DETERMINE THAT AN INVESTOR-OWNED UTILITY'S APPLICATION TO MODIFY BASE RATES IS COMPLETE, THE COMMISSION SHALL CERTIFY THAT, FOR COMPARISON OF TEST YEARS AND OTHER PURPOSES, THE FILING INCLUDES SUFFICIENT INFORMATION, INCLUDING A COMPREHENSIVE COST AND REVENUE REQUIREMENT ANALYSIS BASED ON ACTUAL, AUDITABLE, HISTORICAL DATA, WHICH ANALYSIS MUST BE ACCOMPANIED BY APPROPRIATE WORKPAPERS AND OTHER SUPPORTING MATERIALS.

(c) NOTHING IN THIS SECTION PROHIBITS A UTILITY FROM INCLUDING MULTIPLE TEST YEARS FOR ANALYSIS OR CONSIDERATION IN A RATE CASE FILING, INCLUDING INCLUSION OF A FUTURE TEST YEAR.

(d) AS USED IN THIS SUBSECTION (1):

(I) "BASE RATE" MEANS CHARGES USED TO RECOVER COSTS OF UTILITY INFRASTRUCTURE AND OPERATIONS, INCLUDING A RETURN ON CAPITAL INVESTMENT, NOT OTHERWISE RECOVERED THROUGH A UTILITY RATE RIDER OR RATE ADJUSTMENT MECHANISM.

(II) "TEST YEAR" MEANS A TWELVE-MONTH PERIOD THAT IS EXAMINED TO DETERMINE A UTILITY'S COSTS OF SERVICE IN A RATE CASE.

(III) "UTILITY" MEANS AN INVESTOR-OWNED ELECTRIC OR GAS UTILITY.

(2) Requirements for filings to increase a rate, charge, fee, fare, toll, rental, or classification. (a) AT THE TIME OF FILING A REQUEST TO INCREASE ANY RATE, CHARGE, FEE, FARE, TOLL, RENTAL, OR CLASSIFICATION, THE UTILITY SHALL PROVIDE THE COMMISSION A RATE TREND REPORT FOR THE PREVIOUS TEN YEARS REGARDING ANY HISTORICAL INCREASES OR DECREASES OF THE RATE, CHARGE, FEE, FARE, TOLL, RENTAL, OR CLASSIFICATION, INCLUDING:

(I) THE AMOUNT OF EACH APPROVED INCREASE OR DECREASE;

(II) THE INCREMENTAL INCREASE OR DECREASE FROM THE MOST RECENT APPROVED CHANGE;

(III) THE DATES THAT EACH APPROVED INCREASE OR DECREASE WENT INTO EFFECT;

(IV) THE PROCEEDING NUMBER RELATED TO EACH APPROVED INCREASE OR DECREASE;

(V) A CHART, GRAPH, OR OTHER VISUALIZATION DEMONSTRATING THE TEN-YEAR HISTORICAL TREND REGARDING EACH RATE, CHARGE, FEE, FARE, TOLL, RENTAL, OR CLASSIFICATION, INCLUDING ALL UTILITY BILL LINE ITEMS SUCH AS RATES AND RATE RIDERS; AND

(VI) FOR EACH OF THE TEN YEARS, THE ANNUAL TOTAL AMOUNT OF THE RATE, CHARGE, FEE, FARE, TOLL, RENTAL, OR CLASSIFICATION.

(b) EACH UTILITY SHALL POST AND KEEP CURRENT ON ITS WEBSITE THE RATE TREND REPORT DATA, INCLUDING THE CHART, GRAPH, OR OTHER VISUALIZATION DEMONSTRATING THE TEN-YEAR HISTORICAL TREND SUBMITTED AS PART OF THE RATE TREND REPORT. ANY VISUALIZATION MUST INCLUDE ALL UTILITY BILL LINE ITEMS, INCLUDING ALL RATES AND RATE RIDERS.

(3) **Gas cost or electric commodity adjustment filing requirements.** A UTILITY THAT FILES A GAS COST ADJUSTMENT FILING OR AN ELECTRIC COMMODITY ADJUSTMENT FILING SHALL PROVIDE COPIES OF ALL CONFIDENTIAL MATERIALS AND ALL EXECUTABLE MATERIALS RELATED TO THE FILING TO THE COMMISSION'S STAFF AND THE OFFICE OF THE UTILITY CONSUMER ADVOCATE CREATED IN SECTION 40-6.5-102 (1).

SECTION 3. In Colorado Revised Statutes, **amend** 40-3-114 as follows:

40-3-114. Cost recovery - prohibitions - reporting - penalties - definitions. (1) The commission shall ensure that regulated electric and gas utilities do not use ratepayer funds to subsidize nonregulated activities.

(2) A UTILITY SHALL NOT RECOVER THE FOLLOWING COSTS FROM ITS CUSTOMERS, WHETHER AS PART OF PROPOSED BASE RATE COSTS, A RIDER, OR OTHER CHARGES:

(a) MORE THAN FIFTY PERCENT OF ANNUAL TOTAL COMPENSATION OR OF EXPENSE REIMBURSEMENT FOR MEMBERS OF THE BOARD OF DIRECTORS OF THE UTILITY;

(b) TAX PENALTIES OR FINES ISSUED AGAINST THE UTILITY;

(c) INVESTOR-RELATION EXPENSES;

(d) ADVERTISING AND PUBLIC RELATIONS EXPENSES THAT DO NOT DIRECTLY RELATE TO A PURPOSE OR PROGRAM THAT IS REQUIRED OR AUTHORIZED UNDER STATUTE OR COMMISSION RULE OR ORDER. ADVERTISING AND PUBLIC RELATIONS EXPENSES FOR WHICH COST RECOVERY IS PROHIBITED INCLUDE:

(I) COMMUNICATIONS TO PROMOTE OR IMPROVE THE UTILITY'S BRAND;

(II) EXPENSES FOR THE PURPOSE OF INFLUENCING PUBLIC OPINION ABOUT THE UTILITY; AND

(III) EXPENSES INTENDED TO CREATE GOOD WILL TOWARD THE UTILITY FROM THE GENERAL PUBLIC.

(e) EXPENSES FOR LOBBYING OR OTHER ACTIVITIES MEANT TO INFLUENCE THE OUTCOME OF ANY LOCAL, STATE, OR FEDERAL LEGISLATION, ORDINANCE, RESOLUTION, OR BALLOT MEASURE;

(f) CHARITABLE GIVING EXPENSES, INCLUDING CONTRIBUTIONS TO ORGANIZATIONS QUALIFIED UNDER SECTION 501 (c)(3) OR 501 (c)(4) OF THE FEDERAL "INTERNAL REVENUE CODE OF 1986", 26 U.S.C. SEC. 501, AS AMENDED;

(g) ORGANIZATIONAL OR MEMBERSHIP DUES, OR OTHER CONTRIBUTIONS, TO ANY ORGANIZATION, ASSOCIATION, INSTITUTION, CORPORATION, OR OTHER ENTITY THAT ENGAGES IN LOBBYING OR OTHER SIMILAR ACTIVITIES INTENDED TO INFLUENCE THE OUTCOME OF ANY LOCAL,

STATE, OR FEDERAL LEGISLATION, ORDINANCE, RESOLUTION, RULE, BALLÓT MEASURE, OR OTHER REGULATORY DECISION;

(h) CONTRIBUTIONS TO POLITICAL CANDIDATES, CAMPAIGN COMMITTEES, ISSUE COMMITTEES, OR INDEPENDENT EXPENDITURE COMMITTEES OR SIMILAR POLITICAL EXPENSES;

(i) TRAVEL, LODGING, FOOD, AND BEVERAGE EXPENSES FOR THE UTILITY'S BOARD OF DIRECTORS AND OFFICERS;

(j) ENTERTAINMENT OR GIFT EXPENSES;

(k) EXPENSES RELATED TO ANY OWNED, LEASED, OR CHARTERED AIRCRAFT FOR THE UTILITY'S BOARD OF DIRECTORS AND OFFICERS; OR

(l) EXPENSES RELATED TO MARKETING AND ADMINISTRATION OR CUSTOMER SERVICE FOR UNREGULATED PRODUCTS OR SERVICES PROVIDED OR SOLD BY THE UTILITY OR THE UTILITY'S AFFILIATES.

(3) SUBSECTIONS (2)(g) AND (2)(h) OF THIS SECTION SHALL NOT BE CONSTRUED TO APPLY TO A UTILITY EMPLOYEE'S OR CONTRACT WORKER'S ACTIVITIES RESULTING FROM ANY VOLUNTARY DUES DEDUCTIONS THAT ARE PROCESSED THROUGH STANDARD PAYROLL PROCESSES.

(4) (a) NOTWITHSTANDING PENALTIES SET FORTH IN ARTICLE 7 OF THIS TITLE 40, IF THE COMMISSION DETERMINES THAT A UTILITY IMPROPERLY RECOVERED COSTS PURSUANT TO SUBSECTION (2) OF THIS SECTION, THE COMMISSION MAY ASSESS A NONRECOVERABLE PENALTY AGAINST THE UTILITY.

(b) IN ADDITION TO ASSESSING A NONRECOVERABLE PENALTY AGAINST A UTILITY PURSUANT TO SUBSECTION (3)(a) OF THIS SECTION, THE COMMISSION SHALL ORDER THE UTILITY TO REFUND THE AMOUNT IMPROPERLY RECOVERED PURSUANT TO SUBSECTION (2) OF THIS SECTION, PLUS INTEREST, TO CUSTOMERS.

(5) THE COMMISSION SHALL REQUIRE A UTILITY TO FILE AN ANNUAL REPORT WITH THE COMMISSION TO ENSURE THE UTILITY'S COMPLIANCE WITH THIS SECTION. THE REPORT MUST INCLUDE THE PURPOSE, PAYEE, AND AMOUNT OF ANY EXPENSES ASSOCIATED WITH THE COSTS AND ACTIVITIES

THAT ARE NOT PERMITTED TO BE RECOVERED FROM CUSTOMERS PURSUANT TO THIS SECTION.

(6) AS USED IN THIS SECTION, UNLESS THE CONTEXT OTHERWISE REQUIRES:

(a) (I) "ADVERTISING" MEANS THE ACT OF PUBLISHING, DISSEMINATING, SOLICITING, OR CIRCULATING WRITTEN, ONLINE, VIDEO, OR AUDIO COMMUNICATION INTENDED TO INDUCE A PERSON TO PATRONIZE A PRODUCT, SERVICE, BUSINESS, OR INDUSTRY; PROMOTE A BUSINESS'S BRAND; OTHERWISE EMPHASIZE DESIRABLE QUALITIES ABOUT A PRODUCT, SERVICE, BUSINESS, OR INDUSTRY; OR INFLUENCE PUBLIC OPINION WITH RESPECT TO LEGISLATIVE, ADMINISTRATIVE, OR ELECTORAL MATTERS.

(II) "ADVERTISING" DOES NOT INCLUDE:

(A) ADVERTISING REQUIRED OR AUTHORIZED BY LAW, REGULATION, OR ORDER;

(B) ADVERTISING DIRECTLY RELATED TO A PURPOSE OR PROGRAM REGARDING INCOME-BASED SERVICE, SPECIAL RATES, PILOT PROGRAMS, ENERGY CONSERVATION, ENERGY EFFICIENCY, BENEFICIAL ELECTRIFICATION, RENEWABLE ENERGY, TRANSPORTATION ELECTRIFICATION, OR OTHER CONSUMER EDUCATION INFORMATION;

(C) ADVERTISING REGARDING SERVICE INTERRUPTIONS, SAFETY MEASURES, OR EMERGENCY CONDITIONS; OR

(L) ADVERTISING CONCERNING EMPLOYMENT OPPORTUNITIES WITH THE UTILITY.

(b) "AIRCRAFT" HAS THE MEANING SET FORTH IN SECTION 41-2-101 (1).

(c) "BASE RATE" HAS THE MEANING SET FORTH IN SECTION 40-3-102.5 (1)(d)(I).

(d) "ELECTRIC UTILITY" MEANS AN INVESTOR-OWNED ELECTRIC UTILITY IN THE STATE.

(e) "EXPENSES" MEANS ANY PAYMENT MADE IN THE FORM OF COMPENSATION THAT A UTILITY PAYS TO AN EXTERNAL FIRM, A CORPORATE AFFILIATE, OR AN EMPLOYEE OF THE UTILITY.

(f) "GAS UTILITY" MEANS AN INVESTOR-OWNED GAS UTILITY IN THE STATE.

(g) "LOBBYING" MEANS DIRECTLY, OR THROUGH THE SOLICITATION OF OTHERS, COMMUNICATING WITH A PERSON THAT IS IN A POSITION TO MAKE A POLICY DECISION IN ORDER TO INFLUENCE THE OUTCOME OF LOCAL, STATE, OR FEDERAL LEGISLATION.

(h) "RATE CASE" MEANS A FORMAL HEARING OF THE COMMISSION TO DETERMINE IF THE BASE RATES OF AN ELECTRIC UTILITY OR GAS UTILITY ARE JUST AND REASONABLE PURSUANT TO SECTION 40-3-101.

(i) "RIDER" MEANS A CHARGE ADDED TO A UTILITY BILL TO RECOVER A SPECIFIC COST THAT IS NOT PART OF THE BASE RATE.

(j) "UTILITY" MEANS AN INVESTOR-OWNED ELECTRIC UTILITY OR GAS UTILITY IN THE STATE.

SECTION 4. In Colorado Revised Statutes, **add** 40-3-120 and 40-3-121 as follows:

40-3-120. Fuel cost sharing - gas utilities- electric utilities - rules.

(1) (a) ON OR BEFORE NOVEMBER 1, 2023, AN INVESTOR-OWNED GAS UTILITY SHALL FILE WITH THE COMMISSION A GAS PRICE RISK MANAGEMENT PLAN THAT INCLUDES PROPOSALS FOR LEVELING OR REDUCING THE VOLATILITY OF FUEL COSTS THAT ARE RECOVERED PURSUANT TO THE UTILITY'S GAS COST ADJUSTMENT FILINGS. SUCH PLAN MUST INCLUDE A MAXIMUM PER-MONTH FUEL COST THAT ACCOUNTS FOR PRICE FLUCTUATIONS BASED ON SEASONALITY AND CAN BE AUTOMATICALLY RECOVERED THROUGH THE GAS COST ADJUSTMENT MECHANISM. THE PLAN MAY INCLUDE OTHER ELEMENTS SUCH AS PHYSICAL HEDGING, FINANCIAL HEDGING, FUEL STORAGE, OR LONG-TERM CONTRACTING.

(b) THE COMMISSION SHALL ALLOW ANY PRUDENTLY INCURRED COSTS ABOVE THE MAXIMUM MONTHLY FUEL COST INCLUDED IN AN INVESTOR-OWNED GAS UTILITY'S PLAN PURSUANT TO SUBSECTION (1)(a) OF

THIS SECTION TO BE RECORDED IN A DEFERRED BALANCE THAT IS RECOVERABLE AND AMORTIZED OVER AN APPROPRIATE TIMELINE OF NO MORE THAN FIVE YEARS WITH FINANCING COSTS, AS DETERMINED BY THE COMMISSION.

(c) THE COMMISSION SHALL APPROVE, AMEND, OR DENY A PLAN SUBMITTED PURSUANT TO THIS SUBSECTION (1) BASED ON A DETERMINATION OF THE BEST INTERESTS OF A UTILITY'S RATEPAYERS, IN SO FAR AS THE COMMISSION FINDS THAT THE PLAN IS IN THE PUBLIC INTEREST.

(2) (a) ON OR BEFORE JANUARY 1, 2025, THE COMMISSION SHALL ADOPT RULES TO ESTABLISH MECHANISMS TO ALIGN THE FINANCIAL INCENTIVES OF AN INVESTOR-OWNED ELECTRIC OR GAS UTILITY WITH THE INTERESTS OF THE UTILITY'S CUSTOMERS REGARDING INCURRED FUEL COSTS.

(b) THE MECHANISMS ESTABLISHED BY RULE PURSUANT TO SUBSECTION (2)(a) OF THIS SECTION MUST BE DESIGNED TO PROTECT CUSTOMERS AND TO IMPROVE THE UTILITY'S MANAGEMENT OF FUEL COSTS. THE COMMISSION SHALL TAILOR THE MECHANISMS TO APPLY TO DIFFERENT UTILITIES BASED ON A UTILITY'S SIZE OR ABILITY TO IMPLEMENT THE MECHANISMS.

(c) THE COMMISSION MAY ESTABLISH A SYMMETRICAL INCENTIVE FOR THE UTILITY TO SUCCESSFULLY IMPLEMENT THE MECHANISMS.

(3) IN ADOPTING THE RULES PURSUANT TO SUBSECTION (2)(a) OF THIS SECTION, THE COMMISSION:

(a) SHALL CONSIDER:

(I) SYMMETRICALLY ALLOCATING AN AMOUNT OF FUEL PRICE RISK TO THE INVESTOR-OWNED ELECTRIC OR GAS UTILITY, SUBJECT TO REASONABLE PARAMETERS, INCLUDING:

(A) A RANGE OF OUTCOMES WITHIN WHICH NO RISK SHARING OCCURS; AND

(B) A CAP ON ANY INCENTIVE OR COST SHARE THAT RESULTS FROM THE RISK-MITIGATION MECHANISM; AND

(II) MECHANISMS TO IMPROVE ELECTRICITY PRODUCTION COST EFFICIENCY WHILE MINIMIZING FUEL COSTS, SUCH AS SYMMETRICALLY ALLOCATING A PORTION OF IMPROVEMENTS OR DEGRADATIONS IN ELECTRICITY PRODUCTION PER DOLLAR OF FUEL OR PER DOLLAR OF ACQUISITION COSTS INCURRED; AND

(b) SHALL CONSIDER, TO THE EXTENT SUCH INFORMATION IS RELEVANT:

(I) THE FINANCIAL HEALTH OF THE UTILITY AND CORRESPONDING IMPACTS ON CUSTOMER AFFORDABILITY; AND

(II) THE UTILITY'S ABILITY TO MAKE INVESTMENTS TO ACHIEVE THE STATE'S ENERGY POLICY OBJECTIVES IN AN AFFORDABLE MANNER FOR CUSTOMERS.

(4) NOTHING IN THIS SECTION:

(a) SHALL BE CONSTRUED TO AUTOMATICALLY SHIFT RISK TO THE INVESTOR-OWNED ELECTRIC OR GAS UTILITY; OR

(b) WARRANTS AN AUTOMATIC ADJUSTMENT TO THE AMOUNT OF ALLOWABLE RETURN ON EQUITY OR ANY OTHER RATE-MAKING METRIC.

40-3-121. Natural gas cost causation study - commission proceeding - reporting - repeal. (1) (a) WITHIN SIXTY DAYS AFTER THE COMMISSION ISSUES A FINAL, NONAPPEALABLE DECISION REGARDING THE FIRST CLEAN HEAT PLAN FILED PURSUANT TO SECTION 40-3.2-108 BY A NATURAL GAS UTILITY THAT SERVES MORE THAN FIVE HUNDRED THOUSAND CUSTOMERS, THE COMMISSION SHALL OPEN A PROCEEDING TO INVESTIGATE WHETHER AND HOW RESIDENTIAL DEVELOPMENT AND OTHER DEVELOPMENT IN CERTAIN GEOGRAPHIC AREAS DRIVE NATURAL GAS INFRASTRUCTURE COSTS FOR ANY NATURAL GAS UTILITY THAT SERVES MORE THAN FIVE HUNDRED THOUSAND CUSTOMERS IN THE STATE, PARTICULARLY WITH REGARD TO THE IMPACT THAT THE DEVELOPMENT HAS ON NONPARTICIPATING INCOME-QUALIFIED CUSTOMERS.

(b) THE PROCEEDING MUST IDENTIFY SPECIFIC, NEW LARGE NATURAL GAS INFRASTRUCTURE INVESTMENTS AND, FOR EACH INVESTMENT IDENTIFIED, DETERMINE THE EXTENT TO WHICH NEW RESIDENTIAL

DEVELOPMENT OR OTHER DEVELOPMENT BY A GEOGRAPHIC AREA IS DISPROPORTIONATELY NECESSITATING THAT INVESTMENT.

(c) THE PROCEEDING MUST INCLUDE A CALCULATION OF THE BENEFITS AND COSTS OF THE GROWTH IN NEW RESIDENTIAL DEVELOPMENT AND OTHER DEVELOPMENT TO BOTH THE NATURAL GAS UTILITY CUSTOMERS FOR WHOM THE INFRASTRUCTURE INVESTMENT IS BEING MADE AND NONPARTICIPATING RETAIL AND WHOLESALE NATURAL GAS UTILITY CUSTOMERS, PARTICULARLY THOSE NONPARTICIPATING CUSTOMERS WHO ARE INCOME-QUALIFIED CUSTOMERS.

(2) AFTER COMPLETION OF THE INVESTIGATION, THE COMMISSION SHALL HOLD A HEARING IN THE INVESTIGATORY PROCEEDING, AT WHICH THE COMMISSION SHALL CONSIDER THE INFORMATION GATHERED IN THE INVESTIGATION AND PUBLIC COMMENTS WITH RESPECT TO A NATURAL GAS UTILITY THAT SERVES MORE THAN FIVE HUNDRED THOUSAND CUSTOMERS IN THE STATE, TO:

(a) DETERMINE WHETHER ALTERNATIVE INFRASTRUCTURE, SERVICE INVESTMENTS, OR OTHER UTILITY ACTIONS COULD MITIGATE IMPACTS ON NONPARTICIPATING OR INCOME-QUALIFIED CUSTOMERS IN A MANNER THAT IS NECESSARY, APPROPRIATE, AND COULD HELP REDUCE GREENHOUSE GAS EMISSIONS IN ALIGNMENT WITH THE "COLORADO GREENHOUSE GAS POLLUTION REDUCTION ROADMAP", PUBLISHED BY THE COLORADO ENERGY OFFICE; AND

(b) IDENTIFY THE UP-FRONT AND SERVICE LIFE ANNUALIZED COSTS AND BENEFITS OF THE ALTERNATIVES IDENTIFIED IN SUBSECTION (2)(a) OF THIS SECTION.

(3) THIS SECTION IS REPEALED, EFFECTIVE SEPTEMBER 1, 2025.

SECTION 5. In Colorado Revised Statutes, **add** 40-3.2-104.3, 40-3.2-104.4, 40-3.2-104.5, and 40-3.2-104.6 as follows:

40-3.2-104.3. Eliminating incentives for gas service to properties - gas line extension allowances - exemptions - definitions. (1) AS USED IN THIS SECTION, UNLESS THE CONTEXT OTHERWISE REQUIRES:

(a) "APPLICANT" MEANS A PERSON THAT REQUESTS NATURAL GAS

SERVICE AND THAT OWNS THE REAL PROPERTY REQUIRING THE SERVICE. "APPLICANT" INCLUDES A DEVELOPER, BUILDER, LEGAL ENTITY, OR OTHER PERSON THAT HAS LEGAL AUTHORITY OVER THE PROPERTY.

(b) "DUAL-FUEL UTILITY" MEANS A UTILITY THAT OFFERS ITS CUSTOMERS BOTH ELECTRIC AND GAS SERVICE.

(c) "GAS UTILITY" MEANS A GAS UTILITY THAT THE COMMISSION REGULATES WITH RESPECT TO RATES AND CHARGES.

(d) "LINE EXTENSION ALLOWANCE" MEANS A BUNDLE OF COSTS THAT INCLUDES CONSTRUCTION ALLOWANCES FOR NEW SERVICE LINES, METERS, AND OTHER INFRASTRUCTURE ASSOCIATED WITH THE ADDITION OF A NEW CUSTOMER TO A GAS UTILITY'S DISTRIBUTION SYSTEM.

(2) (a) A GAS UTILITY SHALL NOT PROVIDE AN APPLICANT AN INCENTIVE, INCLUDING A LINE EXTENSION ALLOWANCE, TO ESTABLISH GAS SERVICE TO A PROPERTY.

(b) THE COMMISSION MAY REQUIRE A DUAL-FUEL UTILITY TO PROVIDE ITS CUSTOMERS THAT RECEIVE GAS AND ELECTRIC SERVICE FROM THE UTILITY WITH RELEVANT INFORMATION REGARDING OPTIONS FOR SWITCHING TO HIGH-EFFICIENCY ELECTRIC SPACE HEATING OR WATER HEATING, INCLUDING:

(I) A LIST OF APPLIANCES, FOR WHICH THE UTILITY PROVIDES INCENTIVES OR REBATES; AND

(II) FOR EXISTING OR PROSPECTIVE CUSTOMERS THAT ARE GOVERNMENT ENTITIES, A COST-BENEFIT ANALYSIS OF ELECTRIFICATION OPTIONS THAT INCLUDES UP-FRONT AND LIFETIME COSTS, WHICH ANALYSIS MUST TAKE INTO ACCOUNT AVAILABLE INCENTIVES AND REBATES AND USE A REASONABLE COST THAT REFLECTS GAS PRICE VOLATILITY.

(c) ON OR BEFORE DECEMBER 31, 2023, EACH GAS UTILITY SHALL FILE WITH THE COMMISSION AN UPDATED TARIFF TO REFLECT THE REMOVAL OF ANY INCENTIVES FOR AN APPLICANT TO ESTABLISH GAS SERVICE TO A PROPERTY.

(d) NOTWITHSTANDING SUBSECTION (2)(c) OF THIS SECTION, A

UTILITY MAY EXEMPT FROM THE UPDATED TARIFF ANY APPLICANT THAT:

(I) HAS ALREADY SUBMITTED AN APPLICATION THAT HAS BEEN APPROVED OR IS PENDING AS OF THE EFFECTIVE DATE OF THIS SECTION;

(II) CAN DEMONSTRATE OR ATTEST THAT THE APPLICANT HAS SUBMITTED A PERMIT APPLICATION TO THE LOCAL GOVERNMENT WITH PERMITTING AUTHORITY IN THE LOCATION OF THE PROPERTY AND THAT THE APPLICATION IS EITHER APPROVED OR PENDING AS OF THE EFFECTIVE DATE OF THIS SECTION; OR

(III) CAN DEMONSTRATE OR ATTEST THAT THE APPLICANT HAS SUBMITTED TO A LOCAL GOVERNMENT A SITE DEVELOPMENT PLAN OR PLAT THAT IS EITHER APPROVED OR PENDING AS OF THE EFFECTIVE DATE OF THIS SECTION; EXCEPT THAT AN APPLICANT THAT HAS SUBMITTED A SITE DEVELOPMENT PLAN OR PLAT FOR WHICH A PERMIT APPLICATION TO THE LOCAL GOVERNMENT HAS NOT BEEN APPROVED ON OR BEFORE DECEMBER 31, 2024, IS NOT EXEMPT.

40-3.2-104.4. Colorado energy office gas investment asset depreciation study - third-party evaluation - commission rules.

(1) (a) ON OR BEFORE JULY 1, 2024, THE COLORADO ENERGY OFFICE CREATED IN SECTION 24-38.5-101 (1) SHALL CONTRACT WITH AN INDEPENDENT THIRD PARTY TO EVALUATE THE RISK OF STRANDED OR UNDERUTILIZED NATURAL GAS INFRASTRUCTURE INVESTMENTS AND THE ANNUAL PROJECTED RATE IMPACT ON RATEPAYERS.

(b) THE EVALUATION MUST TAKE INTO ACCOUNT:

(I) ANY PROJECTED DECLINE IN GAS SALES;

(II) THE DECLINE IN THE NUMBER OF GAS CUSTOMERS; AND

(III) MEASURES TO ACHIEVE THE GREENHOUSE GAS EMISSION REDUCTION GOALS SET FORTH IN SECTION 25-7-102 (2)(g).

(c) THE INDEPENDENT THIRD PARTY SHALL CONDUCT AN ANALYSIS OF, AND INCLUDE POLICY RECOMMENDATIONS RELATED TO, THE POTENTIAL IMPACTS OF STRANDED OR UNDERUTILIZED NATURAL GAS INFRASTRUCTURE ON UTILITY EMPLOYEES WHO WORK FOR, OR CONTRACT WORKERS WHO

PERFORM WORK FOR, INVESTOR-OWNED GAS UTILITIES. IN CONDUCTING THE STUDY, THE INDEPENDENT THIRD PARTY SHALL CONSULT WITH APPROPRIATE LABOR ORGANIZATIONS THAT REPRESENT UTILITY EMPLOYEES WHO WORK FOR, AND CONTRACT WORKERS WHO PERFORM WORK FOR, INVESTOR-OWNED GAS UTILITIES AND OTHER RELEVANT STAKEHOLDERS.

(2) AFTER THE INDEPENDENT THIRD-PARTY EVALUATION DESCRIBED IN SUBSECTION (1) OF THIS SECTION IS COMPLETED, THE COLORADO ENERGY OFFICE SHALL SUBMIT A WRITTEN COPY OF THE FINDINGS AND CONCLUSIONS OF THE EVALUATION TO THE COMMISSION. THE COMMISSION SHALL REVIEW THE EVALUATION AND CONSIDER WHETHER ANY CHANGES TO RULES OR DEPRECIATION SCHEDULES ARE WARRANTED.

(3) (a) AN INVESTOR-OWNED GAS UTILITY SHALL PROVIDE AS PART OF ANY GAS INFRASTRUCTURE PLAN, OR AS OTHERWISE DIRECTED BY THE COMMISSION, A MAP SHOWING SYSTEM-WIDE LOCATIONS, AGES, AND MATERIALS OR TYPES OF GAS DISTRIBUTION SYSTEM PIPES, CONSISTENT WITH 49 CFR 191 AND SECTION 40-2-115 (1)(d).

(b) AS PART OF THE FILING, THE INVESTOR-OWNED GAS UTILITY SHALL ALSO PROVIDE INFORMATION ABOUT PIPES THAT MAY NEED TO BE UPGRADED OR REPLACED WITHIN TEN YEARS AFTER THE DATE THAT THE UTILITY FILES THE PLAN, UNLESS OTHERWISE DIRECTED BY THE COMMISSION.

(c) THE COMMISSION SHALL ENSURE THAT THE CONTENT OF THE MAP PROVIDED TO THE COMMISSION AND SHARING PROCEDURES ARE IN COMPLIANCE WITH THE PARAMETERS RELATED TO CRITICAL INFRASTRUCTURE REPORTING STANDARDS OF THE CALIFORNIA INSTITUTE FOR ENERGY AND ENVIRONMENT, OR ITS SUCCESSOR ORGANIZATION, AND THE SAFETY AND SYSTEM INTEGRITY STANDARDS OF THE AMERICAN PETROLEUM INSTITUTE, OR ITS SUCCESSOR ORGANIZATION.

(d) (I) AN INVESTOR-OWNED GAS UTILITY MAY DESIGNATE ANY MAP OR ASSOCIATED INFORMATION PROVIDED PURSUANT TO THIS SUBSECTION (3) AS CONTAINING CRITICAL INFRASTRUCTURE INFORMATION. IF THE COMMISSION DETERMINES THAT THE DESIGNATED MAP OR ASSOCIATED INFORMATION DOES NOT CONTAIN CRITICAL INFRASTRUCTURE INFORMATION, THE INVESTOR-OWNED GAS UTILITY MAY APPEAL THE COMMISSION'S DETERMINATION IN A COURT OF COMPETENT JURISDICTION BY FILING THE APPEAL WITHIN TEN DAYS AFTER THE COMMISSION'S DETERMINATION.

(II) IF THE COMMISSION DETERMINES THAT THE DISCLOSURE OF THE DESIGNATED MAP OR ASSOCIATED INFORMATION MAY EXPOSE OR CREATE VULNERABILITY TO CRITICAL INFRASTRUCTURE FACILITIES OR SYSTEMS, THE COMMISSION:

(A) SHALL LIMIT ACCESS TO THE DESIGNATED MAP OR ASSOCIATED INFORMATION TO INDIVIDUALS AT STATE AGENCIES THAT ARE PARTIES TO THE PROCEEDING IN WHICH THE MAP OR ASSOCIATED INFORMATION WAS PROVIDED; AND

(B) EXCEPT AS PROVIDED IN SUBSECTION (3)(d)(II)(A) OF THIS SECTION, SHALL NOT PROVIDE THE DESIGNATED MAP OR ASSOCIATED INFORMATION TO ANY PERSONS AND MAY ORDER THE INVESTOR-OWNED GAS UTILITY TO PROVIDE A PUBLIC REDACTED VERSION OF THE MAP OR ASSOCIATED INFORMATION THAT INCLUDES A GENERAL DESCRIPTION OF THE INFORMATION WITHOUT DETAILED LOCATION INFORMATION.

(III) A CUSTODIAN, AS DEFINED IN SECTION 24-72-202 (1.1), SHALL NOT RELEASE A MAP OR ASSOCIATED INFORMATION FOR WHICH THE COMMISSION HAS LIMITED ACCESS PURSUANT TO SUBSECTION (3)(d)(II) OF THIS SECTION IN RESPONSE TO ANY REQUEST TO INSPECT PUBLIC RECORDS PURSUANT TO THE "COLORADO OPEN RECORDS ACT", PART 2 OF ARTICLE 72 OF TITLE 24.

40-3.2-104.5. Customer disconnection from investor-owned gas utility service - rules. (1) AN INVESTOR-OWNED GAS UTILITY SHALL NOT PENALIZE OR CHARGE A FEE TO A CUSTOMER THAT VOLUNTARILY TERMINATES GAS SERVICE. ONCE A CUSTOMER HAS TERMINATED THE INVESTOR-OWNED UTILITY'S GAS SERVICE, THE UTILITY SHALL NOT CONTINUE TO CHARGE THE CUSTOMER ANY FEES. ANY COSTS ASSOCIATED WITH TERMINATION SHALL BE CONSIDERED PART OF GENERAL DISTRIBUTION SYSTEM INVESTMENTS AND ARE ELIGIBLE FOR COST RECOVERY.

(2) THE COMMISSION MAY ADOPT RULES TO ESTABLISH STANDARDS FOR A CUSTOMER'S VOLUNTARY DISCONNECTION FROM AN INVESTOR-OWNED GAS UTILITY'S GAS DISTRIBUTION SYSTEM. IF THE COMMISSION ADOPTS THE DISCONNECTION RULES, THE COMMISSION MUST CONSIDER:

(a) THE HEALTH AND SAFETY RISKS RELATED TO THE CUSTOMER NO LONGER USING THE GAS DISTRIBUTION SYSTEM;

(b) THE COST EFFECTIVENESS OF THE METHOD OF DISCONNECTION;

(c) THE USE OF, OR REQUIRING THE INSTALLATION OF, SHUT-OFF VALVES OR PIPELINE CAPS AS AN OPTION IN LIEU OF POTENTIALLY MORE COST-PROHIBITIVE EXCAVATION OR CONSTRUCTION ACTIVITIES TO REMOVE EXISTING GAS INFRASTRUCTURE;

(d) THE IMPACT ON STAFFING, INCLUDING ANY REQUIREMENTS AND PROCEDURES FOR UTILITY EMPLOYEES AND CONTRACT WORKERS;

(e) THE IMPACT ON CRITICAL REPAIRS, SCHEDULED MAINTENANCE, LEAK MITIGATION, AND OTHER RELATED ACTIVITIES; AND

(f) ANY OTHER CONSIDERATION THAT THE COMMISSION DEEMS APPROPRIATE.

(3) NOTHING IN THIS SECTION SHALL BE CONSTRUED TO MEAN THAT A UTILITY CANNOT CHARGE AN INDIVIDUAL CUSTOMER FOR EXCAVATION OR CONSTRUCTION ACTIVITIES TO REMOVE EXISTING GAS INFRASTRUCTURE IF THE CUSTOMER HAS DECLINED THE MORE COST-EFFECTIVE METHODS TO DISCONNECT SERVICE.

40-3.2-104.6. Commission study on beneficial electrification - repeal. (1) ON OR BEFORE JANUARY 1, 2024, THE COMMISSION SHALL CONDUCT A STUDY TO BE COMPLETED NO LATER THAN MARCH 15, 2024, EXAMINING EXISTING INVESTOR-OWNED ELECTRIC UTILITY TARIFFS AND INTERCONNECTION POLICIES AND PRACTICES TO DETERMINE:

(a) IF THE TARIFFS, POLICIES, AND PRACTICES POSE A BARRIER TO THE BENEFICIAL ELECTRIFICATION OF TRANSPORTATION AND BUILDINGS AND THE OFFSETTING OF THAT ENERGY USE WITH DISTRIBUTED ENERGY RESOURCES;

(b) IF THE APPLICATION OF TRADITIONAL COST-CAUSATION AND COST RECOVERY PRINCIPLES POSE A BARRIER TO SUCH BENEFICIAL ELECTRIFICATION AND THE OFFSETTING OF THAT ENERGY USE WITH DISTRIBUTED ENERGY RESOURCES; AND

(c) WHETHER REQUIRING A CUSTOMER THAT SEEKS TO INTERCONNECT DISTRIBUTED ENERGY RESOURCES OR BENEFICIAL ELECTRIFICATION RESOURCES TO THE INVESTOR-OWNED ELECTRIC UTILITY'S

ELECTRIC GRID TO BEAR THE FULL INCREMENTAL COST OF TRANSFORMER OR SERVICE UPGRADES NEEDED AT THE TIME OF INTERCONNECTION IMPOSES AN UNDUE BURDEN ON THE CUSTOMER, WITH CONSIDERATION GIVEN TO METHODS FOR SHARING THE COST RECOVERY AMONG CUSTOMERS.

(2) IN CONDUCTING THE STUDY PURSUANT TO SUBSECTION (1) OF THIS SECTION, THE COMMISSION SHALL CONSIDER WHETHER TO DIRECT AN INVESTOR-OWNED ELECTRIC UTILITY TO MAKE CHANGES:

(a) TO ITS TARIFFS, POLICIES, PRACTICES, OR COST ALLOCATION;

(b) IN THE ALLOCATION OF DISTRIBUTION SYSTEM COSTS, INCLUDING THE COSTS OF TRANSFORMER, SUBSTATION, OR SERVICE UPGRADES AS PART OF THE UTILITY'S INVESTMENT IN ITS DISTRIBUTION SYSTEM; AND

(c) TO ITS DISTRIBUTION SYSTEM PLANNING PROCESS TO BETTER PLAN FOR AND ACCOMMODATE FUTURE BENEFICIAL ELECTRIFICATION AND DISTRIBUTED ENERGY RESOURCE INVESTMENTS TO ALIGN WITH THE STATE'S GREENHOUSE GAS EMISSION REDUCTION GOALS SET FORTH IN SECTION 25-7-102 (2)(g).

(3) UPON COMPLETION OF THE STUDY, THE COMMISSION SHALL POST WRITTEN FINDINGS AND CONCLUSIONS FROM THE STUDY ON THE COMMISSION'S WEBSITE.

(4) THIS SECTION IS REPEALED, EFFECTIVE SEPTEMBER 1, 2025.

SECTION 6. In Colorado Revised Statutes, 40-6-109, **amend** (1) as follows:

40-6-109. Hearings - orders - record - review - representation of entities in nonadjudicatory proceedings. (1) (a) (I) At the time fixed for any hearing before the commission, any commissioner, or an administrative law judge or at the time to which the ~~same~~ HEARING may have been continued, ~~the applicant, petitioner, complainant, the person, firm, or corporation complained of, and such persons, firms, or corporations as the commission may allow to intervene and such persons, firms, or corporations as will be interested in or affected by any order that may be made by the commission in such proceeding and who shall have become parties to the proceeding shall be~~ THE FOLLOWING PERSONS ARE entitled to be heard,

examine and cross-examine witnesses, and introduce evidence:

- (A) THE APPLICANT;
- (B) THE PETITIONER;
- (C) THE COMPLAINANT;
- (D) THE PERSON, FIRM, OR CORPORATION COMPLAINED OF;
- (E) SUCH PERSONS, FIRMS, OR CORPORATIONS AS THE COMMISSION MAY ALLOW TO INTERVENE; AND
- (F) SUCH PERSONS, FIRMS, OR CORPORATIONS AS WILL BE INTERESTED IN OR AFFECTED BY ANY ORDER THAT MAY BE MADE BY THE COMMISSION IN SUCH PROCEEDING AND WHO SHALL HAVE BECOME PARTIES TO THE PROCEEDING.

(II) ALL PARTIES IN INTEREST ARE ENTITLED TO BE HEARD IN PERSON OR BY ATTORNEY.

(b) IN A PROCEEDING BEFORE THE COMMISSION THAT RELATES TO AN INVESTOR-OWNED UTILITY'S APPLICATION FOR COST RECOVERY, THE COMMISSION SHALL PERMIT A WHOLESALE CUSTOMER OF THE UTILITY TO INTERVENE IF THE CUSTOMER DEMONSTRATES A PECUNIARY OR TANGIBLE INTEREST IN THE PROCEEDING.

(c) A REPORTER APPOINTED BY THE COMMISSION, A COMMISSIONER IF DEEMED APPROPRIATE BY THE COMMISSION, OR, AS APPLICABLE, AN ADMINISTRATIVE LAW JUDGE SHALL TAKE DOWN AND RECORD ELECTRONICALLY a full and complete record of all proceedings had before the commission, any commissioner, or an administrative law judge in any formal hearing and all testimony. ~~shall be taken down by any reporter appointed by the commission or, as deemed appropriate by the commission, a commissioner, or an administrative law judge, as applicable, recorded electronically. All parties in interest shall be entitled to be heard in person or by attorney.~~

SECTION 7. Appropriation. (1) For the 2023-24 state fiscal year, \$1,347,554 is appropriated to the department of regulatory agencies. This

appropriation is from the public utilities commission fixed utility fund created in section 40-2-114 (1)(b)(II), C.R.S. To implement this act, the department may use this appropriation as follows:

(a) \$307,883 for use by the public utilities commission for personal services, which amount is based on an assumption that the commission will require an additional 3.3 FTE;

(b) \$31,135 for use by the public utilities commission for operating expenses;

(c) \$271,406 for use by the office of the utility consumer advocate for personal services, which amount is based on an assumption that the office will require an additional 2.5 FTE;

(d) \$23,385 for use by the office of the utility consumer advocate for operating expenses; and

(e) \$713,745 for the purchase of legal services.


(2) For the 2023-24 state fiscal year, \$713,745 is appropriated to the department of law. This appropriation is from reappropriated funds received from the department of regulatory agencies under subsection (1)(e) of this section and is based on an assumption that the department of law will require an additional 3.8 FTE. To implement this act, the department of law may use this appropriation to provide legal services for the department of regulatory agencies.


(3) For the 2023-24 state fiscal year, \$142,749 is appropriated to the department of law. This appropriation is from the legal services cash fund created in section 24-31-108 (4), C.R.S., from revenue received from the Colorado energy office in the office of the governor that originates as custodial federal funds that the Colorado energy office has authority to expend. The appropriation to the department of law is based on an assumption that the department of law will require an additional 0.8 FTE. To implement this act, the department of law may use this appropriation to provide legal services for the Colorado energy office in the office of the governor.


SECTION 8. Act subject to petition - effective date -

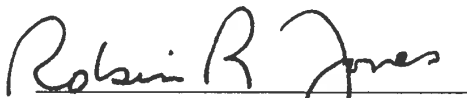
applicability. (1) This act takes effect at 12:01 a.m. on the day following the expiration of the ninety-day period after final adjournment of the general assembly; except that, if a referendum petition is filed pursuant to section 1 (3) of article V of the state constitution against this act or an item, section, or part of this act within such period, then the act, item, section, or part will not take effect unless approved by the people at the general election to be held in November 2024 and, in such case, will take effect on the date of the official declaration of the vote thereon by the governor.

(2) This act applies to conduct occurring on or after the applicable effective date of this act.


Steve Fenberg
PRESIDENT OF
THE SENATE


Julie McCluskie
SPEAKER OF THE HOUSE
OF REPRESENTATIVES


Cindi L. Markwell
SECRETARY OF
THE SENATE


Robin Jones
CHIEF CLERK OF THE HOUSE
OF REPRESENTATIVES

APPROVED Thursday May 11th 2023 at 11:00 am
(Date and Time)


Jared S. Polis
GOVERNOR OF THE STATE OF COLORADO